



Kallam Textiles Limited

(Our Company was incorporated as Kallam Agros Limited on February 18, 1992 under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh. The name of our Company was changed to Kallam Spinning Mills Limited and fresh Certificate of Incorporation dated September 22, 1994 was issued. The name of our Company was further changed to Kallam Textiles Limited and fresh Certificate of Incorporation dated April 09, 2018 was issued. The Registered Office of our Company was changed from 2-14-133, Syamala Nagar, Guntur Andhra Pradesh to Door No. 21-4-61, Mangalivari Veedhi, Sangadigunta, Guntur on December 01, 1993. The Registered office of our Company was subsequently changed to our current address on June 30, 1994. The Corporate Identification Number of our Company is L18100AP1992PLC013860).

Registered & Corporate Office: N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019

Tel. No.: +91 863 2344016; **Fax No.:** +91 863 2344000

Company Secretary & Compliance Officer: Mr. Nandan Bisoi

E-mail: corp@ksml.in ; **Website:** www.ksml.in

OUR PROMOTERS: Poluri Venkateshwara Reddy, Gurram Venkata Krishna Reddy, Kallam Mohan Reddy & Movva Venkata Subba Reddy

“FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF KALLAM TEXTILES LIMITED ONLY”

DRAFT LETTER OF OFFER

ISSUE OF [●] EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH (“EQUITY SHARES”) OF KALLAM TEXTILES LIMITED (“KALLAM” OR THE “COMPANY” OR THE “ISSUER”) FOR CASH AT A PRICE OF ₹[●] (INCLUDING SHARE PREMIUM OF ₹[●]) PER EQUITY SHARE (“ISSUE PRICE”) FOR AN AGGREGATE AMOUNT NOT EXCEEDING ₹ 995.50 LAKHS TO THE ELIGIBLE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF [●] EQUITY SHARE FOR EVERY [●] EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, I.E. [●] (“THE ISSUE”). THE ISSUE PRICE IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARES. FOR FURTHER DETAILS, SEE “OFFERING INFORMATION” BEGINNING ON PAGE 158.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The securities being offered in the issue have not been recommended or approved by the Securities and Exchange Board of India, (“SEBI”) or BSE, nor does SEBI or BSE guarantee the accuracy or adequacy of the Letter of Offer. Specific attention of investors is invited to the statement of ‘Risk factors’ given on page number 12.

ISSUER’S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on BSE Limited (BSE). We have received “in-principle” approval from BSE for listing the Equity Shares to be allotted in the Issue vide its letter dated [●]. For the purpose of this Issue, the Designated Stock Exchange is BSE.






| LEAD MANAGER TO THE ISSUE | | REGISTRAR TO THE ISSUE | |
|---|--|---|--|
| <div></div> <p>SPA Capital Advisors Limited SEBI Reg. No.: INM 000010825 25, C – Block Community Centre, Janak Puri, New Delhi – 110 058 Tel.: +91 11 4567 5500, 4558 6600 Fax: +91 11 2557 2342 E-mail: kallam.rights@spagroupindia.com Investor Grievance e-mail id: grievances.mb@spagroupindia.com Website: www.spacapital.com Contact Person: Sri Krishna Tapariya/Manish Sharma</p> | | <div></div> <p>Bigshare Services Private Limited SEBI Regn. No.: INR0000001385 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri East, Mumbai – 400 059 Tel.: +91 22 6263 8200 Fax: +91 22 6263 8299 E-mail: rightsissue@bigshareonline.com Investor Grievance e-mail id: investor@bigshareonline.com Website: www.bigshareonline.com Contact Person: Ashish Bhopre</p> | |
| ISSUE PROGRAMME | | | |
| ISSUE OPENS ON | LAST DATE FOR RECEIVING REQUEST FOR SPLIT APPLICATION FORMS | ISSUE CLOSES ON | |
| <div></div> | <div></div> | <div></div> | |

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DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations set forth below shall have the same meaning as stated in this section. The following list of certain terms used in this Draft Letter of Offer is intended for the convenience of prospective investors only and is not exhaustive. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

The work and expressions used in this Draft Letter of Offer but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in “Statement of Tax Benefits” and “Financial Statements” beginning on Pages 49 and 86, respectively, shall have the meaning given to such terms in such sections.

Company & Industry Related Terms

| Term | Description |
|---|---|
| “Our Company” / “Issuer” / we / us / “Kallam” | Unless the context otherwise requires, refers to, Kallam Textiles Limited, a public limited company under the Companies Act, 2013 |
| Articles of Association | The Articles of Association of our Company, as amended from time to time |
| Associates | Associates of our company |
| Audited Financial Statements | Audited financial statements for the Fiscal 2017-18, including the notes thereto and reports thereon |
| Auditors/Statutory Auditors | The Statutory Auditors of our Company, Chevuturi Associates, Chartered Accountants (Firm Registration No. 000632S) |
| BCI | Better Cotton Initiative, an initiative by World Wildlife Fund started in 2005 for promoting better standards in Cotton Farming |
| Board of Directors / Board | The Board of Directors of our Company, unless specified otherwise |
| Directors / our Directors | The Director(s) on the Board of our Company, unless otherwise specified |
| EPCG Scheme | Export Promotion Capital Goods Scheme |
| Equity Shares | Equity share of our Company of face value Rs. 2 each |
| Group Companies | Group Companies as determined in terms of Regulation 2(1)(t) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 |
| KMP | The key management personnel of our company in accordance with provisions of SEBI ICDR Regulations and the Companies Act, 2013. For details, please refer to chapter on “Our Management” beginning at Page 71 |
| MOA | The Memorandum of Association of our Company, as amended from time to time |
| NCEF | National Clean Energy Fund |
| Promoter | The promoter of our Company namely Poluri Venkateshwara Reddy, Kallam Mohan Reddy, Gurram Venkata Krishna Reddy, Movva Venkata Subba Reddy |
| Promoter Group | The promoter group of our company as determined in terms of Regulation 2(1)(pp) of SEBI ICDR Regulations |
| Registered Office | Registered Office of our Company situated at N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019 |
| SITP | Scheme for Integrated Textiles Parks |
| TUF/TUFS | Technology Upgradation Fund/Technology Upgradation Fund Scheme |

Issue Related Terms

| Term | Description |
|--|--|
| Abridged Letter of Offer | The Abridged Letter of Offer to be sent to Eligible Equity Shareholders of our Company with respect to this Issue in accordance with the provisions of the SEBI ICDR Regulations and the Companies Act. |
| Allotment / Allotted | Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue |
| Allottee(s) | Persons to whom our Equity Shares will be issued pursuant to the Issue |
| Applicant(s) / Investor(s) | Eligible Equity Shareholders and / or Renouncees who are entitled to apply or have applied for Equity Shares under the Issue, as the case may be |
| ASBA / Application Supported by Blocked Amount | The application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the amount payable on application in the ASBA Account. |
| ASBA Account | Account maintained with an SCSB and specified in the CAF or plain paper application, as the case may be, for blocking the amount mentioned in the CAF, or the plain paper application, as the case may be. |
| ASBA Investor(s) | Eligible Equity Shareholders proposing to subscribe to the Issue through ASBA process and who are holding our Equity Shares in dematerialized form as on the Record Date and have applied for their Rights Entitlements and / or additional Equity Shares in dematerialized form; have not renounced their Rights Entitlements in full or in part; are not renouncees; and are applying through blocking of funds in a bank account maintained with SCSBs. All QIBs, Non-Institutional Investors and other Investors whose application value exceeds ₹ 2,00,000 complying with the above conditions must participate in this Issue through the ASBA Process only. |
| Banker(s) to the Issue | [●] |
| Composite Application Form / CAF | The form used by an Investor to make an application for the Allotment of Equity Shares in the Issue |
| Consolidated Certificate | The single certificate issued by our Company to each Allottee per folio to whom Equity Shares are allotted in physical form pursuant to the Issue. |
| Controlling Branches of the SCSBs | Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchange, a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes |
| Designated Branches | Such branches of the SCSBs which shall collect application forms used by ASBA Investors and a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes |
| Designated Stock Exchange | The Designated Stock Exchange for this Issue shall be BSE Limited |
| Draft Letter of Offer | This Draft Letter of Offer dated March 27, 2019, filed with BSE for obtaining in-principal approval, which does not contain complete particulars of the Issue. |
| Eligible Equity Shareholder(s) | Equity Shareholders of our Company as on the Record Date |
| Equity Shares | Fully paid up equity shares of our Company having a face value of ₹ 2 each |
| Foreign Portfolio Investor / FPI | Foreign portfolio investor as defined under SEBI (Foreign Portfolio Investors) Regulations, 2014 and includes a person who has been registered under the SEBI FPI Regulations, 2014 |
| Issue / Rights Issue | Issue of [●] Equity Shares of face value of ₹ 2 each our Company for cash at a price of ₹[●] (including share premium of ₹[●]) per Equity Share for an aggregate amount not exceeding ₹ 995.50 lakhs to the Eligible Equity Shareholders on rights basis in the ratio of [●] Equity Share for every [●] Equity Shares held by the Eligible Equity Shareholders on the record date, i.e. [●] |
| Issue Closing Date | [●] |
| Issue Opening Date | [●] |
| Issue Price | ₹ [●] per Equity Share |

| Term | Description |
|--|--|
| Issue Proceeds / Gross Proceeds | The monies received by our Company pursuant to the issue of Equity Shares on Rights basis which are allotted pursuant to the Issue |
| Issue Size | The issue of [●] Equity Shares for an aggregate amount not exceeding ₹ 995.50 Lakhs |
| Lead Manager | SPA Capital Advisors Limited |
| Letter of Offer | The Letter of Offer Dated [●], to be filed with the BSE and SEBI after obtaining in-principal approval from BSE. |
| Listing Agreement | The listing agreement entered into between us and the BSE |
| Non Institutional Investor(s) | Non institutional investor as defined under Regulation 2(1)(jj) of the SEBI ICDR Regulations. |
| “Qualified Foreign Investor(s)” / “QFI(s)” | Qualified Foreign Investor as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 (as amended), registered with SEBI under applicable laws in India. |
| Qualified Institutional Buyer(s) / QIB(s) | Qualified Institutional Buyer as defined under Regulation 2(1)(ss) of SEBI ICDR Regulations, which means: a mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with the Board; a foreign portfolio investor other than Category III foreign portfolio investor, registered with the Board; a public financial institution; a scheduled commercial bank; a multilateral and bilateral development financial institution; a state industrial development corporation; an insurance company registered with the Insurance Regulatory and Development Authority of India; a provident fund with minimum corpus of twenty five crore rupees; a pension fund with minimum corpus of twenty five crore rupees; National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; insurance funds set up and managed by army, navy or air force of the Union of India; insurance funds set up and managed by the Department of Posts, India; and systemically important non-banking financial companies. |
| Record Date | Designated date for the purpose of determining the Shareholders eligible to apply for Equity Shares in the Issue, in this case [●] |
| Registrar / Registrar to the Issue | M/s Big share Services Private Limited |
| Renouncees | Any person(s) who has / have acquired Rights Entitlements from the Eligible Equity Shareholders |
| Rights Entitlement | The number of Equity Shares that an Eligible Equity Shareholder is entitled, that is determined as a proportion to the number of Equity Shares held by such Eligible Equity Shareholder on the Record Date, i.e., [●] Equity Share for [●] Equity Shares held on [●]. |
| SAF | Split Application Form which is an application form used in case of renunciation in part by an Eligible Shareholder in favour of one or more Renouncee(s) |
| Self-Certified Syndicate Bank / SCSB | Self-Certified Syndicate Bank(s), registered with SEBI, which acts as a Banker to the Issue and which offers the facility of ASBA. A list of all SCSBs is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes |
| Stock Exchange | BSE Limited (BSE), where our Equity Shares are presently listed |
| Working Day | Working Day means all days on which commercial banks in the city of Guntur are open for business; provided that in respect of Issue period, working day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in the city of Guntur are open for business and in case of time period between the Issue closing date and listing of Equity shares on the Stock Exchanges, working day shall mean all trading days of the BSE, excluding Sundays and Bank Holidays. |

Conventional / General Terms and Abbreviations

| Term | Description |
|-----------------------------------|--|
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| BSE | BSE Limited |
| CAGR | Compounded Annual Growth Rate (calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered) |
| Companies Act | Means the Companies Act, 1956 or the Companies Act, 2013, as may be applicable, as amended or substituted by any statutory modification / re-enactment thereof |
| CDSL | Central Depository Services (India) Limited |
| CIN | Corporate Identification Number |
| CSR | Corporate Social Responsibility |
| Depositories Act | The Depositories Act, 1996, as amended from time to time |
| Depository / Depositories | Depositories registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 / 2018, as amended from time to time, in this case being NSDL and CDSL |
| Depository Participant / DP | Depository participant as defined under the Depositories Act |
| ECS | Electronic Clearing System |
| EGM | Extra Ordinary General Meeting |
| EPS | Earnings per Equity Share |
| ESOP | Employees Stock Option Plan |
| FCCB | Foreign Currency Convertible Bonds |
| FEMA 2017 | The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 |
| FIs | Financial Institutions |
| Financial Year / Fiscal Year / FY | Twelve months ending on March 31 of a particular year |
| FVCI | Foreign venture capital investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000 |
| GST | Goods and Service Tax |
| HUF | Hindu Undivided Family |
| ICAI | Institute of Chartered Accountants of India |
| IND AS | Indian Accounting Standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015 |
| Indian GAAP | Generally Accepted Accounting Principles in India, including the accounting standards specified under the Companies (Accounts) Rules, 2014 |
| IREDA | Indian Renewable Energy Development Agency Limited |
| MCA | Ministry of Corporate Affairs |
| Net Asset Value/NAV | Net Asset Value per equity share at a particular date computed based on total equity divided by number of equity shares. |
| Net Worth | Aggregate of paid up share capital, share premium account and reserves and surplus (excluding revaluation reserve), as reduced by the aggregate miscellaneous expenditure (to the extent not availed or written off) and the debit balance of the profit and loss account. |
| Non Residents | All Bidders who are not NRIs or FPIs and are not persons resident in India |
| NRI | A person resident outside India, who is citizen of India and shall have the same meaning as ascribed to such term in the foreign exchange management (Deposit) Regulations, 2016 |
| NSDL | National Securities Depository Limited |
| RONW | Return on Net Worth |
| RTGS | Real Time Gross Settlement |
| SCRA | Securities Contracts (Regulation) Act, 1956 |
| SEBI | Securities and Exchange Board of India constituted under the SEBI Act, 1992, as amended |

| Term | Description |
|---------------------------|--|
| SEBI Act | The Securities and Exchange Board of India Act, 1992 |
| SEBI FPI Regulations | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended |
| SEBI ICDR Regulations | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended |
| SEBI Listing Regulations | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, as amended |
| SEBI Takeover Regulations | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended |

NOTICE TO INVESTORS

The distribution of the Letter of Offer, the Abridged Letter of Offer or CAF and the issue of the Rights Entitlement and the Equity Shares on a rights basis to persons in certain jurisdictions outside India are restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession the Letter of Offer, the Abridged Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch this Letter of Offer / Abridged Letter of Offer and CAF only to Eligible Equity Shareholders who have provided an Indian address to our Company. Those overseas shareholders who do not update our records with their Indian address or the address of their duly authorized representative in India, prior to the date on which we propose to dispatch this Letter of Offer / Abridged Letter of Offer and CAFs, shall not be sent the Letter of Offer / Abridged Letter of Offer and CAFs.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer was filed with BSE for its in-principal approval and Letter of offer will be filed with SEBI for its information. Accordingly, the issue of the Rights Entitlement and the Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer, the Abridged Letter of Offer or any offering materials or advertisements in connection with the Issue may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Letter of Offer or the Abridged Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, the Letter of Offer or the Abridged Letter of Offer must be treated as sent for information only and should not be acted upon for subscription to Equity Shares. Accordingly, persons receiving a copy of the Letter of Offer or the Abridged Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send the Letter of Offer or the Abridged Letter of Offer in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations. If the Letter of Offer or the Abridged Letter of Offer is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in the Letter of Offer or the Abridged Letter of Offer.

Neither the delivery of the Letter of Offer or the Abridged Letter of Offer nor any sale hereunder, shall, under any circumstances, create any implication that there has been no change in our Company's affairs from the date hereof or the date of such information or that the information contained herein is correct as at any time subsequent to the date of the Letter of Offer and the Abridged Letter of Offer or the date of such information.

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF (THE "**UNITED STATES**" OR "**U.S.**"), EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RIGHTS ENTITLEMENTS AND EQUITY SHARES REFERRED TO IN THE LETTER OF OFFER OR THE ABRIDGED LETTER OF OFFER OR THE CAF ARE BEING OFFERED IN INDIA, BUT NOT IN THE UNITED STATES. THE OFFERING TO WHICH THE LETTER OF OFFER OR THE ABRIDGED LETTER OF OFFER OR THE CAF RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY EQUITY SHARES OR RIGHTS FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SECURITIES. ACCORDINGLY, THE LETTER OF OFFER OR THE ABRIDGED LETTER OF OFFER OR THE CAF SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME.

CURRENCY OF FINANCIAL PRESENTATION

In the Draft Letter of Offer, unless the context otherwise requires, the currency is “Indian Rupees/ Rs./ INR/ ₹”. All references to one gender also refers to another gender and the word “Lac / Lakh” means “one hundred thousand”, the word “million (mn)” means “ten lac / lakh”, the word “Crore” means “ten million” and the word “billion (bn)” means “one hundred crore”. In this Draft Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Draft Letter of Offer, unless otherwise stated, all figures have been expressed in Lakhs and / or crores. Unless indicated otherwise, the financial data in this Draft Letter of Offer is derived from our Company’s audited financial statements for Financial years ending March, 2018 prepared in accordance with IND AS, applicable accounting standards and guidance notes issued by the ICAI, the applicable provisions of the Companies Act and other statutory and / or regulatory requirements and are included in this Draft Letter of Offer as required under the SEBI ICDR Regulations. Unless indicated otherwise, the operational data in this Draft Letter of Offer is presented on a basis and refers to the operations of our Company. In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

For additional definitions used in this Draft Letter of Offer, see the section ‘Definitions and Abbreviations’ on page 1 of the Draft Letter of Offer.

USE OF MARKET DATA

Unless stated otherwise, market data used throughout this Draft Letter of Offer has been obtained from internal Company reports, data, websites and industry publications. Industry publication data and website data generally state that the information contained therein has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured.

FORWARD LOOKING STATEMENTS

Certain statements in the Draft Letter of Offer are not historical facts but are “forward-looking” in nature. Forward looking statements appear throughout the Draft Letter of Offer, including, without limitation, under the chapter “Risk Factors”. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or financial performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industry and the political and legal environment, and geographical locations, in which we operate, and other information that is not historical information.

Words such as “aims”, “anticipate”, “believe”, “could”, “continue”, “estimate”, “expect”, “future”, “goal”, “intend”, “is likely to”, “may”, “plan”, “predict”, “project”, “seek”, “should”, “targets”, “would” and similar expressions, or variations of such expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

These risks, uncertainties and other factors include, among other things, those listed under “Risk Factors”, as well as those included elsewhere in the Draft Letter of Offer. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited, to:

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Increasing competition in or other factors affecting the industry segments in which our Company operates;
- Changes in laws and regulations relating to the industries in which we operate;
- Our ability to meet our capital expenditure requirements and/or increase in capital expenditure;
- Fluctuations in operating costs and impact on the financial results;
- Our ability to attract and retain qualified personnel;
- Changes in technology in future;
- Changes in political and social conditions in India or in countries that we may enter, the monetary policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, please refer to “Risk Factors” on page 12 of the Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we nor the Lead Manager make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Neither we nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI / Stock Exchanges requirements, we and Lead Manager will ensure that the Eligible Equity Shareholders are informed of material developments until the time of the grant of listing and trading permissions by the Stock Exchanges.

LETTER OF OFFER SUMMARY

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Letter of Offer, including the sections entitled “Risk Factors”, “Objects of the Issue”, “Our Business” and “Offering Information”.

A. Primary Business

We are engaged in the business of Ginning, manufacturing of Cotton yarn and also have facilities of yarn dyeing and weaving. Our manufacturing facilities are located in the state of Andhra Pradesh. We have three Hydel Power Plants of total capacity of 4 MW in Telangana.

B. Objects of the Issue :

Requirement of Funds

The total estimated funds requirement is given below:

| Sr. No. | Particulars | Amount (in ₹ Lakhs) |
|--------------|---|---------------------|
| 1 | Additional Working Capital Requirements | 2,414.63 |
| 2 | General Corporate purposes | [•] |
| 3 | Expenses for the issue | [•] |
| Total | | [•] |

Means of Finance

| Sr. No. | Particulars | Amount (in ₹ Lakhs) |
|--------------|--------------------------------|---------------------|
| 1 | Proceeds from the Rights Issue | 995.50 |
| 2 | Internal Accruals | [•] |
| Total | | [•] |

C. Intention and extent of participation by our Promoter(s) and Promoter Group in the Issue

One of our Promoter, Mr. Poluri Venkateswara Reddy, in his capacity as a Promoter and as representative of the Promoter Group, vide his letter dated March 16, 2019 has given an undertaking that he along with the Promoter Group, and/or through one or more investors will subscribe to the total entitlement of the entire Promoter Group. The same is proposed to be ensured by way of subscription and application for additional shares and/or by renouncing their Rights Entitlement in part.

In such an event, the shareholding of Promoter and Promoter Group in the Company may accordingly stand modified. Further, they reserve the right either through themselves or through investors to additionally subscribe for any unsubscribed portion in the Issue. Such subscription to additional Equity shares and the unsubscribed portion of the Issue, if any shall be in accordance with Regulation 10(4) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011. Their entitlement to subscribe to the Issue would be restricted to ensure that the public shareholding in the Company after the Issue does not fall below the permissible minimum level as specified in the applicable laws.

D. Summary of Financial Information: The summary of select financial information as per audited financial statements for FY 2015-16, FY 2016-17 and FY 2017-18; and Limited Review Report for quarter and Six months ended September 30, 2018 is as under:

| Particulars | Six months ended September 30, 2018 | FY 2017-18 | FY 2016-17 | FY 2015-16 |
|-------------------------------------|-------------------------------------|------------|------------|------------|
| Equity Share Capital (in Rs. Lakhs) | 856.39 | 856.39 | 685.11 | 685.11 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Net Worth (in Rs. Lakhs) | 10,551.43 | 10,112.48 | 8,618.37 | 7,424.21 |
| Revenue from operations (in Rs. Lakhs) | 14,696.56 | 31,264.27 | 28,863.17 | 26,916.95 |
| Profit After Tax (in Rs. Lakhs) | 542.21 | 1,567.30 | 1,279.00 | 591.36 |
| Earnings per share (in Rs.) | 1.27 | 3.66 | 2.99 | 1.73 |
| Net Asset Value per equity share (in Rs.) | 24.64 | 23.62 | 25.16 | 21.67 |
| Total borrowings (as per balance sheet) (in Rs. Lakhs) | 27,402.00 | 29,166.09 | 30,958.58 | 29,039.78 |

E. There are no auditor qualifications which would require adjustments in the Audited Financial information.

F. Summary of Outstanding Litigations:

Following are the Summary of Outstanding Litigations involving our Company/ Promoters / Directors:

| CASES PENDING AGAINST OUR COMPANY/PROMOTERS/DIRECTORS | | | | |
|--|-----------------|---|--------------------------|---------------------------------------|
| S. no. | Category | Brief Description | Total no of cases | Amount involved (in Rs. Lakhs) |
| 1 | Criminal | Criminal Case CC 278/2017 filed u/s 200 of CrPC read with Sec 124(7) of Companies Act, 2013 | 1 | 0.41 |
| 2 | Civil | OS 41 of 2018 U/s 26 of CPC | 1 | Not Ascertainable |
| CASES PREFERRED BY OUR COMPANY | | | | |
| S. no. | Category | Brief Description | Total no of cases | Amount involved (in Rs. Lakhs) |
| 1 | Civil | Civil Appeal with The Appellate Tribunal of the Electricity & Supreme Court | 1 | 50.00 |
| 2 | Criminal | Under Negotiable Instruments Act | 4 | 9.76 |
| 3 | Commercial Tax | Commercial Tax | 2 | 2.68 |
| 4 | Income Tax | Direct Tax | 1 | 95.11 |

G. For Risk factors please refer to the Chapter “Risk Factors” beginning from page 12 of this Draft Letter of Offer.

H. Summary of Contingent Liabilities

| (Amount in Rs. Lakhs) | | | |
|---|-------------------------|-------------------------|-------------------------|
| Particulars | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2016 |
| Estimated amounts of contracts remaining to be Executed on Capital accounts, and not provided for | 6.45 | 0.00 | 0.00 |
| State Levies on Electricity | 37.21 | 99.68 | 332.51 |
| Income-tax | 0.00 | 15.22 | 8.03 |
| Total | 43.66 | 114.90 | 340.54 |

For further information on contingent liabilities, please refer to Page 120 of the Chapter on “Financial Statements”.

I. For details on Related Party Transactions, please refer to the Chapter of “Financial Statements” on Page 86.

- J.** Our Promoters, Promoter Group, Directors and their relatives have not financed the purchase, by any other person, of the Equity Shares of our Company during the period of six months immediately preceding the date of filing of this Draft Letter of Offer with BSE.
- K.** There were no issuance of Equity Shares for consideration other than cash in the last one year from the date of filing of Draft Letter of Offer with BSE.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information in the Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. The risks and uncertainties described in this section are not the only risk we may face. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. Unless otherwise stated in the relevant risk factors set below, we are not in a position to specify or quantify the financial or other implications of any risk mentioned herein. In making an investment in this Issue, prospective investors must rely on their own examination of our Company and terms of the Issue.

Unless otherwise stated or the context otherwise requires, the financial information used in this section is derived from our Audited Financial Information.

INTERNAL RISK FACTORS

- Our Company/Promoters/Directors are party to certain legal proceedings and cannot assure investors that we will prevail in these actions. Any adverse outcome in these or other proceedings may adversely affect our business, reputation, financial condition and results of operations.***

We are involved, from time to time, in legal proceedings that are incidental to our operations and involve suits filed by and against our Company by various parties. There are some outstanding litigations involving our Company/Directors/Promoters including Criminal, Civil, Tax related and certain cases filed by us under Negotiable Instruments Act. These legal proceedings are pending at different levels of adjudication before various courts and tribunals in different jurisdictions. A degree of judgement is required to assess our exposures in these proceedings and determine the appropriate value of provisions if any. A summary of outstanding legal proceedings involving our Company, Promoters and Directors is as under:

| CASES PENDING AGAINST OUR COMPANY/DIRECTORS/PROMOTERS | | | | |
|--|-----------------|---|--------------------------|---------------------------------------|
| S. no. | Category | Brief | Total no of cases | Amount involved (in Rs. Lakhs) |
| 1 | Criminal | Criminal Case CC 278/2017 filed u/s 200 of CrPC read with Sec 124(7) of Companies Act, 2013 | 1 | 0.41 |
| 2 | Civil | OS 41 of 2018 U/s 26 of CPC | 1 | Not Ascertainable |
| CASES PREFERRED BY OUR COMPANY | | | | |
| S. no. | Category | Brief | Total no of cases | Amount involved (in Rs. Lakhs) |
| 1 | Civil | Civil Appeal with The Appellate Tribunal of the Electricity & Supreme Court | 1 | 50.00 |
| 2 | Criminal | Under Negotiable Instruments Act | 4 | 9.76 |
| 3 | Commercial Tax | Commercial Tax | 2 | 2.68 |
| 4 | Income Tax | Direct Tax | 1 | 95.11 |

Should the proceedings be decided adversely against us, or any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may incur significant expenses and management time in such legal proceedings and may need to make provisions in our Financial statements for such litigations, which could have adverse effect on our business, reputation, results of operations, financial condition and prospects. For further details, please see the section entitled “Outstanding Litigation and Material Developments” on page 145.

2. *Our Company had negative cash flows from investing activities and financing activities during the preceding financial years. Inability to earn positive cash flows may have an adverse effect on the business operations of our Company.*

While our Company has positive cash flow from operational activities in the preceding two financial years, however, we do have negative cash flow from investing activities primarily due to purchase of fixed assets and from financing activities due to repayment of borrowing and payment of interest and financing charges in the preceding two financial years. The details of the same are given below:

| Details of Cash flow | | (Rs. In Lakhs) | |
|------------------------------------|------------------------------|----------------|--|
| Particulars | For the year ended March 31, | | |
| | 2018 | 2017 | |
| Net Cash from Investing activities | (1,091.01) | (1,309.18) | |
| Net Cash from Financing Activities | (3,435.76) | (46.70) | |

For further details of our cash flows, please see Cash Flow Statement under the head “Financial Statements” beginning on page 86.

If we are not able to maintain positive cash flow or improve profitability, we cannot assure you that we will be able to sustain our growth or not incur losses in future periods.

3. *We have not provided for certain contingent liabilities for financial year ending 2018 and 2017 which if materialize could adversely affect our financial position.*

In the financial years ending March 31, 2018 and March 31, 2017, we have not provided for the following contingent liabilities as per audited financial statements:

| (Amount in Rs. Lakhs) | | |
|---|------------------|------------------|
| Particulars | As at 31.03.2018 | As at 31.03.2017 |
| Estimated amounts of contracts remaining to be Executed on Capital accounts, and not provided for | 6.45 | - |
| State Levies on Electricity | 37.21 | 99.68 |
| Income-tax | - | 15.22 |
| Total | 43.66 | 114.90 |

If any contingent liability materializes, our results of operations and financial condition may be adversely affected. For more details of our contingent liabilities for the fiscals ended March 31, 2018 and 2017 refer to the section titled “Financial Statements” on page 86 of this Draft Letter of Offer.

4. *We have entered into a number of related party transactions. There can be no assurance that entering into such transaction with related parties will be the most beneficial option for our Company.*

We have entered into a number of related party transactions with our Directors / Key managerial Personnel and entities with which our Directors/KMP’s are associated. The amount of related party transactions in last three financial years and its percentage to total income as per audited financial statements is given below:

| (Amount in Rs. Lakhs) | | | | | |
|-----------------------|---------------|-----------|---------------|-----------|---------------|
| F.Y 2018 | | F.Y. 2017 | | F.Y. 2016 | |
| Amount | % of Turnover | Amount | % of Turnover | Amount | % of Turnover |
| 1,195.47 | 3.81 | 1,043.93 | 3.60 | 839.25 | 3.04 |

For further details on related party transactions, see the chapter titled “Financial Statements” on page 86 of the Draft Letter of Offer.

Our Company’s policy on transactions with related parties is that such transactions are conducted on normal commercial terms in the ordinary and normal course of business. Our Company may enter into additional

transactions with its related parties in the future. However, there is no independent verification that the terms of such transactions with the related parties are most beneficial to our Company or whether more favorable terms could have been achieved had such transactions been entered with unrelated parties.

5. Our Company has started preparing its financial statements, from the period beginning April 1, 2017, under Ind-AS. Significant differences exist between IND AS and Indian GAAP, which may be material to investor's assessments of financial condition of our company.

Our Company is required to prepare annual financial statements under IND AS for the Fiscal year 2017-18 as required under section 133 of Companies Act, 2013. We have adopted IND AS w.e.f April 01, 2017. Accordingly, Our financial statements, including the financial statements included in this Draft Letter of Offer, are prepared in accordance with IND AS for FY 2017-18 and also for previous FY 2016-17 has been redrafted to make it comparable.

IND AS differ in significant respects from Indian GAAP. Accordingly, the degree to which the IND AS financial statements included in this Draft Letter of Offer will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices.

6. Our business is dependent on proper maintenance of manufacturing facilities which are located at two places in Andhra Pradesh and Hydel Power Plants in Telangana which contributes to our revenue. The loss of or shutdown of operations at any of our manufacturing facilities and underutilization of our manufacturing capacities may have an adverse effect on our business and results of operations.

We have manufacturing facilities at various locations. Our Ginning, Ring Spinning and Open end Spinning Plant is located in Guntur, Andhra Pradesh, Weaving and Dyeing plant is located in Addanki, Andhra Pradesh while our Hydel Plants are located nearby Nelakondapalli, Telangana.

The success of our manufacturing activities and the success of our products depend on, among other things, the productivity of our workforce, compliance with regulatory requirements and the continued functioning of our manufacturing facilities and machinery. Our manufacturing activities are subject to operating risks, such as fire, breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, non-availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents etc. Disruptions in our manufacturing activities, due to natural or manmade disasters, workforce disruptions, regulatory approval delays, fire or the failure of machinery or any other reason could delay production or require us to shut down the affected manufacturing facility. Although we have implemented industry acceptable risk management controls at our manufacturing locations and continuously seek to upgrade them, the risk of fire or explosion associated with these materials cannot be completely eliminated. The occurrence of any of these risks could significantly affect our operating results.

Cotton being a highly flammable commodity, every stage from procurement, processing, storage and transportation to trading is fraught with an imminent danger of an instant fire. The risk of fire hazard is increased due to increased automation and use of large volume of air for material handling. Blow room and carding area are more prone to such hazard. Any spark generated at these places can not only generate fire but also the same could propagate to other machines through cotton conveying systems. Any fire, or such mishaps or accidents at the Company's facilities could lead to property damages, property loss and accident claims and could impact our business and results of operations.

Further, capacity utilization at our manufacturing facilities or power plants are subject to various factors including availability of raw material, power, water, efficient working of machinery and equipment and optimal production planning. An inability to utilize our manufacturing facilities to their full or optimal capacity, non-utilization of such capacities or inability to adapt to technological changes may adversely affect our results of operations and financial conditions.

- 7. *Raw material most of which is Cotton / Kapas is sourced from external suppliers, mostly farmers. Any increase in the Raw Material Cost or other input costs and shortfall in the supply of Raw Material and quality of the same may adversely impact our business, cause delay and increase in costs.***

Our core business involves manufacturing of cotton yarn and cotton fabric. Therefore, our Company is heavily dependent on Kapas and Cotton Bales as major Raw Material, which is sourced from external suppliers, mostly farmers. Since most of the key raw materials are Cotton based, the industry is sensitive to Cotton prices. Being an agricultural commodity, there can be fluctuations in price of cotton due to the vagaries of weather among other factors. Any rise in Cotton price may hurt our margin as they account for majority of input cost. Specifically, timing differences in pricing changes between raw material prices, which may change daily, and contract product prices, which in many cases are negotiated only monthly, quarterly or less often, sometimes with an additional lag in effective dates for increases, have had in the past and may continue to have a negative effect on our profitability. Any significant increase in cotton prices may also result in market shift towards alternate products such as synthetic and man-made fabrics.

Further, any delay in supply or non-conformity to quality requirements by our suppliers or fluctuations in the prices of the same may adversely affect our production process and our ability to meet our customer's requirements which may lead to loss of customers. Further, while we purchase most of our Cotton from the domestic market, however, from time to time, we also import some of our Raw Materials and thus are subject to risk related to currency fluctuation, global logistic disruptions and other factors. This may have an adverse effect on our margins and results of operations.

- 8. *Our inability or failure to accurately forecast and maintain a balance between optimum inventory levels may result in unexpected shortfall or surplus of raw material which could adversely affect our business, results of operations and financial condition.***

We monitor our inventory levels based on our projections of future demand. Because of the length of time necessary to produce commercial quantities of our products, we make raw material procurement decisions well in advance of sales for some of our products. Further, cultivation of cotton, which is our major raw material, is started in July every year with onset of monsoon, Cotton packing from the fields start in November and continues till February. Best quality kapas is procured in the months of November - March only. 80% of the entire cotton procurement completes by March every year. Therefore, most of the raw material is procured in the months of November to March and we may be required to make spot payment to farmers in many cases. Further, since we only have one manufacturing facility for each division, higher inventory needs to be maintained in order to cater to our customer demands at all time.

We strive to keep optimum inventory at our factory to control our costs and working capital requirements. To maintain an optimal inventory, we monitor our inventory levels based on our projections of demand as well as on a real-time basis. However, unavailability of products, due to high demand or inaccurate forecast, can result in the unavailability/surplus of raw material which may result in loss of sales and adversely affect our customer relationships. Conversely, an inaccurate forecast can also result in an over-supply of raw material or finished products, which may increase inventory costs, negatively impact cash flow, reduce the quality of inventory and ultimately lead to reduction in margins or write-offs of inventory. Any of the aforesaid circumstances could have a material adverse effect on our business, results of operations and financial condition. As on March 31, 2018, we have inventory level of Rs. 4,243.14 Lakhs of Raw Materials and Rs. 1,511.95 Lakhs of finished goods.

Further, due to the seasonal nature of cotton production and procurement, our results of operations in one quarter may not be comparable to the results of operations in other quarters and may not accurately reflect the revenue trend for the whole financial year.

- 9. *Our electricity supply may not be reliable; we may be adversely affected by increasing power costs.***

Our manufacturing operations require substantial amount of power. Power and fuel costs constitute our second highest manufacturing expense after raw material cost, amounting to ₹3,447.29 lakhs in FY 2017 - 18 and ₹3,282.27 lakhs in FY 2016-17. We procure power from Southern Power Distribution Company of Andhra

Pradesh for our manufacturing operations. If the per unit cost of electricity is increased by the state electricity boards our power costs will increase. It may not be possible to pass on any increase in our power costs to our customers, which may adversely affect our profit margins. If our supply of electricity were interrupted or limited, we would be required to suspend production, which, if lasting longer than a very short period, result in reduction of our capacity utilization and thereby, would materially and adversely affect our business, financial condition or results of operations. In addition to the production losses that we would incur during production shutdowns, we may not be able to immediately return to full production volumes following power interruptions, however brief. Accordingly, any increase in power costs or interrupted supply of power could adversely affect our operations, and financial condition.

10. We are subject to government policies and regulations relating to the agricultural sector, particularly related to cotton and related industries; which may have an impact on our operations and profitability.

Production of cotton, our primary raw material for our operations and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry (such as taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products) can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production and the volume and types of imports and exports. Future government policies may adversely affect the supply, demand for and prices of our products; restrict our ability to do business in our existing and target markets; which could adversely affect our financial results and cash flows.

11. We have not undertaken an independent appraisal for proposed fund requirement and the deployment of the proceeds of the issue.

The funds being raised through the Issue are proposed to be used for additional working capital requirement for increase in operations and other general corporate purposes. The fund requirement is based on our management estimates' and has not been appraised by any bank/financial institution. These are based on current conditions. In view of the highly competitive nature of our industry we may have to revise our management estimates' from time to time and consequently our funding requirements may also change.

Pending utilization of the net proceeds, we intend to deposit such Net Proceeds in scheduled commercial banks. The utilization of the net proceeds will be monitored by our Board.

12. One of our Group Companies, M/S Kallam Agro Products & Oils Private Limited has incurred loss during FY 2017-18.

Kallam Agro Products & Oils Private Limited, an entity part of our Promoter Group, has incurred net loss after tax of Rs. (588.15) Lakhs during FY 2017-18. Accordingly, Kallam Agro Products & Oils Private Limited had negative EPS of Rs. (156.84). We cannot assure you whether Kallam Agro Products & Oils Private Limited will be profitable in the future.

13. Our Promoters may have the ability to determine the outcome of any shareholder resolution.

Our Promoter Group is the largest shareholder of our Company holding 52.83% of the pre issue capital. As a result, our promoter group may continue to be the largest shareholders of post-issue equity capital of our company. As significant shareholders, our Promoters may have interests which may affect the interests of shareholders and /or our interests and may have the ability to determine the outcome of any shareholder resolution.

- 14. One of Our Group Companies, M/S Kallam Brothers Cottons (Private) Limited is in Ginning of cotton business which is also part of our line of business. Further, one of our Director and an individual in the Promoter Group are also on the Board of Directors of aforesaid Company. This may have conflict of interest.***

The objects of our Group Company, M/S Kallam Brothers Cottons (Private) Limited allow it to carry on business of ginning of cotton which is similar to one of the activities being carried out by our Company. Accordingly, there are some Common Pursuits between this Company and our Company. Certain member of Promoter Group and one of the Directors are also on the board of directors of M/S Kallam Brothers Cottons (Private) Limited. Accordingly, we cannot assure you that business activities of our Group Company will not create a potential conflict of interest for our Promoters and/or our Directors.

- 15. Our Company is dependent on third party transportation providers for the supply of raw materials and timely delivery of our products and any disruption in their operations or a decrease in the quality of their services could affect our Company's reputation and results of operations.***

As a manufacturing business, our success depends on the smooth supply and transportation of the raw materials required for our manufacturing process and transportation of our products from our units or warehouses to our customers and distributors, both of which are subject to various uncertainties and risks.

We use a combination of third party transportation providers and our own fleet for the delivery of raw materials to us and delivery of our products to our customers and distributors. At present, we have agreements/arrangements with one third party transport service provider, M/S Supreme Transport Solutions Private Limited, with whom we have entered into agreement for transportation of fabric rolls / bales from our weaving plant to various customers in India. Transportation strikes have happened in the past, and could be again in the future and can have an adverse effect on our supplies and our deliveries to and from our customers and suppliers in a timely and cost efficient manner. In addition, raw materials and products may be lost or damaged in transit for various reasons including occurrence of accidents or natural disasters. There may also be delay in delivery of raw materials and products which may also affect our business and our results of operation negatively. Failure to maintain a continuous supply of raw materials or to deliver our products to our customers in an efficient and reliable manner could have a material and adverse effect on our business, financial condition and results of operations.

- 16. We may not be able to identify or effectively respond to consumer needs, expectations or trends in cotton fabric industry in a timely manner, which could adversely affect our relationship with our customers, our reputation, the demand for our products, our market share and our prospects.***

The success of our business depends in part on our ability to anticipate, identify and respond promptly to evolving trends in demographics and consumer preferences, expectations and needs in respect of Cotton Fabric Industry. The fashion industry is rapidly evolving, and aligning our business concept to respond to our customers' preference for fabric and their colors is critical to our future success. Our success is also dependent on our ability to identify and respond to the economic, social, and other trends that affect demographic and consumer preferences in a variety of our Fabric categories. As we continue to grow our business by expanding our products and our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that our customers' confidence in our products will not diminish. Failure or any delay on our part to identify such trends, to align our business concept successfully and maintain quality could negatively affect our relationship with our customers, the demand for yarn and fabric we sell, the rate of growth of our business, our market share and our prospects.

- 17. We are subject to risks associated with product recall, and any product liability due to defects in our products may adversely affect our business and results of operations and could also lead to adverse publicity.***

Defects, if any, in our fabric could lead to rejection of supplied fabric and consequential financial claims. Repeated successful claims would adversely affect our results of operations. Management resources could also be diverted away from our business towards defending such claims. Additionally, such defects may also result in our customers rejecting to buy our products in future. As a result, our reputation, business, revenues, results

of operations and financial condition could suffer. We cannot assure you that the limitations of liability set forth in our contracts will be enforceable in all instances or will otherwise protect us from liability for damages.

18. We may be subject to labour unrest, slowdowns, increased wage costs, and shut-downs.

India has labour legislations that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal, and legislations that imposes certain financial obligations on employers upon retrenchment. At present, none of our factories have any labour union. There is no assurance that our employees will not seek unionization in the future. In the event that employees at our plants seek to unionise, it may become difficult for us to maintain flexible labour policies, and may increase our costs and adversely affect our business. As on the date of Draft Letter of Offer, there are no pending cases involving our company in any industrial/labour courts. However, we cannot assure you that any such case will not arise in future.

Further, our business operations, specifically our manufacturing facilities are subject to certain operating risks, such as breakdown or failure of equipment, power supply or processes, reduction or stoppage of water supply. In the event that we are forced to shut down our manufacturing facility for a significant period of time, it would have a material adverse effect on our earnings, our other results of operations and our financial condition as a whole.

Any strikes or lock-outs, work stoppages, slowdowns, shut downs, supply interruptions or costs or other factors beyond our control, may disrupt our operations and could negatively impact our financial performance.

19. We depend heavily on our Key Management Personnel, and loss of the services of one or more of our key executives or Key Management Personnel could weaken our management team.

Our success largely depends on the skills, experience and efforts of our Key Management Personnel and on the efforts, ability and experience of key members of our management staff. Our Key Management Personnel have extensive experience in purchase and ginning of cotton, manufacturing and marketing of Cotton Yarn & Fabric that are critical to the operation of our business. For further details see “Our Management” on page 71. Individuals with industry-specific experience are scarce, and the market for such individuals is highly competitive. As a result, we may not be able to attract and retain qualified personnel to replace or succeed our Key Management Personnel or other key employees, should the need arise. The loss of services of one or more members of our Key Management Personnel or any of our other management staff could weaken our management expertise significantly and our ability to undertake our business operations efficiently. This could have a material adverse effect on our business, financial condition and results of operations.

20. The risk of non-payment or default by our customers may adversely affect our Company’s financial condition and results of operations.

Our Company has implemented stringent measures for timely collection of receivables. However we cannot assure you, that we will be able to maintain recoveries in relation to our debtors in the future. Moreover, as our Company’s business expands, it may experience increase in delay or defaults in payments by its debtors. Thus, if our Company is not able to manage its bad debts, the overall revenue realization will fall and its results of operations may be adversely affected.

As on March 31, 2018, we have negligible receivables which were more than 6 months as per audited financial statement for FY 2017-18.

21. Our Company has not entered into any long-term contracts with most of its customers and we typically operate on the basis of orders. Inability to maintain regular order flow would adversely impact our revenues and profitability.

Our Company has had long standing business relationships with certain customers and has been supplying our products to such customers for several years. However, we have not entered into any long term contracts with these customers and we cater to them on an order-by-order basis. Our long-standing relationship with our major

customers has been one of the most significant factors contributing to our growth. Our commitments to quality and customer service practices have been strong contributing factors to our robust customer relations.

However, in the absence of long term contracts with such customers, we cannot assure you that our Company would continue to receive repeat business from such customers. Failure to receive repeat business from our customers may have an adverse effect on our business and financial results.

22. Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business operations.

Our insurance coverage is likely to cover all normal risks associated with the operation of our business but there can be no assurance that any claim under the insurance policies maintained by us will be honored fully, in part or on time. We have obtained various insurance policies to cover risk associated with the operation of our business. As on January 31, 2019 we have Insurance cover of Rs. 1,08,882.91 Lakhs including insurance against fire and burglary, insurance for Marine export import risk, Directors and Officers Liability and others. While we are in the process of renewal of all the insurance policies, any delay in obtaining renewal and to the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected. For more information on our Insurance cover, please refer to the section titled “Our Business” on Page 59.

23. Our Company requires a number of approvals, licenses, registrations and permits in the ordinary course of our business (es) and the failure to obtain or renew them in a timely manner may adversely affect its operations.

We require a number of approvals, licenses, registrations and permits for our business(s). Additionally, we may need to apply for renewal of approvals which expire, from time to time, as and when required in the ordinary course. For details, please refer to section titled “Government and Other Approvals” on page 152 of the Draft Letter of Offer. Furthermore, the government approvals and licenses are subject to various conditions. If we fail to comply, or a regulator claims that our Company has not complied with these conditions, our business, financial position and operations would be materially adversely affected.

24. Inability to obtain adequate financing to meet our Company’s liquidity and capital resource requirements may have an adverse effect on the proposed expansion activities of our Company and business operations.

Our Company may require additional funds for the financing of our business operations. The actual amount and timing of our future capital requirements may differ from estimates as a result of , among other things, unforeseen delays or cost overruns in producing our products, changes in business plan due to prevailing economic conditions, unanticipated expenses and regulatory changes. To the extent our planned expenditure requirements exceed our available resources; we will be required to seek additional funds either as equity or debt.

Our inability to obtain such financing could impair our business, results of operations, financial condition or prospects. Such inability could result from, among other things, our Company’s current or prospective financial condition or results of operations or from its inability for any reason (including reasons applicable to Indian companies generally) to issue securities in the capital markets. There can be no assurance that finance from external sources such as bank finance will be available at the times required or in the amounts necessary, to meet our requirements.

25. Our Company has outstanding unsecured loans that may be repayable on demand.

As of January 31, 2019, our Company had unsecured borrowings of ₹ 320.55 Lakhs from our Promoters & Promoter Group which are repayable by our Company as and when demanded. It may be difficult for us to manage our cash flow and ensure that sufficient funds are available at all times to repay our unsecured lenders.

In the event of any default on the repayment of unsecured loan, the unsecured lender could initiate legal proceedings against us to recover the amount due to such unsecured lender together with interest and penalty.

Any such legal proceedings will have a material adverse effect on our reputation, creditworthiness and financial condition.

26. Export destination countries may impose varying duties on yarn, thread or fabrics or enter into free trade agreements with countries other than India. Any increase in such duties or the entry into free trade agreements with countries other than India may materially adversely affect our business, financial condition and results of operations.

We generated Rs. 9,115.70 lakhs and Rs. 4,459.00 lakhs as revenues from exports in Fiscal Year 2018 and Fiscal Year 2017 respectively, which represented 29.15% and 15.44% of our revenue from operations for the respective periods. During such periods, we exported our cotton yarn products to countries like Bangladesh, Korea, China, Thailand etc. These export destination countries impose varying duties on our products. There can be no assurance that the duties imposed by such countries will not increase. Any change or increase in such duties may adversely affect our business, financial condition and results of operations.

Additionally, export destination countries may also enter into free trade agreements or regional trade agreements with countries other than India. Such agreements and alteration of any existing tax treaties may lead to increased competition or may even place us at a competitive disadvantage compared to manufacturers in other countries and could adversely affect our business, financial condition and results of operations. Further, changes in import policies in countries to which we export our products may have a significant adverse impact on our business, financial condition and results of operations.

27. We are subject to certain restrictive covenants in our financing arrangements which may limit operational and financial flexibility, and failure to comply with these covenants may impact our future results of operations and financial condition.

Certain of our financing arrangements include covenants to maintain certain debt to equity ratios, debt coverage ratios and certain other liquidity and profitability ratios. There can be no assurance that such covenants will not hinder business development and growth. Defaults under one or more of our financing agreements could impact our business, results of operations, financial condition and prospects. Some of our financing agreements and debt arrangements set limits on or require us to obtain lender consents before, among other things:

- Effect any change in the Company's capital structure.
- Formulate any Scheme of Merger/Acquisition/Amalgamation/Reconstitution.
- Implement any Scheme of expansion/modernization/diversification or acquire fixed assets.
- Make investments / advances or deposit amounts with any other concern.
- Create any further charge, lien or encumbrances over the assets charged to the Bank in favour of any other concern.
- Enter into borrowing arrangements with any bank/FI/Company.
- Undertake guarantee Obligations on behalf of any other Company/borrower.
- Declare Dividends for any year except out of profits relating to that year.
- Change in composition of company's Board of Directors.
- Sell, assign, mortgage or otherwise dispose off any of the Company's fixed assets charged to the lender

There is no assurance that we will be able to comply with these financial and other covenants or that we will be able to obtain the consents necessary to take the actions which we believe are necessary to operate and grow our business. We cannot assure you that our business will generate cash in an amount sufficient to enable us to service our debt or fund our other liquidity needs.

For details of the loans availed, please refer to section titled "Financial Indebtedness" on page 140 of this Draft Letter of Offer. In compliance with such restrictive covenants, we had applied for consent of our lenders for this Rights issue and we have received consents from all three of our Bankers, i.e., Andhra Bank, Indian Bank and Bank of Baroda in regards of the Rights Issue. However, the consent from IREDA is still awaited.

28. Uncertainty regarding the textile industry, economic conditions and other factors beyond our control could adversely affect demand for our products and services, our costs of doing business and our financial performance.

Our financial performance depends significantly on the textiles industry, as well as general economic conditions in India and other countries where we export our products. Adverse conditions in or uncertainty about these markets or the economy could adversely impact our customers' confidence or financial condition, causing them to determine not to purchase our products or delay purchasing or payment for those products.

29. We operate in a competitive market and any increase in competition may adversely affect our business and financial condition.

We face competition from existing Yarn & Fabric manufacturers, both organized and unorganized, including potential entrants to the industry that may adversely affect our competitive position and our profitability. A critical challenge in the Textile industry is the competition from unorganized and small players. We expect competition could increase with new entrants coming into the industry and existing players consolidating their positions. Some of our competitors may have access to significantly greater resources. The large players having higher industry share includes Vardhman Textiles Limited, Nahar Spinning Mills Limited, Sutlej Textiles and Industries Limited, Nitin Spinners Limited, Rajapalayam Mills Limited, Ambika Cotton Mills Limited etc.

Further, introduction of new improved products or brand perception and our inability to match our offerings with such improved products change may in turn affect the perception and market of our products. As a result of such competition, we may have to price our products at levels that reduce our margins, increase our capital expenditure in order to differentiate ourselves from other players and increase our advertising and distribution expenditures in order to compete with such competitors, which may materially and adversely affect our business, results of operations and financial condition.

30. Our corporate reputation could be adversely affected if we fail to meet high safety, quality, social, environmental and ethical standards.

We believe that we have a good corporate reputation. If any part of our operations fail to meet high safety, quality, social, environmental and ethical standards, our corporate reputation may be adversely affected. This may lead to the rejection of Kallam Textiles Limited as one of the preferred Yarn & Fabric manufacturer by customers in South and West India and diversion of management time into rebuilding and restoring its reputation which could have a material adverse effect on our business, financial condition, results of operations and prospects.

31. We are heavily dependent on machinery for our operations. We have not entered into technical support service agreements for the maintenance and smooth functioning of some of our machineries. Any breakdown of our machinery will have a significant impact on our business, prospects, results of operations and financial condition.

Our Existing Facilities are heavily dependent on plant and machinery. They require periodic maintenance checks and technical support in an event of technical breakdown or malfunctioning. Any significant malfunction or breakdown of our machinery may entail significant repair and maintenance costs and cause delays in our operations. While our company has entered into technical support service agreements for a few of our machineries, we do not have the same for others, which are repaired / serviced in-house. Although our Company has accessibility to avail the technical support from the external experts and the machinery suppliers locally, any failure to quickly redress any technical issue, may increase our downtime which may affect our business, prospects, results of operations and financial condition. Further, while we believe that we maintain necessary supplies of spare parts and maintenance related equipment, if we are unable to procure the necessary spare parts in a timely manner or if we are unable to repair the malfunctioning machinery promptly, our

manufacturing operations may be hampered which could have an adverse impact on our business, results of operations and financial condition.

- 32. *Some of the shareholders, domestic or overseas, whose addresses are not updated in our Company records may not receive the Letter of Offer and CAF. Further, our Company will not distribute the Letter of Offer, Abridged Letter of Offer and CAF to overseas shareholders who have not provided an address in India for service of documents.***

Our Company will dispatch the Letter of Offer and CAF (the “**Offering Materials**”) to the Shareholders who have provided an address in India for service of documents. The Offering Materials will not be distributed to addresses outside India on account of restrictions that apply to circulation of such materials in various overseas jurisdictions. In terms of the provisions of the Companies Act, 2013 our Company will serve documents at the addresses, including email addresses which have been provided by the members. Though our Company has requested all the Shareholders to provide their updated addresses for the purpose of distribution of Offering Materials, still despite all efforts, some Eligible Equity Shareholders may neither receive the original CAF nor may be in a position to obtain the duplicate CAF. Such Shareholders are being advised that they may make an Application to subscribe to the Issue on plain paper.

However, our Company cannot assure that the regulator would not adopt a different view with respect to compliance with the provisions of the Companies Act, 2013 and may subject our Company to some action.

- 33. *Any future equity offerings or issue of options under employee stock option scheme may lead to dilution of investor’s shareholding in our company.***

Purchasers of Equity Shares in this Issue may experience dilution of their shareholding to the extent we make future equity offerings and to the extent we decide to grant options to be issued under any employee stock option scheme.

- 34. *Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.***

Our company has been paying dividend in the past. However, the amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends.

- 35. *Our revenues and expenses vary significantly from period to period, which could cause our share price to decline.***

Our revenues and profit may vary significantly in the future. Therefore, we believe that period-to-period comparisons of our results of operations may not be necessarily meaningful and may not be relied upon as an indication of our future performance. It is possible that in the future some of our results of operations may be below the expectations of market analysts and our investors, which could cause the share price of our Equity Shares to decline significantly.

Some of the factors which may affect the fluctuation of our operating results include:

- Cotton scenario in India and price of cotton/kapas
- the functioning of our plants;
- the ability to modify and enhance our suite of fabric offerings based on customer needs and evolving technologies;
- changes in our pricing policies or those of our competitors;
- the effect of wage pressures, seasonal hiring patterns and the time required to train and productively utilize new employees;
- increase or decrease in cost of inputs

- 36. There can be no assurance that the equity shares will be allocated and credited to investor's demat account within specified time, or that the trading in equity shares will commence in a timely manner which may subject the investors to market risk.***

We shall ensure that Equity Shares are allotted and/or application moneys are refunded within fifteen days from the date of closure of the issue. If the Equity shares are not allotted and/or application money are not refunded within fifteen days, we undertake to pay interest at a rate and within such time as per applicable laws.

Investors can start trading only after receipt of listing and trading approvals in respect of equity shares which may require additional time which may subject them to market risk.

EXTERNAL RISK FACTORS

- 37. Any changes in the regulatory framework could adversely affect our operations and growth prospects.***

We are / will be subject to various regulations and policies including manufacturing, Customs, GST, Income Tax, Labour acts, etc. Our business and prospects could be materially adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will not be raised in respect of our operations, either of which could have a material adverse effect on our business, financial condition and results of operations.

- 38. A slowdown in economic growth in the markets in which we operate could cause our business to suffer.***

Our performance and growth are dependent on the health of the economy of the markets in which we operate. The economy could be adversely affected by various factors such as political or regulatory action, social/civil disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the economy of the markets in which we operate may adversely affect our business and financial performance and the price of our Equity Shares.

- 39. Extremities of weather, regional conflicts and other political instability may have adverse effects on our operations and financial performance.***

Certain events that are beyond our control such as earthquake, fire, floods and similar natural calamities may cause interruption in the business undertaken by us. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other adverse developments in or affecting India.

- 40. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely affect our ability to raise additional financing, at the interest rates and other commercial terms forwarded to us. This could impact our profitability and ability to obtain financing for capital expenditures and the price of our Equity Shares.

- 41. Regional or International hostilities, terrorist attack or other acts of violence of war may have a significant adverse impact on international and Indian financial markets. Such incidents could also create a greater perception that investment in Indian Companies involves a higher degree of risk and could have an adverse impact on our business and on the market price of our company's equity shares.***

Regional or International hostilities and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the financial markets. These acts may also result in a loss of business confidence, impede travel and other services and ultimately adversely affect our business. In

addition, any war with our neighbors might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares. Such incidents may also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

42. Investors may be subject to Indian taxes arising out of capital gains on the sale of shares.

Under current Indian tax laws, capital gains arising from the sale of equity shares within 12 months in an Indian company are generally taxable in India. As provided in the budget for financial year 2018-2019, any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will be subject to capital gains tax @10% in India if Securities Transaction Tax (“STT”) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which our equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of equity shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of equity shares. The above statements are based on the current tax laws.

THE ISSUE

The details of this Issue are set out below:

| | |
|--|---|
| Equity Shares proposed to be issued by our Company | [•]Equity Shares |
| Rights Entitlement | [•]Equity Share for every [•]Equity Shares held on the Record Date |
| Record Date | [•] |
| Issue Price per Equity Share | ₹[•]. The Issue Price has been arrived at in consultation between the Issuer and the Lead Manager |
| Issue Size | Not exceeding ₹ 995.50 Lakhs |
| Equity Shares outstanding prior to the Issue (Paid up Equity Share Capital) | 4,28,19,375 Equity Shares of ₹ 2/- each |
| Equity Shares outstanding after the Issue, assuming full subscription (Paid up Equity Share Capital) | [•] Equity Shares of ₹ 2/- each |
| Terms of payment | 100 percent of the issue price |
| Objects of the Issue | Please refer to section “Objects of the Issue” on page 45 of the Draft Letter of Offer |

For more information on the payment terms, refer to the Chapter titled “Offering Information” on page 158 of the Draft Letter of Offer.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from our audited financial statements as on and for financial year ended March 31, 2018 and March 31, 2017 prepared in accordance with IND AS and the Companies Act and should be read in conjunction with the financial statements and the notes (including the significant accounting principles) thereto included in the chapter “Financial Statements” on page 86 of the Draft Letter of Offer.

Our Company does not have any material Subsidiary Company in terms of Regulation 16(1)(c) of SEBI (LODR) Regulations, 2015. Accordingly, the financial statements of our Company are not required to be consolidated in accordance with the applicable Indian Accounting Standards.

Summary Statement of Assets and Liabilities

(Amount in Rs.)

| | Particulars | As at March 31, 2018 | As at March 31, 2017 |
|----------|----------------------------------|-------------------------|-------------------------|
| | ASSETS | | |
| 1 | Non-current assets | | |
| a | Property, Plant and Equipment | 4,15,68,45,036 | 3,57,37,55,113 |
| b | Capital work-in-progress | 5,90,36,453 | 4,48,31,391 |
| c | Financial Assets | | |
| | i) Loans | 6,45,05,945 | 6,25,02,865 |
| | ii) Other financial assets | - | - |
| d | Other non-current assets | 14,64,073 | 2,24,60,945 |
| | Total Non – Current Assets | 4,28,18,51,507 | 3,70,35,50,314 |
| 2 | Current assets | | |
| a | Inventories | 92,87,11,656 | 87,21,84,599 |
| b | Financial Assets | | |
| | i) Trade receivables | 22,77,96,003 | 31,06,24,716 |
| | ii) Cash and cash equivalents | 75,99,878 | 78,14,521 |
| | iii) Other Bank Balances | 54,01,676 | 55,29,125 |
| | iv) Loans | 5,12,161 | 19,03,078 |
| | v) Other financial assets | 4,500 | 17,390 |
| c | Other current assets | 45,64,26,590 | 29,56,40,549 |
| | Total Current Assets | 1,62,64,52,464 | 1,49,37,13,978 |
| | Total Assets | 5,90,83,03,971 | 5,19,72,64,292 |
| | EQUITY AND LIABILITIES | | |
| 1 | Equity | | |
| a | Equity Share Capital | 8,56,38,750 | 6,85,11,000 |
| b | Other Equity | 2,03,76,16,494 | 1,40,15,12,462 |
| | | 2,12,32,55,244 | 1,47,00,23,462 |
| | LIABILITIES | | |
| 2 | Non-current liabilities | | |
| a | Financial Liabilities | | |
| | i) Long term Borrowings | 1,75,60,68,613 | 1,94,30,40,847 |
| | iii) Other financial liabilities | - | - |

| | | | |
|----------|-------------------------------------|-----------------------|-----------------------|
| b | Provisions | 1,24,81,130 | 1,03,49,650 |
| c | Deferred tax liabilities (Net) | 28,38,06,725 | 15,80,40,824 |
| d | Other non-current liabilities | 8,74,37,870 | 9,80,86,333 |
| | Total Non-current Liabilities | 2,13,97,94,338 | 2,20,95,17,654 |
| 3 | Current liabilities | | |
| a | Financial Liabilities | | |
| | i) Short-term Borrowings | 1,16,05,40,476 | 1,15,28,17,033 |
| | ii) Trade payables | 8,38,55,898 | 2,80,45,069 |
| | iii) Other financial liabilities | 35,08,37,434 | 28,50,43,044 |
| b | Other current liabilities | 1,81,56,070 | 1,06,79,980 |
| c | Provisions | 6,32,691 | 41,322 |
| d | Current tax Liabilities (Net) | 3,12,31,820 | 4,10,96,728 |
| | Total Current liabilities | 1,64,52,54,388 | 1,51,77,23,176 |
| | Total Liabilities | 3,78,50,48,728 | 3,72,72,40,830 |
| | Total Equity and Liabilities | 5,90,83,03,971 | 5,19,72,64,292 |

Statement of Profit & Loss

(Amount in Rs.)

| | Particulars | For The Year Ended March 31, | |
|-------|---|------------------------------|-----------------------|
| | | 2018 | 2017 |
| I. | Revenue from Operations | 3,12,64,26,542 | 2,88,63,17,329 |
| II. | Other Income | 1,13,22,728 | 1,01,23,693 |
| III. | Total Income (I + II) | 3,13,77,49,270 | 2,89,64,41,022 |
| IV. | Expenses : | | |
| | Cost of materials consumed | 1,70,28,44,603 | 1,58,01,38,922 |
| | Purchases of Stock-in-trade | - | - |
| | Changes in inventories of finished goods and work-in-progress | (3,84,98,189) | (11,81,21,634) |
| | Employee benefits expense | 20,86,36,897 | 18,04,95,661 |
| | Finance Costs | 21,88,33,106 | 21,98,66,793 |
| | Depreciation and amortization expense | 14,19,46,320 | 13,64,89,377 |
| | Other expenses | 69,33,02,560 | 68,57,71,056 |
| | Total Expenses (IV) | 2,92,70,65,297 | 2,68,46,40,175 |
| V. | Profit before exceptional items and tax (III-IV) | 21,06,83,973 | 21,18,00,847 |
| VI. | Exceptional Items | - | - |
| VII. | Profit before tax (V- VI) | 21,06,83,973 | 21,18,00,847 |
| VIII. | Tax expense: | | |
| | Current Tax | 4,60,26,739 | 5,00,00,000 |
| | Deferred Tax (Net of MAT Credit Entitlement) | 79,27,680 | 3,39,01,162 |
| IX | Profit for the year (VII-VIII) | 15,67,29,554 | 12,78,99,685 |
| X | Other Comprehensive Income | | |
| | A. Items that will not be classified to statement of profit and loss (Net of Tax) | | |
| | a) Remeasurement of land at fair value | 28,44,38,715 | - |
| | b) Revaluation surplus on measurement of buildings at fair value | 33,72,20,182 | - |
| | c) Remeasurement of defined employee benefit plans | 9,27,375 | (2,37,883) |
| | d) Deferred Tax charge on above | (11,78,38,220) | - |
| | Total Other Comprehensive Income | 50,47,48,052 | (2,37,883) |
| XI. | Total Comprehensive Income for the year (IX+X) | 66,14,77,606 | 12,76,61,802 |
| XII. | Earnings per share – Basic and Diluted (Profit after tax and before OCI/Wt. average number of shares) | 3.66 | 2.99 |

Cash Flow Statement

(Amount in Rs.)

| PARTICULARS | For the year ended | For the year ended |
|---|---------------------------|---------------------------|
| | March 31, 2018 | March 31, 2017 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax | 21,06,83,973 | 21,18,00,847 |
| Add/Less : Adjustments for | | |
| Depreciation | 14,19,46,320 | 13,64,89,377 |
| Interest Expense | 21,88,33,106 | 21,98,66,793 |
| Interest income | (42,73,465) | (32,24,480) |
| Amortisation of Govt. Grants | (45,91,242) | (44,05,796) |
| Remeasurement of employee defined benefit plans | 9,27,375 | (2,37,883) |
| Profit on sale of assets | - | (1,43,785) |
| Loss on sale of assets | 4,64,465 | 3,42,081 |
| Operating Profit before Working Capital changes | 56,39,90,532 | 56,04,87,154 |
| Add/Less : Adjustments for working capital | | |
| Inventories | (5,65,27,057) | (11,51,05,423) |
| Trade & Other receivables | (5,75,59,729) | (23,62,87,289) |
| Trade & other Payables | 6,24,22,697 | (3,99,71,955) |
| Cash generated from Operations | 51,23,26,443 | 16,91,22,487 |
| Less: Direct taxes paid | 5,98,64,908 | 2,75,09,337 |
| Net cash from Operating Activities | 45,24,61,535 | 14,16,13,150 |
| | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets and Capital WIP (Net of subsidy) | (11,61,28,193) | (13,91,92,436) |
| Proceeds from sale of fixed assets | 26,26,683 | 76,17,770 |
| Margin Money deposit with banks and other balances | 1,27,449 | (25,67,611) |
| Interest Received | 42,73,465 | 32,24,480 |
| Net cash used in Investing activities | (10,91,00,596) | (13,09,17,797) |
| | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from /(repayment) of Borrowings | (12,04,96,653) | 22,34,42,238 |
| Dividend and tax paid | (82,45,823) | (82,45,823) |
| Interest and finance charges | (21,48,33,106) | (21,98,66,793) |
| Net cash from/(used in) Financing Activities | (34,35,75,582) | (46,70,378) |
| | | |
| Net Increase/(Decrease) in cash and cash equivalents | (2,14,643) | 60,24,975 |
| | | |
| Cash & Cash equivalents at the beginning of the year | 78,14,521 | 17,89,545 |
| Cash & Cash equivalents at the end of the year | 75,99,878 | 78,14,521 |
| Net Increase in cash and cash equivalents | (2,14,643) | 60,24,975 |

GENERAL INFORMATION

Pursuant to a resolution passed under Section 62(1)(a) of the Companies Act, 2013 by our Board in its meeting held on [•], it has been decided to make the following Offer to the Eligible Equity Shareholders, with a right to renounce:

ISSUE OF [•] EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH (“EQUITY SHARES”) OF KALLAM TEXTILES LIMITED (“KALLAM” OR THE “COMPANY” OR THE “ISSUER”) FOR CASH AT A PRICE OF ₹[•] (INCLUDING SHARE PREMIUM OF ₹ [•]) PER EQUITY SHARE (“ISSUE PRICE”) FOR AN AGGREGATE AMOUNT NOT EXCEEDING ₹ 995.50 LAKHS TO THE ELIGIBLE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF [•] EQUITY SHARE FOR EVERY [•] EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, I.E. [•] (THE “ISSUE”). THE ISSUE PRICE IS [•] TIMES THE FACE VALUE OF THE EQUITY SHARES.

FOR FURTHER DETAILS, PLEASE REFER TO “OFFERING INFORMATION” ON PAGE 158 OF THE DRAFT LETTER OFFER.

Registered & Corporate Office

N.H 5, Chowdavaram,
Guntur, Andhra Pradesh – 522 019
Tel. No.: +91 863 2344016
Fax No.: +91 863 2344000
Email: corp@ksml.in
Website: www.ksml.in

Corporate Identity Number: L18100AP1992PLC013860

Security Codes for the Equity Shares: BSE: 530201

Security ID: KALLAM

Address of the Registrar of Companies, Andhra Pradesh and Telangana

2nd Floor, Corporate Bhawan,
GSI Post, Tattiannaram Nagole, Bandlaguda
Hyderabad – 500 068
Tel. No.: +91 40 29805427, 29803827, 29801927
Fax No.: +91 40 29803727
E-mail: roc.hyderabad@mca.gov.in
Website: www.mca.gov.in

Board of Directors of our Company

| Sr. No. | Name | Designation | Address | DIN |
|----------------|----------------------------------|-------------------------------|--|------------|
| 1. | Mr. Poluri Venkateshwara Reddy | Managing Director | Flat No.401, 402, Lakshmi Grand, Syamala Nagar, 4th Line, Guntur 522 006 Andhra Pradesh | 00018677 |
| 2. | Mr. Gurram Venkata Krishna Reddy | Joint Managing Director & CEO | Flat.No. 406, Krisals County, 12th Line, Syamala Nagar, Pattabhipuram, Guntur 522 006 Andhra Pradesh | 00018713 |
| 3. | Mr. Movva Venkata Subba Reddy | Whole Time Director & CFO | Flat No.202, Lakshmi Grand, Near Santhosh Matha Temple, 4th Line, Main Road, Syamala Nagar, Guntur 522 006, Andhra Pradesh | 00018719 |
| 4. | Mr. Suryanarayana Murty Vaddadi | Nominee Director of IREDA | 1, Essar Apartments, West Maredpally, Secunderabad 500 026, Telangana | 00021952 |

| Sr. No. | Name | Designation | Address | DIN |
|---------|------------------------|----------------------|---|----------|
| 5. | Mr. Ajeya Kallam | Independent Director | 3 – 7 – 405/Dc/18 & 19, Nalanda Nagar, Hyderabad 500 048 Telangana | 00278595 |
| 6. | Mr. Pulla Rao Swargam | Independent Director | D.No. 29-14-57, Flat. No.002, Sai Prema Residency, Prakasam Road, Suryaraopet, Vijayawada 520 002, Andhra Pradesh | 02360239 |
| 7. | Mr. Ramagopal Varanasi | Independent Director | Flat No. 105, Tranquil Towers, Whitefield, Sree Tirumala Construction, Kondapur, Serilingampally, K V Rangareddy Hyderabad - 500 084, Telangana | 02889497 |
| 8. | Mrs. Bhargavi Vangala | Independent Director | D.No. 5-13-13, 2/12 Brodipet, Guntur 522 002, Andhra Pradesh | 06950741 |

For details of our Directors, refer to section titled “Our Management” on page 71 of the Draft Letter of Offer.

Company Secretary & Compliance Officer

Mr. Nandan Bisoi
Kallam Textiles Limited
N.H 5, Chowdavaram,
Guntur, Andhra Pradesh – 522 019
Tel. No.: + 91 863 2344016
Fax No.: + 91 863 2344000
Email: corp@ksml.in

Lead Manager to the Issue

SPA Capital Advisors Limited

SEBI Regn. No.: INM 000010825
25, C – Block, Community Centre
Janak Puri, New Delhi - 110 058
Tel. No.: +91 11 4558 6600, 4567 5500
Fax No.: +91 11 2557 2342
E-mail: kallam.rights@spagroupindia.com
Investor Grievance: grievances.mb@spagroupindia.com
Website: www.spacapital.com
Contact Person: Sri Krishna Tapariya / Manish Sharma

Legal Advisor to the Issue

Jampani Nageswara Rao
5th Line, Between 14-15th Cross Roads,
Brodipet, Guntur – 522 002
Tel: +91 863 2350825
Email: jnraoadvocat@gmail.com
Regd No. – 144/81/A.P Bar Council

Auditors of our Company

M/s Chevuturi Associates, Chartered Accountants
D. No. 33-25-33/B, Govinda Rajulu Naidu Street,
Suryaraopet, Vijayawada – 520 002
Andhra Pradesh
Tel.: +91 98499 10509
Email Id: balinenir@yahoo.co.uk
Contact Person: Raghunadha Rao Balineni

Firm Registration No.: 000632S
Peer Review Certificate: 010120 dated June 30, 2017

Registrar to the Issue

Bigshare Services Private Limited

SEBI Regn. No.: INR000001385

1st Floor, Bharat Tin Works Building,

Opp. Vasant Oasis, Makwana Road, Marol,

Andheri East, Mumbai – 400 059

Tel.: +91 22 6263 8200

Fax: +91 22 6263 8299

E-mail: rightsissue@bigshareonline.com

Investor Grievance e-mail id: investor@bigshareonline.com

Website: www.bigshareonline.com

Contact Person: Ashish Bhope

Investors may contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-Issue or post-Issue related matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the Applicant, number of Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF, or the plain paper application, as the case may be, was submitted by the ASBA Investors. For details on the ASBA process, see “Offering Information” on page 158.

Experts

Our Company has received consent from our Statutory Auditors, M/s Chevuturi Associates through its letter dated December 11, 2018 to include its names as required under Section 26(1)(v) of the Companies Act, 2013 in this Draft Letter of Offer and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 in respect of the Limited Review Financial Information, the Audited Financial Statements and Statement of Tax Benefits, respectively, and such consents have not been withdrawn as of the date of this Draft Letter of Offer.

Banker to the Issue & Refund Banker

Our company has appointed [●] as Banker to the Issue and Refund Banker.

Self-Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA process is provided on SEBI website at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>

Banker to our Company

Andhra Bank

Guntur Main Branch

Gowri Sankar Theatre Road,

Kothapet, Guntur

Andhra Pradesh

Tel.: +91 863 2227420

Fax: +91 863 2321919

E-mail: bm0150@andhrabank.co.in

Indian Bank

Sambasivapet

Guntur – 522 001

Andhra Pradesh

Tel.: +91 863 2220061

Fax: +91 863 2237473

E-mail: guntur@indianbank.co.in

Bank of Baroda

Guntur Branch,
Rajiv Gandhi Bhawan,
Near Hindu College, Guntur – 522 004
Andhra Pradesh
Tel.: +91 863 2220244
Fax: +91 863 2224775
E-mail: guntur@bankofbaroda.com

Credit Rating

This being a right issue of equity shares, no credit rating is required.

Trustees

This being a Rights Issue of Equity Shares, appointment of Trustees is not required.

Appraising Agency

The issue has not been appraised.

Monitoring Agency

Since the issue size is less than Rs. 100 Crore, appointment of Monitoring Agency is not required.

Underwriting / Standby agreement

Our Company has not entered into any underwriting / standby agreement.

Issue Schedule

| | |
|---|-----|
| Issue Opens on | [●] |
| Last date for requests for Split Application Forms | [●] |
| Issue Closes on | [●] |
| Date of Allotment (on or about) | [●] |
| Date of Credit of Shares in Demat Account (on or about) | [●] |
| Date of listing (on or about) | [●] |

SPA Capital Advisors Ltd. is the sole Lead manager to the Issue responsible for all pre issue and post issue activities.

Minimum Subscription

If our company does not receive the minimum subscription of ninety percent of the Issue, our Company shall refund the entire subscription amount within fifteen days from the date of closure of the issue. In the event that there is a delay of making refunds by more than the prescribed time after our Company become liable to pay the subscription amount, our Company shall pay interest for the delayed period at rates prescribed under the Companies Act, 2013.

Principal Terms of Loans and Assets charged as security

For details in relation to the principal terms of loans and assets charged as security in relation to our Company, please see the section entitled “Financial Statements” and “Financial Indebtedness” on page 86 and 140 respectively.

Filing

This Draft Letter of Offer has been filed with BSE for its in-principal approval. After the in-principal approval is received from BSE, the Letter of Offer will be filed with BSE and also with the Northern Regional Office of the SEBI, located at 5th Floor, Bank of Baroda Building, 16, Sansad Marg, New Delhi – 110 001 for its information.

CAPITAL STRUCTURE

Our capital structure and related information as on date of the Draft Letter of Offer is set forth below.

(Rs. In Lakhs unless otherwise stated)

| | Share Capital | Aggregate value at face value | Aggregate Value at Issue Price |
|-----------|---|-------------------------------|--------------------------------|
| A. | Authorised Share Capital | | |
| | 5,00,00,000 Equity Shares of Rs. 2/- each | 1,000.00 | |
| B. | Issued, Subscribed and Paid Up Share Capital | | |
| | 4,28,19,375 Equity Shares of Rs. 2/- each | 856.39 | |
| C. | Present Issue in terms of the Draft Letter of Offer | | |
| | [●] Equity Shares at an Issue Price of ₹[●] per Equity Share | [●] | 995.50 |
| D. | Subscribed and Paid-up capital after the Issue, assuming full subscription | | |
| | [●] Equity Shares of ₹2 each fully paid-up | [●] | |
| E. | Share Premium Account: | | (in Rs. Lakhs) |
| | Before the Issue | | Nil |
| | After the Issue | | [●] |

Notes to the Capital Structure

1. Changes in Authorised Share Capital

The Authorised share capital of our Company prior to IPO was Rs. 720 Lakhs (Rupees Seven Crore Twenty Lakhs) equivalent to 72,00,000 equity shares of face value Rs. 10. The details of Changes in Authorised share capital of our company after Initial Public Offering (IPO) on April 28, 1995 are given below:

| Date | No. of Equity Shares | Cumulative No. of Equity Shares | Face Value (₹) | Authorised Share Capital (in ₹) | Particulars |
|--------------------|----------------------|---------------------------------|----------------|---------------------------------|---|
| September 25, 1999 | 28,00,000 | 1,00,00,000 | 10/- | 10,00,00,000 | Capital increased from Rs. 7,20,00,000 to Rs. 10,00,00,000 |
| February 02, 2017 | 4,00,00,000 | 5,00,00,000* | 2/- | 10,00,00,000 | Splitting of the equity shares from the face value of Rs. 10/- each to face value of Rs. 2/- each |

* As per resolution passed by Shareholders of our Company by Postal Ballot, results of which were declared on January 07, 2017.

2. Equity Share Capital History

Our Company came out with IPO in March, 1995. Prior to the IPO, the subscribed and paid up capital of our Company was Rs. 3,58,29,000 (35,82,900 equity shares of face value Rs. 10 each). The details of Changes in Equity share capital of our company after IPO are given below:

| Date of Allotment | No. of Equity Shares | Cumulative No. of Equity Shares | Face Value (in ₹) | Issue Price (in ₹) | Cumulative Paid up Capital (in ₹) | Nature of consideration | Nature of Allotment | Category of Allottees |
|-------------------|----------------------|---------------------------------|-------------------|--------------------|-----------------------------------|--|--|---|
| Prior to IPO | 35,82,900 | 35,82,900 | 10/- | 10/- | 3,58,29,000 | Shares allotted since Incorporation and prior to IPO | - | Promoters and Associates of Promoters holding 33,32,900 equity shares and ICICI Securities and Finance Company Limited holding 2,50,000 equity shares |
| April 28, 1995 | 32,68,200 | 68,51,100 | 10/- | 10/- | 6,85,11,000 | Shares allotted pursuant to IPO | Public Issue | Public Shareholders |
| February 02, 2017 | - | 3,42,55,500* | 2/- | - | 6,85,11,000 | Increase in number of shares consequent upon splitting of equity share of face value of Rs.10/- each to face value of Rs. 2/- each | Share Split from face value of Rs 10/- each to Rs. 2/- each. | Not Applicable |
| October 14, 2017 | 85,63,875 | 4,28,19,375 | 2/- | - | 8,56,38,750 | Shares allotted pursuant to Bonus Issue in the ratio of 1:4 | Bonus Issue | All the Shareholders as on October 13, 2017 |

* As per resolution passed by Shareholders of our Company by Postal Ballot, results of which were declared on January 07, 2017.

Note: Details of Share Capital allotment prior to IPO in 1995 are not available.

3. Our shareholding pattern as on December 31, 2018 as filed with Stock Exchanges is as follows:

| Table I - Summary Statement holding of specified securities | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|--|---|--|--|---|--|-------------------------------|----------|--------------------------------------|--|---|--|---|---|--|--|--|--|----------|
| Cate gory (I) | Cate gory of shareh older (II) | Nos. Of share holders (III) | No. of fully paid up equity shares held (IV) | No. Of Part ly pai d- up equ ity shar es hel d (V) | No · Of sh are s un der ly ng De po sit or y Re cei pts (V I) | Total nos. shares held (VII) = (IV)+(V)+ (VI) | Share holdin g as a % of total no. of shares (calcul ated as per SCRR , 1957) (VIII) As a % of (A+B +C2) | Number of Voting Rights held in each class of securities (IX) | | | | No. Of Shar es Unde rlyin g Outst andin g conv ertibl e secur ities (X) | No. of Shares Under lying Outsta nding Warra nts (Xi) | No. Of Shares Under lying Outsta nding conver tible securit ies and No. Of Warra nts (Xi) (a) | Shareh olding , as a % assumi ng full convers ion of convert ible securiti es (as a percent age of diluted share capital) (XI)= (VII)+(X) As a % of (A+B+ C2) | Number of Locked in shares (XII) | | Number of Shares pledged or otherwise encumbere d (XIII) | | Number of equity shares held in demateria lized form (XIV) | |
| | | | | | | | | No of Voting (XIV) Rights | | | Total as a % of (A+B +C) | | | | | No. (a) | As a % of total Shar es held (b) | No. (a) | As a % of total Shar es held (b) | | |
| | | | | | | | | Class eg: X | C la ss e g: y | Total | | | | | | | | | | | |
| (A) | Prom oter & Prom oter Group | 20 | 22620544 | | | 22620544 | 52.83 | 22620544 | | 22620544 | 52.83 | | | | 52.83 | | | | | | 22620544 |
| (B) | Public | 4686 | 20198831 | | | 20198831 | 47.17 | 20198831 | | 20198831 | 47.17 | | | | 47.17 | | | | | | 18215615 |
| (C) | Non Prom oter- Non Public | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| (C1) | Shares under lying DRs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |

| | | | | | | | | | | | | | | | | | | | |
|------|--------------------------------|------|----------|---|---|----------|--------|----------|---|----------|--------|---|---|---|--------|---|---|---|----------|
| (C2) | Shares held by Employee Trusts | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Total | 4706 | 42819375 | | | 42819375 | 100.00 | 42819375 | | 42819375 | 100.00 | | | | 100.00 | | | | 40836159 |

Table II: Statement showing shareholding pattern of the Promoter and Promoter Group

| Serial No. | Name of the Shareholders | No. of Shareholder | No. of fully paid up equity shares held | Total nos. shares held | Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | Number of Voting Rights held in each class of securities | | | Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) As a % of (A+B+C2) | Number of equity shares held in dematerialized form |
|------------|------------------------------------|--------------------|---|------------------------|--|--|--------|-------------------------------------|--|---|
| | | | | | | No of Voting Rights | | Total as a % of Total Voting rights | | |
| | | | | | | Class eg:X | Total | | | |
| A1 | Indian | | | | | | | | | |
| | Individuals/Hindu undivided Family | 19 | | | | | | | | |
| 1 | N RAJENDRA PRASAD | | 478750 | 478750 | 1.12 | 478750 | 478750 | 1.12 | 1.12 | 478750 |
| 2 | NALLI PRATHIBHA RANI | | 187500 | 187500 | 0.44 | 187500 | 187500 | 0.44 | 0.44 | 187500 |
| 3 | PRABHAKARA RAO NALLI | | 173018 | 173018 | 0.40 | 173018 | 173018 | 0.40 | 0.40 | 173018 |
| 4 | ANUMULA RANGA REDDY | | 127500 | 127500 | 0.30 | 127500 | 127500 | 0.30 | 0.30 | 127500 |

| | | | | | | | | | | |
|----|---------------------------------------|----------|----------------|----------------|--------------|----------------|----------------|--------------|--------------|----------------|
| 5 | GURRAM VENKATA KRISHNA REDDY | | 3513723 | 3513723 | 8.21 | 3513723 | 3513723 | 8.21 | 8.21 | 3513723 |
| 6 | POLURI GOVERDHAN REDDY | | 1093455 | 1093455 | 2.55 | 1093455 | 1093455 | 2.55 | 2.55 | 1093455 |
| 7 | POLURI VENKATESHW ARA REDDY | | 1151250 | 1151250 | 2.69 | 1151250 | 1151250 | 2.69 | 2.69 | 1151250 |
| 8 | POLURI SIVANAGENDR AMMA | | 296205 | 296205 | 0.69 | 296205 | 296205 | 0.69 | 0.69 | 296205 |
| 9 | KALLAM MOHAN REDDY | | 2679625 | 2679625 | 6.26 | 2679625 | 2679625 | 6.26 | 6.26 | 2679625 |
| 10 | NAGIREDDY KALLAM | | 736250 | 736250 | 1.72 | 736250 | 736250 | 1.72 | 1.72 | 736250 |
| 11 | KALLAM HARINADHA REDDY | | 2732500 | 2732500 | 6.38 | 2732500 | 2732500 | 6.38 | 6.38 | 2732500 |
| 12 | PRATHYUSHA KALLAM | | 1188125 | 1188125 | 2.77 | 1188125 | 1188125 | 2.77 | 2.77 | 1188125 |
| 13 | SUREDDY MALLESWARI | | 462 | 462 | 0.00 | 462 | 462 | 0.00 | 0.00 | 462 |
| 14 | MOVVA VENKATA SUBBA REDDY | | 428125 | 428125 | 1.00 | 428125 | 428125 | 1.00 | 1.00 | 428125 |
| 15 | venu GOPALA REDDY POLURI | | 971575 | 971575 | 2.27 | 971575 | 971575 | 2.27 | 2.27 | 971575 |
| 16 | UMASANKARA REDDY MOVVA | | 675651 | 675651 | 1.58 | 675651 | 675651 | 1.58 | 1.58 | 675651 |
| 17 | KALLAM ANNAPURNA | | 643750 | 643750 | 1.50 | 643750 | 643750 | 1.50 | 1.50 | 643750 |
| 18 | MOVVA KAVITHA | | 77500 | 77500 | 0.18 | 77500 | 77500 | 0.18 | 0.18 | 77500 |
| 19 | SUBBAYAMMA POLURI | | 537 | 537 | 0.00 | 537 | 537 | 0.00 | 0.00 | 537 |
| - | | | 17155501 | 17155501 | 40.06 | 17155501 | 17155501 | 40.06 | 40.06 | 17155501 |
| | Any Other (Body Corporate) | 1 | 5465043 | 5465043 | 12.76 | 5465043 | 5465043 | 12.76 | 12.76 | 5465043 |

| | | | | | | | | | | |
|-----------|---|-----------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|--------------|-----------------|
| | KALLAM AGRO PRODUCTS AND OILS PRIVATE LTD | 1 | 5465043 | 5465043 | 12.76 | 5465043.00 | 5465043.00 | 12.76 | 12.76 | 5465043 |
| | Sub Total A1 | 20 | 22620544 | 22620544 | 52.83 | 22620544 | 22620544 | 52.83 | 52.83 | 22620544 |
| A2 | Foreign | - | - | - | - | - | - | - | - | - |
| A | A1+A2 (Total) | 20 | 22620544 | 22620544 | 52.83 | 22620544 | 22620544 | 52.83 | 52.83 | 22620544 |

Table III: Statement showing shareholding pattern of public shareholder

| Serial No. | Name of the Shareholders | No. of Shareholder | No. of fully paid up equity shares held | Total nos. shares held | Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | Number of Voting Rights held in each class of securities | | | Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) As a % of (A+B+C2) | Number of equity shares held in dematerialized form |
|------------|-----------------------------------|--------------------|---|------------------------|--|--|-------|-------------------------------------|--|---|
| | | | | | | No of Voting Rights | | Total as a % of Total Voting rights | | |
| | | | | | | Class eg:X | Total | | | |
| B1 | Institutions | 1 | | | | | | | | |
| | | | | | | | | | | |
| a | Mutual Funds | 1 | 62500 | 62500 | 0.15 | 62500 | 62500 | 0.15 | 0.15 | - |
| b | Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| c | Alternate Investment Funds | - | - | - | - | - | - | - | - | - |
| d | Foreign Venture Capital Investors | - | - | - | - | - | - | - | - | - |
| e | Foreign Portfolio Investors | - | - | - | - | - | - | - | - | - |
| f | Financial Institutions / Banks | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|-----------|--|----------|--------------|--------------|-------------|--------------|--------------|-------------|-------------|----------|
| g | Insurance Companies | - | - | - | - | - | - | - | - | - |
| h | Provident Funds / Pension Funds | - | - | - | - | - | - | - | - | - |
| i | Any Other | - | - | - | - | - | - | - | - | - |
| | Sub Total (B1) | 1 | 62500 | 62500 | 0.15 | 62500 | 62500 | 0.15 | 0.15 | - |
| B2 | Central Government / State Government / President of India | - | - | - | - | - | - | - | - | - |
| B3 | Non – Institutions | | | | | | | | | |
| a)(i) | Individual shareholders holding nominal share capital up to Rs. 2 lakhs. | 4539 | 10734631 | 10734631 | 25.07 | 10734631 | 10734631 | 25.07 | 25.07 | 9261415 |
| a)(ii) | Individual shareholders holding nominal share capital in excess of Rs. 2 lakhs. | 19 | 7789661 | 7789661 | 18.19 | 7789661 | 7789661 | 18.19 | 18.19 | 7421536 |
| 1 | Devika Anand | | 550942 | 550942 | 1.29 | 550942 | 550942 | 1.29 | 1.29 | 550942 |
| 2 | Hara Mohan Maadhur Kallam | | 622875 | 622875 | 1.45 | 622875 | 622875 | 1.45 | 1.45 | 622875 |
| 3 | Jyothi Bhukya | | 440081 | 440081 | 1.03 | 440081 | 440081 | 1.03 | 1.03 | 440081 |
| 4 | Nitin G | | 770961 | 770961 | 1.80 | 770961 | 770961 | 1.80 | 1.80 | 770961 |
| 5 | P Kinnera | | 568218 | 568218 | 1.33 | 568218 | 568218 | 1.33 | 1.33 | 568218 |
| 6 | Thirupathi Lakshminarayana n | | 1631610 | 1631610 | 3.81 | 1631610 | 1631610 | 3.81 | 3.81 | 1631610 |
| 7 | Vecha Sai Naga Padmasree | | 1001218 | 1001218 | 2.34 | 1001218 | 1001218 | 2.34 | 2.34 | 1001218 |

| | | | | | | | | | | |
|----------|---|-------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|--------------|-----------------|
| (b) | NBFC's Registered with SEBI | - | - | - | - | - | - | - | - | - |
| (c) | Employee Trusts | - | - | - | - | - | - | - | - | - |
| (d) | Overseas Depositories (holding DRs) | - | - | - | - | - | - | - | - | - |
| (e) | Any Other (specify) | 127 | 1612039 | 1612039 | 3.76 | 1612039 | 1612039 | 3.76 | 3.76 | 1532664 |
| | IEPF | 1 | 494375 | 494375 | 1.15 | 494375 | 494375 | 1.15 | 1.15 | 494375 |
| | Bodies Corporate | 57 | 653372 | 653372 | 1.53 | 653372 | 653372 | 1.53 | 1.53 | 573997 |
| | Clearing Members | 32 | 59360 | 59360 | 0.14 | 59360 | 59360 | 0.14 | 0.14 | 59360 |
| | Foreign Portfolio Investor (Category III) | 1 | 117408 | 117408 | 0.27 | 117408 | 117408 | 0.27 | 0.27 | 117408 |
| | Non-Resident Indian (NRI) | 36 | 287524 | 287524 | 0.67 | 287324 | 287524 | 0.67 | 0.67 | 287524 |
| | Sub Total B3 | 4685 | 20136331 | 20136331 | 47.03 | 20136331 | 20136331 | 47.03 | 47.03 | 18215615 |
| B | B1+B2+B3 (Total) | 4686 | 20198831 | 20198831 | 47.17 | 20198831 | 20198831 | 47.17 | 47.17 | 18215615 |

Table IV: Statement showing shareholding pattern of Non-promoter- Non-public shareholder

| Serial No. | Name of the Shareholders | No. of Shareholder | No. of fully paid up equity shares held | Total nos. shares held | Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | Number of Voting Rights held in each class of securities | | | Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) As a % of (A+B+C2) | Number of equity shares held in dematerialized form |
|------------|---|--------------------|---|------------------------|--|--|-------|-------------------------------------|--|---|
| | | | | | | No of Voting Rights | | Total as a % of Total Voting rights | | |
| | | | | | | Class eg:X | Total | | | |
| C1 | Custodian/DR Holder - Name of DR Holders (If Available) | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|----|---|---|---|---|---|---|---|---|---|---|
| C2 | Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014) | - | - | - | - | - | - | - | - | - |
| | Total Non-Promoter- Non Public Shareholding (C)= C1+C2 | - | - | - | - | - | - | - | - | - |

4. List of Shareholders holding more than 1 % of the share capital of our Company.

| Name | Number of shares held | Total percentage |
|---|------------------------------|-------------------------|
| Kallam Agro Products and Oils Ltd | 54,65,043 | 12.76 |
| Gurram Venkata Krishna Reddy | 34,69,156 | 8.10 |
| Kallam Harinadha Reddy | 27,32,500 | 6.38 |
| Kallam Mohan Reddy | 26,79,625 | 6.26 |
| Prathyusha Kallam | 11,88,125 | 2.77 |
| Poluri Venkateshwara Reddy | 11,51,250 | 2.69 |
| Thirupathi Lakshminarayanan | 11,15,275 | 2.60 |
| Poluri Govardhan Reddy | 10,93,193 | 2.55 |
| Vecha Sai Naga Padmasree | 10,01,218 | 2.34 |
| Venu Gopala Reddy Poluri | 9,71,575 | 2.27 |
| Nagireddy Kallam | 7,36,250 | 1.72 |
| Gurram Nitin | 6,85,000 | 1.60 |
| Umasankara Reddy Movva | 6,71,650 | 1.57 |
| Kallam Annapurna | 6,43,750 | 1.50 |
| P Kinnera | 5,68,218 | 1.33 |
| Devika Anand | 5,50,942 | 1.29 |
| Hara Mohan Maadhur Kallam | 5,21,875 | 1.22 |
| Lakshminarayanan T | 5,16,335 | 1.21 |
| Investor Education And Protection Fund Authority Ministry of Corporate Affairs | 4,94,375 | 1.15 |
| N Rajendra Prasad | 4,78,750 | 1.12 |
| Jyothi Bhukya | 4,36,881 | 1.02 |
| Movva Venkata Subba Reddy | 4,28,125 | 1.00 |

5. Subscription to the Issue by the Promoters and Promoter Group

One of our Promoter, Mr. Poluri Venkateswara Reddy, in his capacity as a Promoter and as representative of the Promoter Group, vide his letter dated March 16, 2019 has given an undertaking that he alongwith the Promoter Group, and/or through one or more investors will subscribe to the total entitlement of the entire Promoter Group. The same is proposed to be ensured by way of subscription and application for additional shares and/or by renouncing their Rights Entitlement in part.

In such an event, the shareholding of Promoter and Promoter Group in the Company may accordingly stand modified. Further, they reserve the right either through themselves or through investors to additionally subscribe for any unsubscribed portion in the Issue. Such subscription to additional Equity shares and the unsubscribed portion of the Issue, if any shall be in accordance with Regulation 10(4) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011. Their entitlement to subscribe to the Issue would be restricted to ensure that the public shareholding in the Company after the Issue does not fall below the permissible minimum level as specified in the applicable laws.

6. Our Promoter and Promoter group holds 2,26,20,544 equity shares of our company representing 52.83 % of the issued share capital.
7. Other than one of our Promoter Mr. Kallam Mohan Reddy who has acquired 7,32,750 shares on May 11, 2018 as gift from his mother (interse transfer) none of our Promoters have acquired any shares in the preceding twelve months. However, following Members of our Promoter Group have acquired shares in the preceding twelve months:

| Name of Member | Number of shares acquired |
|--------------------------|----------------------------------|
| Kallam Haranadha Reddy | 4,86,875 |
| Poluri Sivanagendramma | 51,574 |
| Umasankara Reddy Movva | 5,000 |
| Venu Gopala Reddy Poluri | 392 |

8. Our Promoters, Promoter Group, Directors and their relatives have not financed the purchase, by any other person, of the Equity Shares of our Company during the period of six months immediately preceding the date of filing of Draft Letter of Offer with BSE.
9. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares as on the date of the Draft Letter of Offer. We have no partly paid up Equity Shares or call in arrears as on the date of the Draft Letter of Offer.
10. None of the shares were issued by our Company during the last 12 months at a price lower than the Issue Price.
11. None of the Equity Shares of our Company are locked-in as on the date of the Draft Letter of Offer.
12. There were no issuance of Equity Shares for consideration other than cash or out of revaluation reserves. However, our Company made an Issue of 85,63,875 Equity Shares of Rs. 2 each as fully paid up bonus shares out of free reserves which were allotted on October 14, 2017.
13. None of the Equity Shares of our Company held by the Promoter is subject to pledge or encumbrance as on the date of this Draft Letter of Offer.
14. The Shareholders of Our Company, in its Annual General Meeting held on September 22, 2018 have approved two Employee Stock Option Plan, i.e, Kallam Textiles Ltd Employees Stock Option Plan 2018 I (ESOP-I 2018) and Kallam Textiles Ltd Employees Stock Option Plan 2018 II (ESOP-II 2018). A total of 4,28,194 (Four Lakh twenty eight thousand one hundred ninety four) Stock Options equivalent to 4,28,194 equity shares of the Company are proposed to be granted through each scheme. However, no Options have been granted.
15. The present Issue being a rights issue, the requirements of Promoters' contribution and lock-in are not applicable.
16. Except for the allotment of Equity Shares pursuant to exercise of options under Kallam Textiles Ltd Employees stock option Plan 2018 I (ESOP-I 2018) and Kallam Textiles Ltd Employees stock option Plan 2018 II (ESOP-II 2018), if any, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Letter of Offer with the Stock Exchanges until the Equity Shares to be issued pursuant to the Issue have been listed. However, for growth of business in future, our company may explore various options including issue of further securities either by way of preferential basis or further public issue of specified securities or Qualified Institution Offer, subject to approval of shareholders as applicable within six months from the date of opening of the present issue.
17. If our company does not receive the minimum subscription of ninety percent of the Issue, our Company shall refund the entire subscription amount within fifteen days from the date of closure of the issue. In the event that there is a delay of making refunds by more than the prescribed time after our Company become liable to pay the subscription amount, our Company shall pay interest for the delayed period at rates prescribed under the Companies Act, 2013.
18. The ex-rights price of the Equity Shares as per Regulation 10(4)(b) of the SEBI Takeover Regulations is ₹[•].
19. Our company has not undertaken any public issue in the three years immediately preceding the date of this Draft Letter of Offer.
20. At any given time, there shall be only one denomination of the Ordinary Shares.
21. Our Company, its directors or the merchant banker have not entered into any buy back arrangements for purchase of the specified securities of the issuer, or have not entered into any arrangements for safety net facility.

OBJECTS OF THE ISSUE

The proceeds of the Issue are proposed to be utilized by us for financing the following objects:

1. Additional Working Capital Requirements
2. General Corporate Purposes
3. Expenses for the issue

The main objects clause as set out in the Memorandum of Association enables our Company to undertake its existing activities and the activities for which funds are being raised by our Company through the Rights Issue.

Requirement of Funds

The total estimated funds requirement is given below:

| Sr. No. | Particulars | Amount (in ₹ Lakhs) |
|--------------|---|---------------------|
| 1 | Additional Working Capital Requirements | 2,414.63 |
| 2 | General Corporate purposes | [●] |
| 3 | Expenses for the issue | [●] |
| Total | | [●] |

Means of Finance

| Sr. No. | Particulars | Amount (in ₹ Lakhs) |
|--------------|--------------------------------|---------------------|
| 1 | Proceeds from the Rights Issue | 995.50 |
| 2 | Internal Accruals | [●] |
| Total | | [●] |

The fund requirement and deployment is based on our Management estimates and has not been appraised by any bank or financial institution or any other independent agencies. The fund requirement above is based on our current business plan.

We operate in highly competitive, dynamic market conditions and may have to revise our business plan from time to time. Consequently, our fund requirements and utilization of proceeds may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, at the discretion of our management, subject to necessary approvals, and such rescheduling, if any, shall be within the objects of the Issue.

We do not propose to raise any funds for meeting the object of the issue from sources other than the proceeds of the rights issue and internal accruals. For the FY 2017-18, our Company has earned cash profit of Rs. 2,986.76 Lakhs and Net profit of Rs. 1,567.30 Lakhs. Further, in the nine month period ended December 31, 2018, as per provisional figures, our Company has made a cash profit of Rs. 1,809.76 Lakhs and Net profit of Rs. 625.15 Lakhs. Accordingly, Our Company confirms there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Rights Issue.

Details of use of Issue Proceeds:

1. Additional Working Capital Requirements

We are in the business of manufacturing of yarn and fabric, and have to maintain adequate inventory during all times. Since we also sell our products to customers on credit, the increased sales will result into increase in debtors. We intend to utilize our capacities at optimum level in our plants. Some of our final products from the Ginning and Spinning plants are used as raw material in our Weaving and Dyeing plants. Since we only have one manufacturing facility for our Ginning & Spinning Division and Weaving & Dyeing division respectively, higher inventory needs to be maintained in order to cater to our customer demands at all time. Hence we need to maintain the sufficient inventory at each division to cover the lead time between ordering to delivery time and optimizing order quantity based on delivery cost and storage costs.

Presently, we have sanctioned working capital limits of Rs. 14,200 Lakhs from our bankers. The equity infusion through Rights Issue is proposed to meet our increasing working capital requirement that will help in maintaining creditors, debtors, inventory holding levels as per our operations requirement. Therefore, in order to smoothen our working capital cycle, we propose equity infusion of Rs. 800 Lakhs through Rights Issue and the remaining requirement will be met through Internal accruals.

The working capital requirement is estimated as under:

| (Amount in Rs. Lakhs) | | | | |
|---|------------------|------------------|---------------------|---------------------|
| Particulars | Mar-17 Actual | Mar-18 Actual | Mar-19 Estimated | Mar-20 Projected |
| Current Assets | | | | |
| Inventories | 8,721.84 | 9,287.13 | 11,612.12 | 14,229.00 |
| Raw Material | 4,105.26 | 4,243.14 | 5,884.21 | 8,720.00 |
| Work-in-process | 2,485.79 | 2,957.81 | 3,589.12 | 2,625.00 |
| Finished Goods | 1,626.59 | 1,511.95 | 1,515.26 | 2,380.00 |
| Stores& Spares | 504.20 | 574.23 | 623.53 | 504.00 |
| Sundry Debtors | 3,097.55 | 2,277.86 | 3,257.11 | 4,437.15 |
| Cash& Bank Balance | 133.44 | 130.02 | 136.02 | 142.99 |
| Other Current Assets | 140.20 | 123.58 | 125.94 | 127.45 |
| Claims Receivables | 3,851.18 | 5,858.83 | 5,716.48 | 3,752.30 |
| | | | | |
| Total Current assets | 15,944.21 | 17,677.42 | 20,847.67 | 22,688.89 |
| | | | | |
| Current Liabilities and provisions | | | | |
| Trade payables | 280.45 | 838.56 | 467.90 | 1,055.63 |
| Other current liabilities | 2,957.23 | 3,711.94 | 4,180.09 | 4,837.52 |
| Provisions and other tax liabilities | 411.38 | 318.65 | 223.06 | 181.12 |
| | | | | |
| Total Current Liabilities | 3,649.06 | 4,869.15 | 4,871.05 | 6,074.27 |
| | | | | |
| Net Working Capital GAP | 12,295.15 | 12,808.27 | 15,976.62 | 16,614.63 |
| Working Capital facilities from Bank | 11,528.17 | 11,583.40 | 14,200.00 | 14,200.00 |
| | | | | |
| Additional Working Capital Requirement | 766.98 | 1,224.87 | 1,776.62 | 2,414.63 |
| Funding Pattern | | | | |
| - Rights Issue proceeds | | | | 800.00 |
| - Internal Accruals | | | | [•] |

The Working capital assessment is made on the basis of following assumptions:

| (in Days) | | | | |
|--------------------------------------|------------------|------------------|---------------------|---------------------|
| Particulars | Mar-17 Actual | Mar-18 Actual | Mar-19 Estimates | Mar-20 Projected |
| Creditors Turnover Period | 6 | 8 | 8 | 6 |
| Raw Material Holding Period | 97 | 89 | 98 | 93 |
| WIP Holding Period | 29 | 38 | 40 | 26 |
| Finished Goods Holding Period | 24 | 22 | 19 | 17 |
| Debtors Turnover Period | 35 | 31 | 31 | 28 |

2. General Corporate Purposes

We intend to deploy balance issue proceeds aggregating Rs [•] towards general corporate purposes including but not restricted to entering into general maintenance, Capital expenditure, repayment of outstanding loans, meeting expenditure in the ordinary course of business, administrative expenditure, Insurance related expenditure, strengthening our marketing capabilities, tie-ups, joint ventures or acquisitions or contingencies in ordinary course of business which may not be foreseen or any other purposes as approved by our Board of Directors. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes. However, not more than 25% of the proceeds of the issue would be deployed for the General Corporate purposes.

3. Expenses for the Issue

The Issue related expenses consist fees payable to the Lead Manager, Legal counsel, Registrar to the Issue, stationery printing and distribution expenses, advertisement expenses, depositories fees, listing fees and all other incidental and miscellaneous expenses in respect of Rights Issue and Listing of additional equity shares on the Stock Exchange. We intend to use approximate Rs [•] Lakhs towards these expenses which are to be met out of issue proceeds.

| (₹ in lakhs) | | | |
|--|---------------------------------|---------------------------|-------------------------------|
| Particulars | Estimated Expenses (₹ in Lakhs) | % of Estimated Issue size | % of Estimated Issue expenses |
| Fees payable to intermediaries including Lead Manager and Registrar to the Issue | [•] | [•] | [•] |
| Advertising, travelling and marketing expenses | [•] | [•] | [•] |
| Printing, stationery expenses and dispatch charges | [•] | [•] | [•] |
| Other expenses (including but not limited to legal counsel fees, listing fee, depository fees, auditor fees, out of pocket reimbursements, etc.) | [•] | [•] | [•] |
| Total | [•] | [•] | [•] |

Estimated Schedule of Deployment of Funds

As estimated by our management, the entire proceeds received from the issue would be utilized as under:

| (₹ in lakhs) | | | |
|---|--|---------|-------|
| Particulars | Funds already deployed (upto March 14, 2019) | 2019-20 | Total |
| Additional Working Capital Requirements | [•] | [•] | [•] |
| General Corporate Purposes | [•] | [•] | [•] |
| Expenses for the Issue | 3.81 | [•] | [•] |
| Total | 3.81 | [•] | [•] |

Deployment of Funds towards the Objects of the Issue

We have incurred Rs. 3.81 lakhs upto March 14, 2019 towards the Objects of the Issue which has been certified by M/S Chevuturi Associates (Firm Registration No.: 000632S), Chartered Accountants, vide its certificate dated March 15, 2019. The same has been incurred towards issue related expenses and have been financed through internal sources.

Interim Use of Proceeds

Pending utilization for the purpose described above, we intend to deposit the net proceeds only in Scheduled Commercial Banks included in the second schedule of Reserve Bank of India Act 1934, as may be approved by our Board.

Bridge Financing Facilities

Our Company has not raised any bridge loans from any bank or financial institution as on the date of this Draft Letter of Offer, which are proposed to be repaid from the Issue Proceeds.

Monitoring of Utilization of Funds

Since the Issue size is less than Rs. 100 Crores, the appointment of Monitoring Agency is not applicable.

No proceeds from the Issue are proposed to be paid to the Promoters of our Company.

STATEMENT OF TAX BENEFITS

STATEMENT OF TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

**The Board of Directors,
Kallam Textiles Limited,**
NH – 5, Chowdavaram
Guntur – 522019,
Andhra Pradesh,

Dear Sirs,

Sub: Statement of Special tax benefit ('the Statement') available to M/S Kallam Textiles Limited and its shareholders prepared in accordance with the requirements under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended (the 'Regulations')

1. We hereby confirm that the enclosed Annexure, prepared by M/s. Kallam Textiles Limited ('the Company'), provides the possible tax benefits available to the Company and to the shareholders of the Company under the Income-tax Act, 1961 ('the Act'), presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfill.
2. The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
3. We do not express any opinion or provide any assurance as to whether:
 - (i) the Company or its shareholders will continue to obtain these benefits, in future;
 - (ii) the conditions prescribed for availing the benefits have been/would be met with;
 - (iii) the revenue authorities/courts will concur with the views expressed herein.
4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.
5. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. The views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We would not assume responsibility to update the view, consequence to such change.
6. We shall not be liable to Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith of intentional misconduct.
7. The enclosed annexure is intended for your information and for inclusion in the Draft Prospectus/ Prospectus in connection with the proposed issue of equity shares and is not to be used, referred to or distributed for any other purpose without our written consent.

Place: Guntur
Date: November 24, 2018

For Chevuturi Associates
Chartered Accountants
Firm Regn. No. : 000632S

Raghunadha Rao Balineni
Partner
ICAI Memb. No. : 28105

ANNEXURE

Statement of Special Tax Benefits available to the Company & its Shareholder under the Income Tax Act, 1961

SPECIAL TAX BENEFITS

I. Benefits available to the Company

No special tax benefits are available to the Company under the provision of Income-tax Act, 1961.

II. Benefits available to the Shareholders

There are no special tax benefits available to the shareholders for investing in the proposed right issue of shares of the Company.

Place: Guntur

Date: November 24, 2018

For Chevuturi Associates

Chartered Accountants
Firm Regn. No. : 000632S

Raghunadha Rao Balineni

Partner
ICAI Memb. No. : 28105

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources including officially prepared materials from the Government of India and its various ministries, industry websites/publications and company estimates. Industry websites / publications generally state that the information contained therein has been obtained from sources believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Although we believe industry, market and government data used in the Draft Letter of Offer is reliable, it has not been independently verified. Similarly, our internal estimates, while believed by us to be reliable, have not been verified by any independent agencies.

Indian Economy

The Indian economy is the third largest economy in the world by purchasing power parity basis with an estimated Gross Domestic Product (GDP) of approximately USD \$9.447 trillion in 2017. (**Source:** CIA World Factbook)

GDP of India grew by 7.1 per cent in 2016-17. GDP Growth in 2017-18 is estimated at 6.7 percent. India's GDP growth outlook for 2018-19 remains positive and growth is expected to firm up in 2018-19 and 2019-20 on the back of private consumption. As per RBI Survey results dated February 07, 2019, GDP of India is likely to grow at 7.2% in 2018-19 and is expected to accelerate to 7.3% in 2019-20. Headline consumer price index (CPI) inflation is expected at 3.1 percent in fourth quarter of 2018-19 and thereafter may increase gradually to reach 4.4 percent by third quarter of 2019-20. CPI inflation excluding food and beverages, pan, tobacco and intoxicants and fuel and light is expected at 5.6 percent in fourth quarter of 2018-19 and is likely to decrease gradually thereafter, although remaining above 5.0 percent till second quarter of 2019-20.

In recent years, India's external sector has benefited from lower current account deficit (CAD), robust foreign direct investments (FDI) inflows, build-up of reserves and improvement in other vulnerability indicators. India's foreign exchange reserves stood at US\$ 405.64 billion as of March 15, 2019. The CAD to GDP ratio was 0.7 per cent in 2016-17. The CAD ratio increased to 1.9 percent for FY 2017-18. The CAD is expected at 2.5 percent of GDP in 2018-19 and may improve in 2019-20. Gross FDI inflows during FY 2017-18 stood at US\$ 60.97 billion compared with US\$ 60.22 billion in 2016-17, US\$ 55.56 billion in 2015-16 and US \$ 45.15 billion in 2014-15. The UNCTAD (United Nations Conference on Trade and Development)'s survey of multinational enterprises ranked India as the third most favorite host country for FDI for 2017-19 after the US and China. The continuing thrust on liberalization in recent years has given India the unique status of the most open economy in the world for FDI. The initiatives taken towards ease of doing business have started to bear fruit. World Bank Doing Business (DB) Report, 2018 (released in October 2017), ranked India at a position of 100 among 190 countries, registering a leap of 30 ranks over its previous rank of 130 in the Doing Business Report 2017. India improved its Rank by 23 places, as India was ranked 77 in the ease of Doing Business Report 2019.

The Gross Fiscal Deficit (GFD) was brought down to 3.5 per cent in 2016-17 without sacrificing public investment needs and social sector spending. Though 3.2 percent GFD was budgeted for FY 2017-18, this has been revised upwards to 3.5 percent. The government has budgeted a lower order of GFD of 3.3 percent for FY 2018-19. Further, the government has resolved to achieve a target of 3 percent GFD by 2020-21.

The Goods and Services Tax (GST) system introduced with effect from July 01, 2017 has reformed the system of indirect taxes of goods and services in one stroke. GST has simplified and streamlined payments and credits and enhanced the efficiency of inter-state movement of goods. Linkage of AADHAR unique identity numbers to Direct Benefit Transfer (DBT) have reduced leakages substantially, the government is incentivizing states for their effort to reduce the outgo on subsidies.

Emphasis on the implementation of rural roads program, rural electrification and affordable housing projects have added depth to growth and employment. Continuing the thrust on agriculture and rural sector, the central budget 2018-19 increased allocation for creation of livelihoods and rural infrastructure with an objective to provide maximum opportunities in the rural areas by substantially ramping up spending on agriculture and allied activities and construction of irrigation and other rural infrastructure. The government has initiated

measures to double farmers' incomes by 2022 through price support measures, better marketing infrastructure, thrust on exports and enhanced private investments.

Overall growth is projected to recover in FY 2018/19 and strengthen in FY 2019/20 as stability-oriented macroeconomic policies and progress on structural reforms continue to bear fruit. (*Source: IMF Country Report No. 18/254 India: 2018 Article IV Consultation—Press Release; Staff Report, July 2018*).

Indian Textile Industry

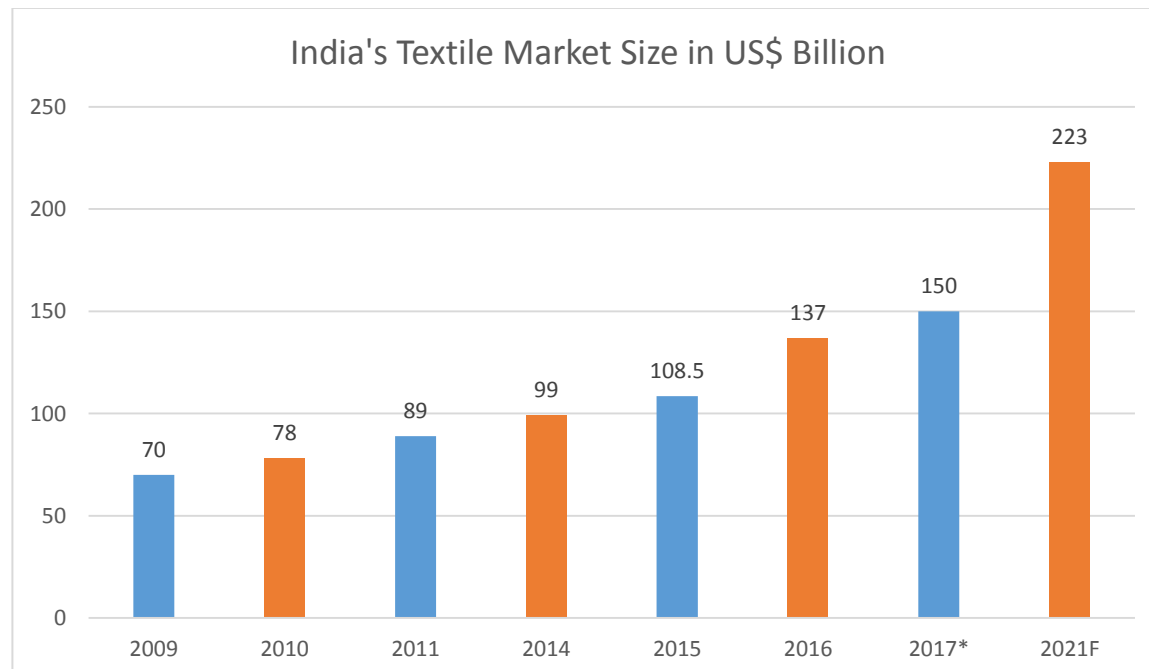
Overview

The Indian Textile Industry is one of the largest in the world with a large raw material base and manufacturing strength across the value chain. The uniqueness of the industry lies in its strength both in the hand-woven sector as well as in the Capital intensive mill sector. The mill sector, with 3,400 textile mills having installed capacity of more than 50 million spindles and 8,42,000 rotors is the second largest in the world. Traditional sectors like handloom, handicrafts and small scale power-loom units are the biggest source of employment for millions of people in rural and semi urban area. The Indian textile industry has inherent linkage with agriculture, culture and traditions of the country making for its versatile spread of products appropriate for both domestic and the export markets.

The textile industry contributes to 7% of industry output in value terms, 2% of India's GDP and 15% of the country's export earnings in 2017-18. With over 45 million people employed directly, the textile industry is labour intensive and is one of the largest sources of employment generation in the country. (*Source: Ministry of Textile, Annual report 2017-18*)

Market Size

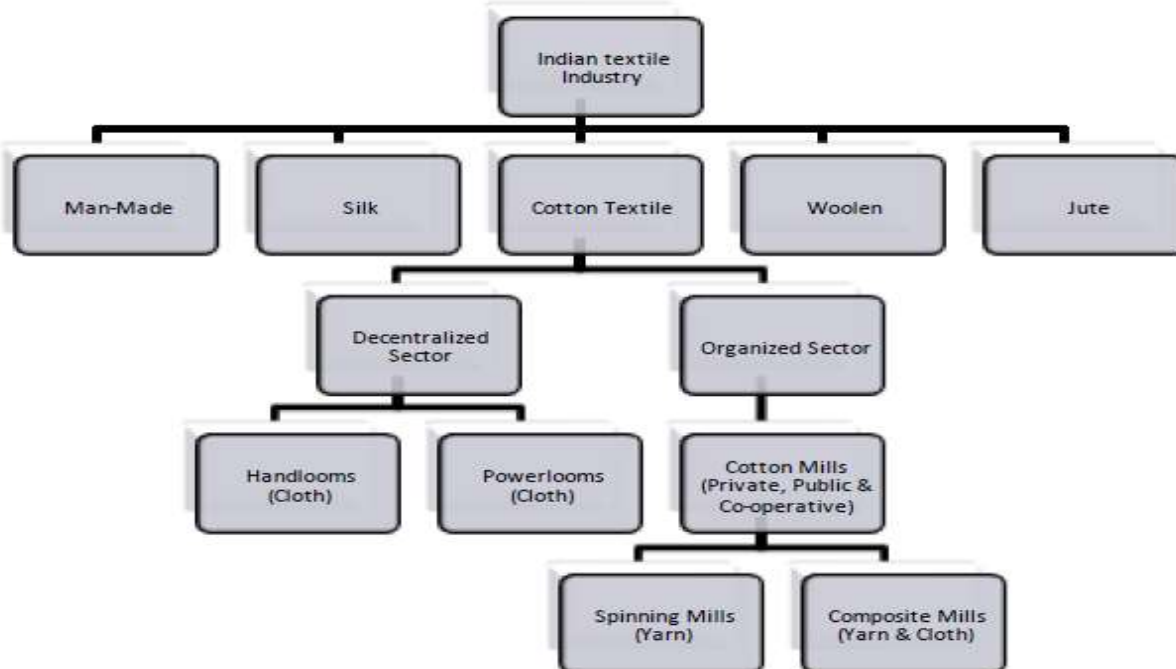
The size of India's textile market as of November 2017 was around US\$ 150 billion, which is expected to touch US\$ 223 billion market by 2021, growing at a CAGR of 12.28 per cent between 2009-21.



(*Source: India Brand Equity Foundation*)

Industry Structure

The major sub section of the Indian textile Industry are- Silk, Cotton, Woolen, Jute and Man-made. The following diagram shows the structure of textile industry in India. The textile industry in India is highly fragmented. The organized sector consists of spinning mills and composite mills. The unorganized sector consists of handlooms and power looms.



Export / Import

Exports: The Indian Textile industry is the second largest manufacturer and exporter in the world, after China. The Industry is of vital importance to the Indian Economy. The share of textile and clothing (T&C) in India's total exports stands at a significant 12.4% in 2017-18 (Apr-Nov). India has a share of 5% of the global trade in textiles and apparel. The major textile and apparel export destinations for India are EU-28 and USA with 47% total textile and apparel export. The industry holds importance from the employment point of view as well. It employs 4.5 crore people directly and another 6 crore people in allied sectors, including a large number of women and rural population. The sector has perfect alignment with Government's key initiatives of Make in India, Skill India, Women Empowerment and Rural Youth Employment. The export details of Textile & Apparel is as under:

| | 2015-16 (US\$ Mn) | 2016-17 (US\$ Mn) | 2016 (Apr-Nov) (US\$ Mn) | 2017 (Apr-Nov) (US\$ Mn) |
|----------------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| India Textile & Apparel | 36,257 | 36,007 | 22,201 | 23,030 |
| Handicrafts | 3,410 | 3,657 | 1,324 | 1,149 |
| Total T&C including Handicrafts | 39,667 | 39,664 | 23,525 | 24,224 |
| India's overall exports | 262,290 | 276,280 | 175,411 | 194,971 |
| % T&C Exports of overall exports | 15.1 | 14.4 | 13.4 | 12.4 |

T&C exports including handicrafts (US\$ billion)

- Exports of T&A products including Handicrafts from India have remained at US\$ 39.7 billion during 2015-16 and 2016-17. However, its share in the overall export basket of India decreased from 15.1% in 2015-16 to 14.4% in 2016-17.
- During 2015-16, Readymade Garments (RMG) accounted for 41% of the total T&C exports, while in 2016-17, it increased to 43% of total T&C exports.
- In 2016 (Apr-Nov), India's total T&C export was US\$ 23.5 billion with a share of 13.4% in India's overall export of around US\$ 175 billion. In comparison, during 2017 (Apr-Nov), India's total T&C export was valued at US\$ 24.2 billion with a share of 12.4% in India's overall export of around US\$ 195 billion.
- India's T&C products, including handlooms and handicrafts, are exported to more than hundred countries. However, the USA and EU, account for nearly half of these exports. Other major export destinations include U.A.E, Bangladesh, China, Sri Lanka, Turkey, Pakistan, Saudi Arabia, Canada, Australia, Brazil, Rep. of Korea, Hong-Kong and Egypt.

Imports: India is a major textile and apparel exporting country and enjoys trade surplus. Bulk of import takes place for industry requirements of raw material. The import of textiles and apparel products in India increased from US\$ 4.5 billion during Apr-Nov, 2016 to US\$ 4.9 billion during the same time period of the current fiscal year. Import of textiles & Apparel products in India increased from US\$ 6 billion during 2015-16 to US\$ 6.3 billion during 2016-17.

| | 2015-16 (US\$ Mn) | 2016-17 (US\$ Mn) | 2016 (Apr-Nov) (US\$ Mn) | 2017 (Apr-Nov) (US\$ Mn) |
|--------------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| Total Textile & Apparel import | 6,025 | 6,312 | 4,470 | 4,918 |

Government Initiatives

In keeping with goal of making India's development inclusive and participative, the Government's central focus has been on increasing textile manufacturing by building the best-in-class manufacturing infrastructure, up-gradation of technology, fostering innovation, enhancing skills and traditional strengths in the textile sector. Some of the major initiatives and highlights of 2017-18 are listed below:

- 1. Labor Law Reforms:** Government is now bearing 3.67 percent of Employee Provident Fund (EPF) contribution for new workmen in addition to existing reimbursement of 8.33 percent employer contribution under Pradhan mantra Rojgar Protsahan Yojana for three years. In order to boost investment, employment, and exports in the garments and made-up sector, the government launched a special package of Rs. 6000 Cr. for Textiles and Apparel sector in June 2016 and December 2016.
- 2. Amended Technology Up-gradation Fund scheme (A-TUFS):** To boost employment generation in the textile sector, the government provides an additional 10% capital investment subsidy (CIS) for garmenting and Made-ups units.
- 3. Enhanced Duty Drawback coverage:** a new scheme was introduced to refund the state levies which were not refunded so far.
- 4. Rebate on State Levis (RoSL) Scheme:** Ministry of Textiles in August 2016, introduced RoSL scheme to provide for the remission of State Levis on export of garments through the mechanism of rebate.
- 5. Enhancement of Rates under MEIS:** The government has doubled the rates for incentives under Merchandise Exports from India Scheme (MEIS) on readymade garments and made-ups from 2% to 4% of value of exports for two subsectors of textile industry – readymade garments and made-ups with from 01.11.2017 till 30.06.2018.
- 6. Enhancing Scope of section 80JJAA of Income Tax Act:** Considering at the seasonal nature of the garment industry, the provision of 240 days under section 80JJAA of Income Tax Act has been relaxed to 150 days.
- 7. Scheme for Integrated Textile Parks:** The scheme provides financial support up to 40% of the project cost subject to a ceiling of Rs. 40 Crores to develop common infrastructure and common facilities for the Textile manufacturing units.

(Source: Ministry of Textile, Annual Report 2017-18)

Cotton Industry in India

Overview

Cotton is one of the most important cash crops and accounts for around 25% of the total global fiber production. India is world's largest producer of cotton. Production of raw cotton in India grew from 290 Lakh bales in 2008-09 to 345 Lakh bales in 2016-17. As per Cotton Association of India (CAI), in 2017-18, Cotton production (including loose) in India was 365 Lakh bales, while estimated cotton production for 2018-19 is 325 Lakh bales of 170 kgs, as per February 2019 estimate released by CAI. Cotton yarn accounts for the largest share in total yarn production.

(Source: Ministry of Textiles, Cotton Association of India)

Production and Consumption

In India, cotton is cultivated in three diverse agro-ecological zones, Northern zone, comprising the states of Punjab, Haryana and Rajasthan, Central zone comprising the states of Madhya Pradesh, Gujarat, Maharashtra and Orissa and Southern zone comprising the states of Telangana, Andhra Pradesh, Karnataka and Tamil Nadu. Cotton is also cultivated in small areas of non-traditional states such as Uttar Pradesh, West Bengal and Tripura. India has brought about a quantitative and qualitative transformation in the production of cotton since Independence. Production and productivity of cotton in India have improved significantly during the past decades. India is the largest producer and 2nd largest exporter of cotton in the world. India is also leading consumer of cotton. The details of production and consumption of cotton during the last five years is given below:

| (In lakh bales of 170 Kg each) | | |
|--------------------------------|------------|-------------|
| Year | Production | Consumption |
| 2012-13 | 370 | 283.16 |
| 2013-14 | 398 | 299.55 |
| 2014-15 | 386 | 309.44 |
| 2015-16 | 332 | 315.28 |
| 2016-17 (P) | 345 | 306.36 |
| 2017-18 (E)* | 377 | 334.00 |

Source: Cotton Advisory Board Meeting dated 19/08/17.

P-Provisional, (E)*-Estimated as per information received from trade source & feedback received from CCI Branches.

(Source: Ministry of Textiles, Annual Report 2017-2018)

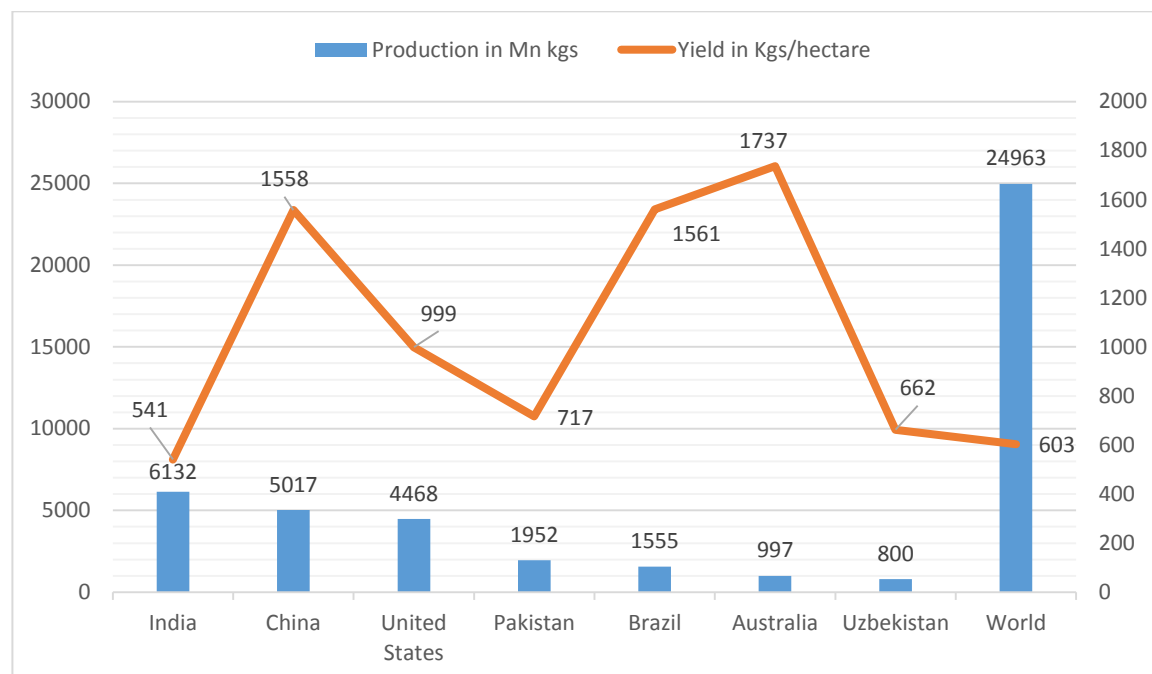
However, as per February 2019 estimate released by Cotton Association of India (CAI), in 2017-18, Cotton production (including loose) in India was 365 Lakh bales, while estimated cotton production for 2018-19 is 325 Lakh bales of 170 kgs, CAI.

Acreage /Productivity

India has the largest acreage with 122.35 lakh hectares under cotton cultivation i.e. around 42% of the world area of 293.29 lakh hectares. Approximately, 62% of India's cotton is produced on rain-fed areas and 38% on irrigated lands.

Global cotton production is estimated at 24,963 mn. Kgs. India is the largest producer of cotton accounting for one-fourth of the global cotton production. However, India's yield is much lower than other top cotton growing countries.

Country wise Cotton Production and Yield (2017-18)



(Source: Confederation of India Textile Industry)

Import/Export

Presently, Cotton is a freely exportable commodity from India. India exports Cotton mainly to Bangladesh, China, Vietnam, Pakistan, Indonesia, Taiwan, Thailand, etc. Even though China was the largest importer of Indian Cotton fibre till 2013-14, it became the 2nd largest importer from 2014-15 onwards with Bangladesh becoming the largest importer of Indian cotton. Although India is a major producer and exporter of cotton, a small quantity of long fibre variety of cotton which is not available in the Country, is imported. The following table gives the import and export figures for the last 5 years:

| (In lakh bales of 170 Kg each) | | |
|--------------------------------|--------|--------|
| Year | Import | Export |
| 2012-13 | 14.59 | 101.43 |
| 2013-14 | 11.51 | 116.96 |
| 2014-15 | 14.39 | 57.72 |
| 2015-16 | 22.79 | 69.07 |
| 2016-17 (P) | 30.94 | 58.21 |
| 2017-18 (E)* | 17.00 | 67.00 |

Source: Cotton Advisory Board Meeting dated 12/02/17.

P-Provisional, (E)*-Estimated as per information received from trade source

Minimum Support Price (MSP) Operation

Cotton Corporation of India (CCI) has been nominated by the Government of India for undertaking MSP operations in the event when kapas prices of seed cotton (kapas) touch MSP level for procuring entire quantity of kapas offered by the cotton farmers in various APMC market yards at MSP rates without any quantitative limit. Every year before commencement of the Cotton Season (Oct. to Sept.), the Govt. of India, Ministry of Agriculture based on the recommendations of its Advisory Board viz., Commission for Agriculture Costs and Prices (CACP) fixes the Minimum Support Price (MSP) for two basic staple groups of cotton i.e., medium long staple variety (staple length 24.5mm to 25.5mm and micronaire 4.3 to 5.1) and long staple cotton (staple length 29.5mm to 30.5mm and micronaire 3.5 to 4.3) with a view to give incentives to the Cotton farmers of the Country.

For cotton season 2018-19, Ministry of Agriculture & Farmers welfare had fixed MSPs of Cotton at Rs.5150/- per quintal for medium staple and Rs.5350/- per quintal for long staple cotton. The MSP fixed by Ministry of Agriculture for the last few years is given below:

| Year | Medium Staple (staple length 24.5mm to 25.5mm and micronaire 4.3 to 5.1) | Long Staple (staple length 29.5mm to 30.5mm and micronaire 3.5 to 4.3) |
|---------|---|---|
| 2012-13 | 3,600 | 3,900 |
| 2013-14 | 3,700 | 4,000 |
| 2014-15 | 3,750 | 4,050 |
| 2015-16 | 3,800 | 4,100 |
| 2016-17 | 3,860 | 4,160 |
| 2017-18 | 4,020 | 4,320 |
| 2018-19 | 5,150 | 5,350 |

The seasonal price trend of Raw Cotton over the past three years is depicted below.



(Source: Ministry of Textiles website)

While higher cotton prices may incentivize cotton production, however, it may increase working capital requirements of textile manufacturers.

Government Initiatives

Cotton plays a major role in sustaining the livelihoods of an estimated 5.8 million farmers and 40-50 million people engaged in related activities such as cotton processing and trade. The government of India has been taking various initiatives to support the cotton industry. Some of them are stated below:

- The Government has been implementing Cotton Development Programme with a focus on cropping system approach under National Food Security Mission (NFSM) in major cotton growing states since 2014-15 to enhance production and productivity. Thrust has been given on transfer of technology through frontline demonstrations and training in order to extend benefits to farmers. In addition, States can support Cotton Development Programme under Rashtriya Krishi Vikas Yojna.
- Further to provide remunerative prices to cotton cultivators in the country, Government has fixed the Minimum Support Price (MSP) of Cotton for 2018-19 season at Rs. 5150/- per quintal for medium staple and at Rs. 5450/- per quintal for long staple. This provides margin of 50 percent over all India paid out cost including family labour.

As a result of various initiatives taken by the Government, India has become a major cotton producer in the world and is also a net cotton surplus country. (Source: Press Information Bureau)

Challenges faced by Textile Industry during the financial year 2017-18

Operating profit margins of textiles exporters were under pressure on account of lower export realizations. A shift in the dynamics of US retail, and a reduction in incentives after the implementation of the Goods and Services Tax (GST) led to the pricing pressure.

In FY18, the textile export sector was undergoing a sea-change. Many brick & mortar retailers in the US have pruned inventories and downsized stores to offset profitability pressures caused by the e-retail boom. To cushion the consequent fall in utilization levels, Indian exporters have been enhancing their share of the business with US e-retailers, but at lower realizations. Domestic home textile firms have had a good run since FY12, with India's share of US imports of cotton bed sheets and terry towels increasing from 34% to about 40% in FY17 because of cost competitiveness compared with peers in China and Pakistan. US accounts for a third of global home textiles market worth US\$ 16 billion.

Almost 47% of India's home textile exports of US\$ 5.3 billion last fiscal was to the US. Additionally, competitiveness continues to be impacted in Europe - an equally large consumer of home textiles as the US – with levies up to 10% duty on Indian products compared with free access to Bangladesh and Pakistan firms.

Future Prospects

- Debt being raised for capacity expansion (net of repayments) and lower operating margins (due to higher raw material costs) are expected to result in lower profitability for the sector in the near term.
- The demand for Indian home textiles will continue to grow at 8% seen in the recent past, helped by exports to traditional markets and better penetration in non-traditional markets such as Asia, Australia, South America and Canada.
- The Trans-Pacific-Partnership (TPP) a duty-free trade agreement between 12 nations may impact the Indian textile and garment export sector negatively and put Indian textile exports of around US\$ 40 billion at risk over the medium term.
- The TPP member nations led by the US account for 40% of world trade and the deal gives them duty free access to each other, and makes imports from other countries uncompetitive.

FDI Policy:

100% FDI is allowed under automatic route in Textile sector.

OUR BUSINESS

Our Company is primarily engaged in the business of Ginning of cotton, manufacturing of Cotton yarn and weaving of grey and dyed fabrics. We produce cotton yarn through both Ring Spinning and Open End Spinning (with 59,280 spindles and 2,912 rotors respectively). We also have facilities of yarn dyeing with a capacity of around 3000 Kgs per day, and for woven fabric capacity of 80,000 meters per day. Our manufacturing facilities comprising of Ginning, Spinning, Weaving and Dyeing Plants, are located in the state of Andhra Pradesh. We also have three Hydel Power Plants of total capacity of 4 MW located in the state of Telangana.

Our products include Ring Spun combed yarn (from Ne.30s to Ne.80s combed warp / compact), TFO (Two for one twisted yarn) ring spun yarn (from Ne.30/2 to Ne 80/2 combed warp/compact), Open End yarn from Ne10s to Ne20s, TFO open end yarn Ne OE 20s/2, BCI (Better Cotton Initiative) certified yarn and woven fabric such as yarn dyed shirting and bottom weight fabric.

Majority of combed compact yarn produced by us is utilized in-house by our woven fabric unit. In Fiscal 2018 and Fiscal 2017, out of the total quantity of 64,29,493 Kgs and 59,53,917 Kgs of cotton yarn sold by us, 42,42,926 Kgs and 43,32,211 Kgs of cotton yarn, respectively, was transferred to our woven fabric unit. Further, during the Fiscal 2018, we sold 2,46,12,847 mtrs of grey fabric and 33,41,032 mtrs of dyed fabric as against 2,53,84,238 meters of grey fabric and 29,78,595 mtrs of dyed fabric in Fiscal 2017.

We have received many accreditations such as ISO 9001: 2015 accreditation by TUV Nord CERT GmbH, Germany for management system for manufacture and supply of cotton yarn, BCI (Better Cotton Initiative) certification for our Company units since December 2015 for procuring Cotton from farmers with better cotton practices who have been certified by the BCI as a registered farmers. Our Company is a One Star Export House recognized by the Ministry of Commerce, Government of India in accordance with foreign trade policy, 2015-2020 which is valid for a period of five years till August 2022. We export Yarn and Fabric to various countries including Bangladesh, China, Japan, Korea, Sri Lanka, Vietnam etc. In the financial year 2017-2018, we exported our products aggregating Rs. 9115.70 lakhs and in financial year 2016-2017, aggregating Rs. 4,459.00 lakhs, which represented 29.05% and 15.00% of our revenue for the respective periods.

We started commercial production in 1995 with spinning of cotton yarn. We have chosen vertically integrated value addition so that the raw material fluctuation will have least impact on the finished products and profitability margins of the Company.

In Fiscal 2018 and 2017, our revenue from operations was Rs. 31,264.26 lakhs and Rs. 28,863.17 lakhs respectively and net profit after extraordinary items and tax of Rs. 1,567.30 lakhs and Rs. 1,279.00 Lakhs respectively. In the FY 2017-18, 33.48% of our revenue from operation was from sale of Cotton yarn and Dyed Yarn and 59.41% was from Grey Fabric and Dyed Fabric.

Further, as per unaudited financial results for quarter and nine months ended December 31, 2018, our income from operation is Rs. 22,652.85 lakhs and net profit after extra-ordinary items and tax is Rs. 625.15 lakhs. Our revenue have grown during the last decade from Rs. 6,233.00 Lacs in FY 2007-08 to Rs. 31,377.49 Lacs in FY 2017-18 at a CAGR of 17.54%.

OUR COMPETITIVE STRENGTHS:

Track record of operations in the spinning industry with manufacturing operations spanning across the textile value chain.

We have over two decades of experience in the spinning industry, delivering steady growth over a period of time. We have gradually expanded our operations to cover the textile value chain from manufacturing of yarn to woven fabric using yarn produced in-house. The manufacturing operations were commenced from Cotton ginning and Ring spinning in 1995, thereafter we had set up open end spinning division in 2009, weaving division in 2014, and dyeing division in 2015. As on date, our operations include ginning, spinning (ring spinning and open-end spinning), weaving and dyeing in the textile segment. Our longstanding presence has

enabled us to understand the changing needs and demands of the textile industry and our customers, both in India and internationally. This has helped us in getting repeat business from our customers.

Manufacturing facility with locational advantage and state-of-the-art machinery to deliver quality products.

We have two manufacturing facilities in the state of Andhra Pradesh. We have gradually expanded our operations over a period of time. Today, we believe that we possess the scale, product offerings, presence, quality and technology to cater to our end-use industries such as apparels and garments, woven fabrics, home furnishing, industrial textiles and medical textiles, etc.

Our manufacturing facility located in Guntur, AP enjoys locational advantage since Guntur is a major and one of the best quality cotton growing areas in India that produces MCU5 which is long staple cotton and is suited for fine counts. It is also a major centre for cotton breeding in southern zone. Our Guntur unit is located on sixth lane NH16, Golden Quadrilateral connecting Chennai and Calcutta and in proximity to Krishnapatanam port and Vishakhapatnam port which helps in saving logistics cost for export operations. Further, our weaving and dyeing units are located near to trijunction with highway access to Chennai, Hyderabad and Calcutta. All the manufacturing facilities are well equipped to deliver quality products. For further details of machinery, please refer to the heading 'Machineries and Equipments' in this section.

Implementation of stringent Quality control measures

Our Company has implemented stringent quality control measures to produce superior quality yarn and fabric for our domestic and international customers. As the quality of our products depends on the raw material quality, so we source the superior quality raw material from farmers/suppliers. We believe cotton procurement is crucial for our manufacturing operations and we have gained significant experience in cotton procurement which helps us in producing superior and consistent quality yarn and also increases the efficiency of our operations which in-turn contribute to profitability of our Company. We procure Cotton (Kapas) directly from farmers. Our company is BCI (Better Cotton Initiative) certified for procuring Better Cotton from BCI registered farmers.

We carry raw material inspection. Further to in process inspection system, our mill has adopted stringent final inspection procedure before dispatching yarn to our customers.

Wide range of products across cotton yarn and woven fabrics businesses

We have continuously expanded our range of products to cater to the customized requirements of our customers. Our product range includes Ring Spun combed yarn (from Ne.30s to Ne.80s combed warp / compact), TFO ring spun yarn, Open End yarn (from Ne10s to Ne20s), TFO open end yarn., BCI certified yarn and woven fabric such as yarn dyed shirting and bottom weight fabric. Our yarn dyed shirting includes cotton range and blended products.

Experienced management team with strong industry expertise

Our Promoter directors have long experience in Cotton and Textile industry. Our Managing Director, Mr. Poluri Venkateshwara Reddy, has in-depth knowledge in selection of Kapas and Cotton lint. He has more than 40 years of experience in ginning business. Mr. Gurram Venkata Krishna Reddy, Joint Managing Director and CEO, is a technocrat and is a highly qualified Engineer. He has more than 25 years of experience in cotton and textile industry. He is actively involved in marketing and finance management of our Company. Further, Mr. MV Subba Reddy has long experience in procurement of cotton from market / farmers and sale of cotton waste. For further details, please see "Our Management" on page 71 of this Draft Letter of Offer.

OUR STRATEGY

Enhancement in range of our Products:

We are focusing on development of more specialized and customized grades for specific applications in conjunction with our Customers. For this purpose, we are also focusing on improving our technical expertise to support customers and market development. We intend to develop more varieties of yarn and increase range of cotton fabric.

Expansion of our operations:

We plan to further expand our operations by increasing the number of looms and yarn dyeing capacity substantially. We also plan to set up dye cloth and printing process upto one Lakh meters per day. Our Company also intend to increase captive power generation by setting up wind mills. Alongwith expansion of our operations, our Company is continuously focusing on improving process operations, equipment and quality related issues for higher yield. We seek to achieve this through periodical installations of spindles and woven fabric machines. As a part of this strategy, we are also in the process of exploring further expansion opportunities, to enhance our manufacturing capabilities for product diversification and manufacturing of value added products; and in this regard, we have sufficient land of 130.29 acres at Kunkupadu at our Weaving and Dyeing plants to accommodate our future expansion.

Develop and maintain relationships with major domestic and new overseas customers, expand our existing distribution network and increase our export sales

In India, we have been selling our products mainly to customers in South and Western India. Furthermore, our growth also depends on our ability to attract additional fabric and garment manufacturers, and distributors. Accordingly, we intend to continue to focus on developing and strengthening our sales and distribution network, and introducing integrated solutions for the benefit of our customers. As a part of our sales and distribution strategy, we propose to penetrate the domestic market further by appointing new distributors and strengthening our woven fabric sales. At the same time we propose to continue our endeavor to establish a global presence for our products through the export market in the near future by further developing strategic relationships with key clients.

MARKETING APPROACH AND MARKETING SET UP

Our team including Directors through their relevant experience and good rapport with our customers due to the timely delivery of quality products has played an instrumental role in creating and expanding a work platform for our Company. We have a dedicated teams of Marketing Personnel in our Ring Spinning and Open End Division as well as Weaving and Dyeing Division. The Marketing division has well trained team with six officials for spinning division and seven in weaving division. The marketing division is headed by an official of the rank of Vice President and is directly under control of our executive Directors. The sales and marketing of Yarn and fabric is based on factors such as quality, easy availability and competitive pricing of the products. Our client base includes reputed corporate houses in the India textile industry and in the global markets we export our products to a number of countries as well. Some of our major domestic corporate clients include Universal Cottex, Gimatex Industries Limited to whom we sell our Yarn and Jhakaria Fabrics to whom we sell fabric. We also export our products to Paramount Textiles Limited in Bangladesh, Zhejiang Zhongda Group International Trading Co. and Xiamin ITG Group Co. Ltd. in China. Our Company has loyal and committed customer base who keep buying company products from time to time.

MANUFACTURING FACILITIES:

The details of our manufacturing facilities are as given below:

Ginning, Ring Spinning & Open End Plants – Our Ginning, Ring Spinning and Open End plants are located at NH 16, Chowdavaram, Guntur, Andhra Pradesh, spread in an area of **23.13 acres**. We operate 59,280 spindles of Ring Spinning out of which 34,416 are compact & 24,864 are Non-Compact and 2,912 rotors for manufacturing open end yarn. Ginning Division has a capacity to press 6,000 bales per month. Ring Spinning

Division has a production capacity of 420 tons per month whereas our Open end Division has a capacity of 500 tons per month. The different kinds of yarns manufactured by us are detailed as follows:

- Ring spun Ne.30s to Ne.80s combed wrap / compact;
- TFO ring spun yarn Ne.30/2 to Ne.80/2 combed warp/
- open end yarns from Ne10s to Ne20s;
- TFO open end yarns;

The yarn made by us cater to end-use industries such as apparels and garments, woven fabrics, home furnishings, industrial textiles, and medical textiles.

Weaving & Dyeing Plants – Our weaving and dyeing divisions are located at Kunkupadu Village, Addanki Mandal, District – Prakasam, Andhra Pradesh spread in an area of **130.29 acres**. Our dyeing division has a capacity of around **3,000 kgs per day**. Our Company had commenced the Commercial Production of Yarn Dyeing unit in September 2015. Subsequent to the R.F (Radiofrequency) Drying, the yarn cones are bundled, weighed and checked for evenness of dyeing on Schlafhorst auto-coners, so that it is ready for warping or for weft insertion in weaving section.

Our weaving capacity is 80,000 meters 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.

Hydel Plants – Our Company has three hydroelectric plants with a total capacity of **4.0 MW**, two with the capacity of 1.6 MW each and one with 0.8 MW. The plants are located at Kotha Kothur Village, Nelakondapalli Mandal, District - Khammam, Telangana spread in an area of **39.06 acres**. These plants are on 16th & 17th branch canal of Nagarjuna Sagar project left to main canal. The first two power plants of 0.8 MW and 1.6 MW were commissioned in January 2002 and third hydroelectric power plant of 1.6 MW was commissioned in 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 is solely dependent on the canal water flow. The canal flows for 7 to 8 months in a year. Typically the canal opens in August / September and close by April end every year. We have employed experienced electrical and mechanical engineering team at the hydroelectric plants.

During the Fiscal 2018 and 2017, we have generated 25,27,700 Units and 16,25,900 Units of power. Out of the total generation, 70% of the units are sold to Sagar Cements Limited and 30% of the units are sold to TSNPDCL (The Northern Power Distribution Company of Telangana Limited).

In the FY 2017-18, our revenue from sale of power was Rs. 116.57 Lacs constituting 0.37% of our total revenue.

CAPACITY AND CAPACITY UTILISATION:

| Manufacturing facility | Fiscal 2018 | | Fiscal 2017 | | Fiscal 2016 | |
|-------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | Installed capacity | Capacity Utilisation | Installed Capacity | Capacity Utilisation | Installed Capacity | Capacity Utilisation |
| Ginning Division | 28 Gins | 50% | 28 Gins | 50% | 28 Gins | 50% |
| Ring Spinning Division | 59,280 Spindles | 94.79% | 58,096 Spindles | 95.85% | 56,400 Spindles | 95.80% |
| Open End Division | 2,912 Rotors | 99.62% | 2,912 Rotors | 99.55% | 1,248 Rotors | 98.80% |
| Weaving Division | 80,000 Meters/Day | 97.52% | 80,000 Meters/Day | 96.35% | 80,000 Meters/Day | 96.71% |

| | | | | | | |
|-----------------|---------------------|--------|---------------------|--------|--------------------|--------|
| Dyeing Division | 10,08,000 KG/P.A | 55.19% | 10,08,000 KG/P.A | 69.14% | 8,10,000 KG/P.A | 10.50% |
| Hydel Plant | 4MW | 14.67% | 4MW | 9.43% | 4MW | 1.76% |

MANUFACTURING PROCESS:

❖ **Ginning**

Our operations starts from procurement of cotton. We procure cotton directly from the farmers. The farmers bring kapas to Chowdavaram spinning cum ginning plant. The kapas is first checked for quality, quantity and accounts will prepare the payment slip. Cotton cultivation is started in July every year with onset of monsoon. Cotton packing from the fields start in November and continues till February. Best quality kapas is available in the months of November - March only. Procurement of good quality cotton at economical value is very crucial for our manufacturing operations.

Ginning is the first mechanical process involved in processing cotton. The process involves separating cotton fibers from the seed bolls and dust particles. In this process, Raw seed Cotton undergoes Ginning and Cotton Lints are obtained. These Cotton Lints are processed through Bale Press and Cotton Bales are produced. Cotton seeds separated in Ginning process are sold to oil mills. The Ginning Division has 28 high production Ginning Machines. The Division has modernized Automatic bale pressing unit.

❖ **Ring Spinning**

Ring Spinning is a process in which fibers is converted by passing through certain processes like Blow room, Carding, Drawing, Combing, Simplex, Ring Frame and finally winding into yarns. These yarns are then wound onto the cones.

❖ **Open End Spinning**

Cotton Lint & Ring Spinning waste is used as Raw Material to prepare OE yarn. Around 10% of the OE yarn is used in weaving and yarn dyeing, and approximately 70% of OE yarn is exported.

❖ **Weaving**

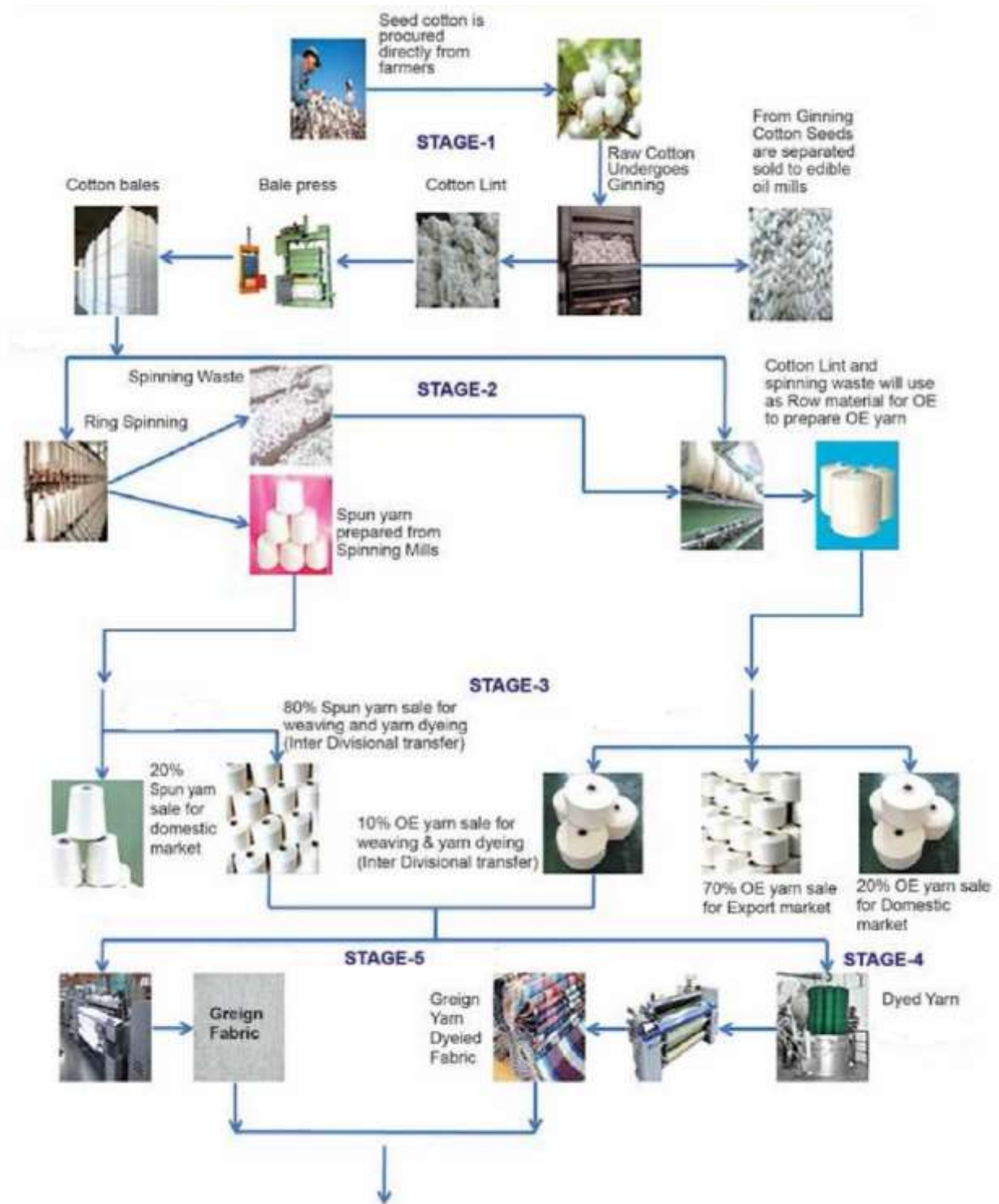
Weaving is a method of textile production in which two distinct sets of yarns or threads are interlaced to form a fabric or cloth. We have the state of art machinery from various leading manufacturers around the world. We use machineries from various recognized vendors such as Karl Mayer, Germany for Weaving preparatory, Picanol, Belgium Air-Jet and Rapier Looms, Toyota airjet looms, Japan, for Weaving machines, and Humidification System from Luwa, Switzerland. Humidification air changes are provided, so that fluff is going into the return trench and not flying around in the winding area.

❖ **Dyeing**

Dyeing is the application of dyes or pigments on textile materials such as fibers, yarns, and fabrics with the objective of achieving desired color. After the R.F.(Radiofrequency) Drying, the yarn cones are bundled, weighed and checked for evenness of dyeing and are rewounded as soft packages on Schlafhorst auto-coners, so that it is ready for warping or for weft insertion in weaving section. We have 5 machines of 60 spindles each and keep machines at a distance to each other in order to avoid fluff contamination from one shade onto the other. We have yarn dyeing machine from Fongs, Hong Kong and automatic dye dispensing system from Tecnorama, Italy.

Manufacturing Process Flowchart:

The Manufacturing process flow from Procurement of Seed Cotton to Finished fabric and Garmenting is given below:



STAGE-6

**Finished fabric,
piece dyed**



PROCESSING



**Finished fabric,
Yarn dyed**



STAGE-7

PRINTING



PROCESSING AFTER PRINTING



STAGE-8

GARMENTING



MACHINERIES AND EQUIPMENTS:

Given below are the division wise major machineries and equipment used in our manufacturing plants:

Ginning Division

Major Machineries & equipment in Ginning division includes Ginning Machines, Automatic Bale Pressing unit, Bulk Flow Conveyor, Lattice feeder, Cotton Conveying & Seed Blowing System etc.

Ring Spinning Division

Major Machineries & equipment in Ring Spinning division includes Blow room, Ring frame machine, Auto coner machine, Humidification Plant, Carding machine, Draw Frames, etc.

Open End Division

Major Machineries & equipment in Open End division includes OE machine, Humidification System, Draw Frames, Blow room, Carding machines, etc.

Weaving Division

Major Machineries & equipment in Weaving division includes Direct Warping machines, Airjet Looms, Sizing machine, Auto Coner, Compressor, Boiler, Humidification Plant, Winding machine, Sectional Warpers, Rapier Looms, Inspection Machines etc.

Dyeing Division

Major Machineries & equipment in Dyeing division includes Dyeing machine, RF dryer, Effluent Treatment plant, Bulk machinery chemical dosing system etc.

Hydel Plants

Major Machineries & equipments in our Hydel Plants includes Turbines, Sluice Gates, Generator, Control Protection & Switch Gear etc.

QUALITY CONTROL

Quality is of prime importance in any aspect of our business. As the quality of product depends on the raw material quality, so we must be provided with the best quality raw material with an economical consideration. We have an inbuilt Quality Control Lab in our Guntur Plant where Raw Material inspection is carried out on Uster HVI (High Volume Instrument) Spectrum and Uster Afis Pro -2.

Better Cotton Initiative (BCI) – Our Company has been BCI Certified in December 2015 for procuring of Better Cotton from the farmers who have been certified by the BCI as a Registered Farmers. The better cotton initiative exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. Yarn produced from BCI Cotton has high market demand when compared to yarn produced from other cotton.

We follow Bale Management system for consistent superior yarn quality and for this cotton stock is maintained for 5-6 months. Carding and combing process is optimized for NRE of 75% to 85% and 65% to 70% respectively. RIETER D35 / D40 / D45 draw frames are maintained for less than 0.50%. In ring frame, breakages are maintained below 5 to 6 breaks per 100 spindle hour. In auto coner, utmost care is taken for achieving 85% splice strength with defect-free packages. Some of the major Quality check Equipments /Tests used are:

For Ginning Division - HVI Instrument from Uster Inc., Switzerland

For Ring Spinning Division - Tenso Jet, Tenso Rapid, TPI tester, Bursting strength Tester etc.

For Dyeing Division – Tecnorama Sample Dyeing Washing Fastness tester, Infrared Color Machine

For Weaving Division – TPI tester, GSM Tester, Sampling cutter, Warp Reel etc.

CORPORATE SOCIAL RESPONSIBILITY

Our Company has CSR policy and CSR committee. The CSR expenditure incurred by our Company during the financial year 2017-18 was Rs. 29.37 Lakhs which was higher than the statutory requirement of 2% of the average net profits (Rs. 14.09 Crores) for the last three financial years. The CSR initiative of our Company was in the area of improvement of Roads in Addanki, Andhra Pradesh.

EXPORTS

We export Yarn and Fabric to various countries including Bangladesh, China, Japan, Korea, Sri Lanka, Vietnam etc. In the financial year 2017-2018 our export revenue was Rs. 9115.70 lakhs, which comprised of 46% from export of yarn and 54% from export of fabric.

HUMAN RESOURCE

We have a structured policy to strengthen our human resources. The table stated below provides details of the employees of our Company as on January 31, 2019:

| Category of Employees | Managerial | Staff | Workers | Total |
|--|------------|------------|------------|------------|
| Employees on the payroll of our Company | | | | |
| Corporate and Registered Office | 5 | 20 | 2 | 27 |
| Spinning & Ginning Division | 29 | 90 | 145 | 264 |
| Open End Unit | 2 | 9 | 29 | 40 |
| Weaving Division | 30 | 94 | 197 | 321 |
| Dyeing Division | 2 | 10 | 8 | 20 |
| Hydel Division | 3 | 6 | 1 | 10 |
| Total | 71 | 229 | 382 | 682 |

INSURANCE

Our operations are subject to risk inherent in the manufacturing such as work accidents, fire or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment and environmental damage. We maintain insurance for a variety of risk including standard fire and special perils policy, burglary policy, vehicle insurance, marine export import open policy etc. which covers insurance of building including stocks, machinery and equipment used in our factory.

The summary of major insurance policies as on January 31, 2019 are as under:

| Policy Head | Total Sum Insured |
|---|--------------------|
| Marine Export Import Insurance Open Policy | 33,000.00 |
| Burglary Insurance for Hydel Power Plants | 1,200.00 |
| Director & Officer Liability | 815.62 |
| Fire Insurance –Plant [Spinning Division] | 29,500.00 |
| Fire Insurance -Plant [Ginning Division] | 750.00 |
| Fire Insurance -Plant [Dyeing Division] | 2,880.00 |
| Fire Insurance -Plant [Weaving Division] | 26,500.00 |
| FLOP-Plant [Spinning Division] | 5,000.00 |
| FLOP-Plant [Weaving & Dyeing Division] | 5,300.00 |
| Machinery-Plant [Power Division] | 600.00 |
| Vehicle Insurance | 37.29 |
| Office & Quarters (Spinning & Ginning Division) | 1,700.00 |
| Quarters (Weaving & Dyeing Division) | 1,600.00 |
| Grand Total | 1,08,882.91 |

COLLABORATIONS

We have not entered into any collaborations with respect to our business.

INTELLECTUAL PROPERTY

We have no trademarks registered in our name.

OUR MANUFACTURING FACILITIES AND OTHER IMMOVABLE PROPERTIES

DETAILS OF PROPERTIES OWNED BY US

Following is the details of Lands on which our Factories are located:

| S. No | Division | Documents Executed | Name of the Seller | Details of Property | Area of Land (In Acres) | Area of Plant/Manufacturing Facility/Townships (in acres) | Consideration Amount in Rs. |
|--------------|---|---------------------------|---------------------------|--|--------------------------------|--|------------------------------------|
| 1. | Corporate Office, Ginning & Spinning Division | 18 Sale Deeds | From various owners | NH 16 Chowdavaram, Guntur -522 019, Andhra Pradesh | 23.13 | 23.13 | 17,68,895 |
| 2. | Weaving & Dyeing Division | 39 Sale Deeds | From various owners | Kunkupadu - 523265, Addanki, District – Prakasam, Andhra Pradesh | 130.29 | 52.00 | 1,90,47,638 |
| 3. | Hydel Power Plant | 3 Sale Deeds | From various owners | Singareddypalem (V), Khammam District, Telangana | 5.43 | 5.43 including canals | 5,41,198 |
| 4. | Hydel Power Plant | 13 Sale Deeds | From various owners | Nelakondapalli (V), Khammam District, Telangana | 21.30 | 21.30 including canals | 28,58,427 |
| 5. | Hydel Power Plant | 6 Sale Deeds | From various owners | Bhiravunipalli (V), Khammam District, Telangana | 12.33 | 12.33 including canals | 16,69,211 |

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as a Public Limited Company on February 18, 1992 in the name of Kallam Agros Limited vide Certificate of Incorporation No. 01-13860 of 1991-92 issued by the Registrar of Companies, Andhra Pradesh. The name of our Company was changed to Kallam Spinning Mills Limited and fresh Certificate of Incorporation dated September 22, 1994 was issued by the Registrar of Companies, Andhra Pradesh. The name of our Company was once again changed to Kallam Textiles Limited and fresh Certificate of Incorporation dated April 09, 2018 was issued by the Registrar of Companies, Hyderabad. Our registered office is presently situated at N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019. The Corporate Identification Number of our Company is L18100AP1992PLC013860.

The Equity shares of our Company are presently listed on BSE Limited with Security ID: Kallam and Scrip Code: 530201. The ISIN of our Company is INE629F01025.

Major events in the History of our Company since inception

| Financial Year | Key events, milestones and achievements |
|----------------|---|
| 1992 | Incorporation of our Company |
| 1994-1995 | - Spinning Mill was inaugurated and 3,024 spindles were commissioned - IPO of Equity Shares of Rs. 10/- each aggregating to Rs. 310 Lakhs |
| 1995-1996 | - Our Company was listed in April 1995 on Hyderabad Stock Exchange, Coimbatore Stock Exchange and Bombay Stock Exchanges - Commercial Operation increased with 12,096 spindles |
| 1998-1999 | - 3 Hydro power plants of 4.0 MW sanctioned by the Government of Andhra Pradesh. - Spindle Capacity increased to 18,144 spindles |
| 1999-2000 | - Spinning Division was awarded ISO 9002 certification by TUV Germany |
| 2001-2002 | 2 Power plants were commissioned and Power generated above 24 lakhs units |
| 2004-2005 | - Declared first maiden dividend of 7% |
| 2008-2009 | Total spindleage increased to 50,256. |
| 2009-2010 | - Open End unit commenced with 1,248 rotors - A new TMC (Technology Mission on Cotton) Ginning unit with 24 High Production Nipha Ginning Machines were commissioned with a capacity of 200 bales per day - Civil works for Third 1.6 MW Hydro Electric plant at Biravunipalli were started |
| 2010-2011 | Third Mini Hydel Power Plant of 1.6 MW capacity was commissioned |
| 2014-2015 | Weaving unit commissioned on September 2014 with 248 airjet rapier looms |
| 2015-2016 | Awarded BCI certification Dyeing Unit commissioned on September 2015 |
| 2017-2018 | - Bonus shares issued in the ratio of 1 Equity share for every 4 Equity Shares - Obtained ISO 9001-2017 accreditation for Weaving & Dyeing Unit |
| 2018-2019 | Spindleage further increased to 59,280 spindles |

Main Objects

The main objects as per the Memorandum of Association of our Company are as under:

- To carry on the business of Ginning, Spinning, Doubling, Knitting, Merciding, Weaving or Manufacturing or Dealing in Cotton or Other Fibrous substances and the preparation, Dyeing or Coloring of any of the said substances and the Sale of Cotton Yarn, Cloth or other Manufactured Fibrous Products.
- To extract Manufacture, Refine, Prepare, Treat, Purchase, Sell, Import, Export, Store Distribute or other-wise deal in either as principals or as Agents or in collaboration with others all or any of the following viz, Cotton Seed, Rice Bran, Oil Cakes and Seeds, Nuts, soaps, De-oiled Brans and Cakes and all other types and kinds or Ingredients including manufacturing of Crude Oil, Refined Oil, Perfumed and all other types of Oils and extracting by Products thereof.
- To acquire by purchase take on Lease of Land or otherwise and to carry on the business of Estate Owners, Cultivators, Planters, Growers and Manufactures for their own and or for and on behalf of others or Sellers and Dealers in Coconuts, Paddy, Cotton, Vegetables, Plantations of teak, Soap Nuts, Tamarind, Agricultural, Seri cultural and Horticultural Products and to Manufacture dispose of, by and deal to the said products.

4. To carry on all or any of the businesses as Timber Merchants, Saw Mill proprietors and Timber Growers and to Buy, Sell, Grow, prepare for market, manipulate import, Export and Deal in Timber and Wood of all kinds and any Goods or Articles in the Manufacture of which Timber or Wood is either wholly or partly used.
5. To Produce and Supply power by conventional and non-conventional sources of energy.

Number of Shareholders

As on December 31, 2018, there are 4,706 shareholders in our Company.

Subsidiary companies

Our Company does not have any subsidiary company in terms of Regulation 16 (1) (c) of SEBI (LODR) Regulations, 2015.

Shareholders Agreement

There are no Shareholders' Agreements existing as on the date of this Draft Letter of Offer.

Other Agreements

Except the contracts / agreements entered in the ordinary course of the business carried on or intended to be carried on by our Company, we have not entered into any other agreement / contract as on the date of this Draft Letter of Offer

Non-Compete Agreement

As on date of filing of this Draft Letter of Offer, we have not entered into any Non-Compete Agreement

Joint Venture

As on date of filing of this Draft Letter of Offer, we do not have any Joint Ventures.

Strategic Partners

As on date of filing of this Draft Letter of Offer, we do not have any Strategic Partners.

Financial Partners

As on date of filing of this Draft Letter of Offer, we do not have any Financial Partners.

Except as above and "Material Contracts and Documents for Inspection" mentioned on page 187 of the Draft Letter of Offer, there are no other material agreements or contracts, which have been entered into by us within a period of 2 years prior to the date of the Draft Letter of Offer, and which are subsisting as on date.

OUR MANAGEMENT

Our Company functions under the Control of Board of Directors. The day-to-day affairs of our Company are looked after by qualified key personnel under the supervision of Mr. Poluri Venkateshwara Reddy, Managing Director and Mr. Gurram Venkata Krishna Reddy, Joint Managing Director and CEO. Presently, we have 8 Directors on our Board. The constitution of the Board is as under:

| Sr. No | Name, Designation, Date of Birth, Address, Occupation, DIN, Date of Appointment and Tenure | Age (in years) | Nationality | Directorship / Partnership in other entities (including foreign companies) |
|--------|--|----------------|-------------|---|
| 1. | Mr. Poluri Venkateshwara Reddy Managing Director Date of Birth: August 14, 1951 Address: Flat No. 401, 402, Lakshmi Grand, Syamala Nagar, 4th Line, Guntur 522 006 Andhra Pradesh Occupation: Business DIN: 00018677 Date of Reappointment: June 29, 2018 Date of Expiration of Current Term: June 28, 2021 | 67 | Indian | <ul style="list-style-type: none"> Nil |
| 2. | Mr. Gurram Venkata Krishna Reddy Joint Managing Director & CEO Date of Birth: September 11, 1957 Address: Flat.No. 406, Krisals County, 12th Line, Syamala Nagar, Pattabhipuram, Guntur 522 006 Andhra Pradesh Occupation: Business DIN: 00018713 Date of Reappointment: June 29, 2018 Date of Expiration of Current Term: June 28, 2021 | 61 | Indian | <ul style="list-style-type: none"> Andhra Pradesh Spinning Mills Association |
| 3. | Mr. Movva Venkata Subba Reddy Whole Time Director Date of Birth: August 09, 1957 Address: Flat No.202, Lakshmi Grand, Near Santhosh Matha Temple, 4th Line, Main Road, Syamala Nagar, Guntur 522 006 Andhra Pradesh Occupation: Business DIN: 00018719 Date of Reappointment: June 01, 2017 Date of Expiration of Current Term: May 31, 2022 | 61 | Indian | <ul style="list-style-type: none"> Nil |
| 4. | Mr. Suryanarayana Murty Vaddadi Nominee Director Date of Birth: November 30, 1939 Address: 1-1, Essar Apartments, West Maredpally, Secunderabad 500 026 Telangana Occupation: Retired CGM APIDC DIN: 00021952 Date of Appointment: October 27, 2001 Date of Expiration of Current Term: Upto Repayment terms of IREDA | 79 | Indian | <ul style="list-style-type: none"> Sarvaraya Textiles Limited Alkali Metals Limited Shree Papers Limited Raj Packaging Industries Limited Janapadu Hydel Power Projects Private Limited Kallam Brothers Cottons Private Limited |

| Sr. No | Name, Designation, Date of Birth, Address, Occupation, DIN, Date of Appointment and Tenure | Age (in years) | Nationality | Directorship / Partnership in other entities (including foreign companies) |
|--------|---|----------------|-------------|---|
| 5. | Mr. Ajeya Kallam Independent Director Date of Birth: March 11, 1957 Address: 3 – 7 – 405/Dc/18 & 19, Nalanda Nagar, Hyderabad 500 048 Telangana Occupation: Retired Chief Secretary of Government of Andhra Pradesh DIN: 00278595 Date of Appointment: September 29, 2017 Date of Expiration of Current Term: September 28, 2022 | 62 | Indian | <ul style="list-style-type: none"> Sajjan Broadcasting Private Limited |
| 6. | Mr. Pulla Rao Swargam Independent Director Date of Birth: June 10, 1945 Address: D.No. 29-14-57, Flat. No.002, Sai Prema Residency, Prakasam Road, Suryaraopet, Vijayawada 520 002 Andhra Pradesh Occupation: Retired Joint Commissioner of Income Tax DIN: 02360239 Date of Reappointment: September 27, 2014 Date of Expiration of Current Term: September 26, 2019 | 73 | Indian | <ul style="list-style-type: none"> Nil |
| 7. | Mr. Ramagopal Varanasi Independent Director Date of Birth: December 19, 1951 Address: Flat No.105, Tranquil Towers, Whitefield, Sree Tirumala Construction, Kondapur, Serilingampally, K V Rangareddy Hyderabad - 500 084, Telangana Occupation: Retired Executive Director of Indian Bank DIN: 02889497 Date of Appointment: September 29, 2017 Date of Expiration of Current Term: September 28, 2022 | 67 | Indian | <ul style="list-style-type: none"> Nil |
| 8. | Mrs. Bhargavi Vangala Independent Director Date of Birth: July 07, 1986 Address: D.No.5-13-13, 2/12 Brodipet, Guntur 522 002, Andhra Pradesh Occupation: Practicing Chartered Accountant DIN: 06950741 Date of Appointment: September 27, 2014 Date of Expiration of Current Term: September 26, 2019 | 32 | Indian | <ul style="list-style-type: none"> Nil |

Brief Biography of our Directors:

Mr. Poluri Venkateshwara Reddy, aged 67 years is the Managing Director of our Company since September 28, 2002. He is overall responsible for purchase of Raw Cotton, Ginning, Civil Construction and Administration of Spinning Unit at Chowdavaram. He had been instrumental in setting up and developing Ginning Business and has in depth knowledge in selection of Kapas and Cotton Lint. Mr. Poluri Venkateshwara Reddy has more than 45 years of rich experience in cotton trading, Ginning and Spinning.

Mr. Gurram Venkata Krishna Reddy, aged 61 years, is Joint Managing Director & CEO of our Company. He is a graduate in Mechanical Engineering from Andhra University and completed his M.Sc (Marine Engineering) from Royal Naval Engineering College, Plymouth, UK. He is a fellow member of Institute of Engineers and Institute of Marine Engineers.

Mr. GVK Reddy has served in Indian Navy for over fifteen years in a number of positions, before joining our Company in 1993. He was instrumental in commissioning of three Hydro Electric plants of our Company. Currently, he looks after day to day administration of Weaving and Dyeing Units, Marketing Management of our Company. He has more than 25 years of experience in Cotton Yarn and Fabric industry.

Mr. Movva Venkata Subba Reddy, aged 61 years, is Whole Time Director and Chief Financial Officer of our Company. He is associated with our Company since 1996. He is responsible for overall finance, accounts and taxation functions of our Company. He is also involved in raw material procurement and looks after day to day administration of Spinning and Ginning Unit at Chowdavaram.

Mr. Suryanarayana Murthy Vaddadi, aged 79 years is the Nominee Director of our Company from IREDA. He is a Post Graduate in Commerce from Andhra University, Visakhapatnam. He joined Andhra Pradesh Industrial Development Corporation Ltd (APIDC) and was actively associated in various diversification programmes of APIDC. In 1997, he retired as Chief General Manager in APIDC.

Mr. Ajeya Kallam, aged 62 years is the Independent Director of our Company. He is a 1983 batch IAS officer and a post graduate in Agriculture with a Masters in Business Administration from Australia. Mr Kallam had handled many important assignments in his career both in State and Central governments. On 31st March, 2017, He retired as Chief Secretary to Government of Andhra Pradesh.

Mr. Pulla Rao Swargam, aged 73 years is the Independent Director of our Company. He is a graduate in B.Com from Andhra University and Bachelor of Law from Nagarjuna University. He joined in Income Tax Department in 1966 and retired as Joint Commissioner of Income Tax in June 2005 on superannuation. Mr. S Pulla Rao is also the founder of “Padmasali International Welfare Association”, an NGO.

Mr. Ramagopal Varanasi, aged 67 years is the Independent Director of our Company. He has a Master’s Degree in Bio-Chemistry. He joined as Probationary Officer in Indian bank in 1973. He later joined Andhra Bank in 1976. He was appointed as Executive Director in Indian Bank in 2009 and retired in 2011.

Mrs. Bhargavi Vangala, aged 32 years, is the Independent Director of our Company. She graduated in B.Com and is also F.C.A, DISA (Diploma in Information System Audit). She is a practicing Chartered Accountant. Mrs. Bhargavi qualified as a CA in the year 2011 and is practicing in Guntur, in the areas of Taxation, Auditing & Banking. Her Area of Specialization is Indirect Taxes. She is a Managing Committee member for the Guntur Branch of SIRC (Southern India Regional Council) of ICAI.

Relationship between Directors

None of our Directors are related to each other, in terms of Companies Act 2013. We further confirm that we have not entered into any arrangement or understanding with our major shareholders, customers, suppliers or others, pursuant to which our Directors were selected as Director or member of Senior Management except that Mr. Suryanarayana Murthy Vaddadi was appointed as nominee director from IREDA.

Further none of our Directors are or were either director on board of listed companies that have been delisted from any Stock Exchanges during his/her tenure in the past ten years or hold any current and past directorship(s)

during the preceding five years in listed companies whose shares have been or were suspended from being traded on any Stock Exchanges.

Further, none of our Directors are associated with the securities market, in any manner and there is or has been no action taken by SEBI against our Directors or any entity in which our Directors are involved in as promoters or directors.

Borrowing Powers of our Board of Directors

The members of our Company has passed a resolution through Postal Ballot the results of which were declared on March 14, 2011, authorizing the Board of Directors of our Company to mortgage and/or charge, in addition to the mortgages/charges already created or to be created by our Company upto an aggregate limit of Rs. 500 Crores (Rupees Five Hundred Crores only).

Remuneration of the Directors

The Salient terms of the remuneration of our **Managing Director**, Mr. Poluri Venkateshwara Reddy as approved by Shareholders in AGM held on September 22, 2018 are:

| | |
|---------------------------------------|---|
| Salary | Rs. 2,75,000 per month |
| Commission | Commission is payable 0.5% on profits computed under section 198 of the Companies Act, 2013. |
| House Rent Allowance | House Rent Allowance (HRA) of 10% of Salary |
| Car & Telephone | A car and telephone at residence and further one mobile phone. |
| Insurance premium | Health Insurance premium for self and family for a value of Rs. 20 Lakhs per person. Accidental Insurance premium will be paid for self-covering a risk of Rs. Five Crores and beneficiary being the Spouse. |
| 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. |
| Gratuity | 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 i.e Since September 2002 or at the rate as may be notified by the government from time to time. |
| Other allowances/reimbursement | Annual subscription to a club/ Health centre / Gym excluding Life time membership/ Lump sum deposit. Reimbursement of Leave Travel Assistance with in India or abroad for self and family once in a year subject to a maximum of one month salary. |

The Salient terms of the remuneration of our Joint Managing Director & CEO, Mr. Gurram Venkata Krishna Reddy as approved by Shareholders in AGM held on September 22, 2018 are:

| | |
|-----------------------------|---|
| Salary | Rs. 2,75,000 per month |
| Commission | Commission is payable 0.5% on profits computed under section 198 of the Companies Act, 2013. |
| House Rent Allowance | House Rent Allowance (HRA) of 10% of Salary |
| Car & Telephone | A car and telephone at residence and further one mobile phone. |
| Insurance premium | Health Insurance premium for self and family for a value of Rs. 20 Lakhs per person. Accidental Insurance premium will be paid for self-covering a risk of Rs. Five Crores and beneficiary being the Spouse. |
| 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. |
| Gratuity | 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 from 21 st June 1993 or at the rate as may be notified by the government from time to time. |

| | |
|---------------------------------------|---|
| Other allowances/reimbursement | Annual subscription to a club/ Health centre / Gym excluding Life time membership/ Lump sum deposit. Reimbursement of Leave Travel Assistance with in India or abroad for self and family once in a year subject to a maximum of one month salary. |
|---------------------------------------|---|

Except the terms as mentioned above and statutory benefits available upon termination of their employment as per the policy of our Company, there are no service contracts executed between our Company and any of our Directors providing for benefits upon termination of employment.

Interest of Directors

All of our directors may be deemed to be interested to the extent of their shareholding, remuneration / fees, if any, payable to them, for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration paid in their professional capacity and / or reimbursement of expenses, if any, payable to them and the shares held by them in our Company and their dividend and bonus entitlement. Further, except as disclosed under the heading “Interest of Promoters” in the Chapter titled ‘Our Promoters and Promoter Group’ on page 81, our Directors do not have any other interest in our business.

Corporate Governance

Our Company has complied with the Regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013, in respect of corporate governance including constitution of the Board and committees thereof.

In terms of the SEBI Listing Regulations and the provisions of the Companies Act, 2013, our Company has constituted the following Board-level committees:

1. Audit Committee

The Audit Committee was reconstituted by our Board in their meeting held on November 13, 2014. The Audit Committee presently comprises of:

| Name of Member | Designation |
|-----------------------------------|--------------------|
| Mr. Pulla Rao Swargam | Chairman |
| Mrs. Bhargavi Vangala | Member |
| Mr. Surya Narayana Murthy Vaddadi | Member |

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee was reconstituted by our Board in their meeting held on September 29, 2017. The Nomination and Remuneration Committee presently comprises of:

| Name of Member | Designation |
|-----------------------------------|--------------------|
| Mr. Ajeya Kallam | Chairman |
| Mr. Surya Narayana Murthy Vaddadi | Member |
| Mr. Ramagopal Varanasi | Member |

3. Stakeholders Relationship Committee

The Stakeholders Relationship Committee was reconstituted by our Board in their meeting held on September 29, 2017. The Stakeholder Relationship Committee presently comprises of:

| Name of Member | Designation |
|---------------------------------|--------------------|
| Mr. Ajeya Kallam | Chairman |
| Mr. Gurram Venkat Krishna Reddy | Member |
| Mr. Movva Venkata Subba Reddy | Member |

4. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was reconstituted by our Board in their meeting held on September 29, 2017. The Corporate Social Responsibility Committee presently comprises of:

| Name of Member | Designation |
|---------------------------------|-------------|
| Mr. Gurram Venkat Krishna Reddy | Chairman |
| Mr. Movva Venkata Subba Reddy | Member |
| Mr. Ramagopal Varanasi | Member |

5. Share Transfer Committee

The Share Transfer Committee was reconstituted by our Board in their meeting held on June 28, 2008. The Share Transfer Committee presently comprises of:

| Name of Member | Designation |
|---------------------------------|-------------|
| Mr. Gurram Venkat Krishna Reddy | Chairman |
| Mr. Movva Venkata Subba Reddy | Member |
| Mr. Poluri Venkateshwara Reddy | Member |

6. Rights Issue Committee

The Rights Issue Committee was constituted by our Board in their meeting held on September 29, 2018. The Rights Issue Committee presently comprises of:

| Name of Member | Designation |
|---------------------------------|-------------|
| Mr. Gurram Venkat Krishna Reddy | Chairman |
| Mr. Pulla Rao Swargam | Member |
| Mrs. Bhargavi Vangala | Member |

Shareholding of our Directors as on December 31, 2018:

| Sr. No. | Name of the Directors | Number of Equity Shares | % of holding |
|---------|----------------------------------|-------------------------|--------------|
| 1. | Mr. Poluri Venkateshwara Reddy | 11,51,250 | 2.69 |
| 2. | Mr. Gurram Venkata Krishna Reddy | 35,13,723 | 8.21 |
| 3. | Mr. Movva Venkata Subba Reddy | 4,28,125 | 1.00 |
| 4. | Mr. Suryanarayana Murty Vaddadi | Nil | Nil |
| 5. | Mr. Ajeya Kallam | Nil | Nil |
| 6. | Mr. Pulla Rao Swargam | Nil | Nil |
| 7. | Mr. Ramagopal Varanasi | Nil | Nil |
| 8. | Mrs. Bhargavi Vangala | Nil | Nil |

Changes in the Board of Directors in the last 3 years

| Sr. No. | Name of the Directors | Designation | Date of Appointment | Date of Cessation |
|---------|------------------------|-------------|---------------------|-------------------|
| 1. | Mr. Ajeya Kallam | Director | 29.09.2017 | - |
| 2. | Mr. Ramagopal Varanasi | Director | 29.09.2017 | - |
| 3. | Mr. M R Naik | Director | - | 29.09.2017 |
| 4. | Mr. A Krishna Murthy | Director | - | 29.09.2017 |

Key Managerial Personnel

The details of the Key Management Personnel of our Company, in addition to Mr. Poluri Venkateshwara Reddy, Managing Director; Mr. Gurram Venkata Krishna Reddy, Joint Managing Director and CEO; and Mr. Movva Venkata Subba Reddy, Whole Time Director and CFO, are set out below.

Brief Profile of Key Managerial Personnel:

Mr. Nandan Bisoi, aged 35 years, is the Company Secretary of our Company. He was appointed as Company Secretary and Compliance Officer on September 29, 2018. He is a member of Institute of Company Secretaries of India (ICSI) and holds Post Graduate Degree in Master of Finance and Control (MFC). He is having 7-years of experience in accounts and finance roles. He is having 1.5 years of Post qualification experience as a Qualified Company Secretary.

Other Senior Managerial Personnel

The following are Senior Managerial Personnel of our Company.

| Name | Designation | Age (years) | Qualification | Experience (years) | Date of Joining |
|--------------------------------|---|-------------|-------------------------------|--------------------|-----------------|
| Mr. S V Govindraj | Vice President – Spinning Mills | 56 | MBA | 35 | 02.02.2002 |
| Mr. Durgadas Krishnahari Yemul | General Manager – Ginning, Spinning & Open End Division | 58 | Diploma in Textile Technology | 34 | 17.07.2000 |
| Mr. Rajiv Kumar Bhatt | General Manager – Weaving & Dyeing Unit | 54 | B.Tech | 32 | 13.06.2016 |

All our Key & Senior Managerial Personnel are permanent employees of our Company.

Relationship between Key Managerial Personnel

None of our KMPs are related to each other, in terms of Companies Act, 2013. We further confirm that the service contracts entered into with our Key Management Personnel does not provide for any benefit upon termination of employment except statutory benefits, the retirement benefits payable to them as Provident Fund, Superannuation and Gratuity as per the policies of our Company. Except the normal incentive scheme of our Company, there is no specific incentive sharing plan for the Key Managerial Personnel.

Shareholding of Key Managerial Personnel as on December 31, 2018

| Sr. No. | Name of the Directors | Number of Equity Shares | % of holding |
|---------|----------------------------------|-------------------------|--------------|
| 1. | Mr. Poluri Venkateshwara Reddy | 11,51,250 | 2.69 |
| 2. | Mr. Gurram Venkata Krishna Reddy | 35,13,723 | 8.21 |
| 3. | Mr. Movva Venkata Subba Reddy | 4,28,125 | 1.00 |
| 4. | Mr. Nandan Bisoi | Nil | Nil |

Changes in Key Managerial Personnel in the last 3 years

| Sr. No. | Name of the Directors | Designation | Date of Appointment | Date of Cessation |
|---------|-----------------------|-------------------|---------------------|-------------------|
| 1. | Mr. Nandan Bisoi | Company Secretary | 29.09.2018 | - |

Interest of Key Managerial Personnel

Except as disclosed under the heading “Interest of Promoters” in the Chapter titled ‘Our Promoters and Promoter Group’ on page 81, none of the key Managerial Personnel have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

Employee Stock Option Scheme

The Shareholders of our Company, in its AGM held on September 22, 2018 have approved two Employee Stock Option Plan, i.e, Kallam Textiles Limited Employees stock option Plan 2018 I (ESOP-I 2018) and Kallam

Textiles Limited Employees stock option Plan 2018 II (ESOP-II 2018). A total of 4,28,194 (Four Lakh twenty eight thousand one hundred ninety four) Stock Options equivalent to 4,28,194 equity shares of the Company are proposed to be granted through each scheme.

Payment or benefit to officers of our Company


Except for the payment of salaries and perquisites, our Company does not make any payments to its officers.

OUR PROMOTERS AND PROMOTER GROUP

The Promoters of our Company are:

1. Mr. Poluri Venkateshwara Reddy
2. Mr. Gurram Venkata Krishna Reddy
3. Mr. Kallam Mohan Reddy
4. Mr. Movva Venkata Subba Reddy

Details of our Promoters are as follows:


| 1. Mr. Poluri Venkateshwara Reddy | |
|---|---|
|  | PAN: ADNPP4574E |
| | Date of Birth: August 14, 1951 |
| | Aadhaar No.: 644625511256 |
| | Passport No.: M0932238 |
| | Driving License No. : 1619/1974 |
| | Residential Address: Flat No. 401, 402, Lakshmi Grand Apartment, Syamala Nagar, 4 th Lane, Guntur, Andhra Pradesh –522006 |

Mr. Poluri Venkateshwara Reddy, aged 67 years is the Managing Director of our Company since September 28, 2002. He is overall responsible for purchase of Raw Cotton, Ginning, Civil Construction and Administration of Spinning Unit at Chowdavaram. He had been instrumental in setting up and developing Ginning Business and has in depth knowledge in selection of Kapas and Cotton Lint. Mr. Poluri Venkateshwara Reddy has more than 45 years of rich experience in cotton trading, Ginning and Spinning.

He is holding 11,51,250 Equity Shares of our Company in his individual capacity.

Other Directorships:

- Nil

| 2. Mr. Gurram Venkata Krishna Reddy | |
|---|---|
|  | PAN: ABWPR2278L |
| | Date of Birth: September 11, 1957 |
| | Aadhaar No.: 644729915222 |
| | Passport No.: Z2488514 |
| | Driving License No.: 1027/1980 OD |
| | Residential Address: Flat No. 406, Krisals County, 12 th Line, Syamala Nagar, Pattabhipuram, Guntur, Andhra Pradesh –522006 |


Mr. Gurram Venkata Krishna Reddy, aged 61 years, is Joint Managing Director & CEO of our Company. He is a graduate in Mechanical Engineering from Andhra University and completed his M.Sc (Marine Engineering) from Royal Naval Engineering College, Plymouth, UK. He is a fellow member of Institute of Engineers and Institute of Marine Engineers.

Mr. GVK Reddy has served in Indian Navy for over fifteen years in a number of positions, before joining our Company in 1993. He was instrumental in commissioning of three Hydro Electric plants of our Company. Currently, he looks after day to day administration of Weaving and Dyeing Units, Marketing Management of our Company. He has more than 25 years of experience in Cotton Yarn and Fabric industry.

Presently, he holds 35,13,723 Equity Shares in his individual capacity.

Other Directorship:

- Andhra Pradesh Spinning Mills Association


| 3. Mr. Kallam Mohan Reddy | |
|---|---|
|  | PAN: ADVPK3586F |
| | Date of Birth: March 16, 1962 |
| | Aadhaar No.: 764537236037 |
| | Passport No.: J0648567 |
| | Driving License No. : DLFAP007330102007 |
| | Residential Address: Door No. 2-14-464, 2 nd Line, Syamala Nagar Guntur, Andhra Pradesh – 522 006 |

Mr. Kallam Mohan Reddy, aged 56 years, is a promoter of our Company. He is son of Mr. Kallam Harinadha Reddy. He is having good experience in Textile Sector. He is holding 26,79,625 Equity Shares of our Company in his individual capacity.

Other Directorships:

- Kallam Agro Products and Oils Private Limited (Managing Director)
- Kallam Cold Storage Private Limited
- The Solvent Extractors Association of India

He is also the Secretary of Kallam Haranadhareddy Institute of Technology.

| 4. Mr. Movva Venkata Subba Reddy | |
|--|--|
|  | PAN: AHNPM3567G |
| | Date of Birth: August 09, 1957 |
| | Aadhaar No.: 347676649401 |
| | Passport No.: K3157296 |
| | Driving License No: AP00720120037802 |
| | Residential Address: Flat No. 202, 4 th Lane, Syamala Nagar, Guntur, Andhra Pradesh – 522006 |

Mr. Movva Venkata Subba Reddy, aged 61 years, is Whole Time Director and Chief Financial Officer of our Company. He is associated with our Company since 1996.

He is responsible for overall finance, accounts and taxation functions of our Company. He is also involved in raw material procurement and looks after day to day administration of Spinning and Ginning Unit at Chowdavaram.

Presently, he is holding 4,28,125 Equity Shares in his individual capacity.

Other Directorships:

- Nil

OUR PROMOTER GROUP

In addition to our Promoters, the following 15 individuals and 1 Corporate entity forms part of the Promoter Group of our Company in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, 2018.

- Mr. Kallam Harinadha Reddy
- Dr. Umasankara Reddy Movva
- Dr. Ranga Reddy Anumula
- Ms. Nalli Prathibha Rani
- Mr. Prabhakara Rao Nalli
- Mr. Nagireddy Kallam
- Mr. N. Rajendra Prasad
- Ms. Poluri Sivanagendramma
- Ms. Prathyusha Kallam

- Ms. Kallam Annapurna
- Ms. Movva Kavitha
- Ms. Subbayamma Poluri
- Ms. Sureddy Malleswari
- Mr. Poluri Goverdhan Reddy
- Mr. Poluri Venu Gopala Reddy
- Kallam Agro Products and Oils Private Limited

Other confirmation

We confirm that the details of the permanent account numbers, bank account numbers and passport number of our individual promoters have been submitted to the Stock Exchange at the time of filing the Draft Letter of Offer with the Stock Exchange. Our Promoters have informed that they have not been declared as willful defaulters by the RBI or any other Governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

No disciplinary action / investigation has been taken in the last five years by the Securities and Exchange Board of India (SEBI) / Stock Exchange against our individual promoters or any company where they are associated as a Director / Promoter / Partner / Proprietor. Further, our promoters, members of our promoter group or any company where they are associated as promoter or director are not debarred from accessing the capital market by SEBI.

Common Pursuits

Our Promoters have no interest in any venture that is involved in activities similar to those conducted by our Company, as on the date of this Draft Letter of Offer. However, one of our member of the Promoter Group namely Mr. Nagi Reddy is Managing Director of Kallam Brothers Cottons (Private) Limited which is also engaged in cotton ginning business.

Interest of Promoters

Our Promoters shall be deemed as interested to the extent that they have promoted our company and to the extent of equity shares held by them or by the companies / firms / ventures promoted by them, if any and dividend or other distributions payable to them in respect of the said equity shares. For further details of shareholding of our promoters and promoter group, please refer to the chapter “*Capital Structure*” on page 34 of this Draft Letter of Offer.

Further, our promoters namely Mr. Poluri Venkateshwara Reddy, Mr. Gurram Venkata Krishna Reddy and Mr. Movva Venkata Subba Reddy are also directors on the Board of our Company and may be deemed to be interested to the extent of fees, if any payable to them for attending meetings of the board of directors or a committee thereof as well as to the extent of remuneration, commission and reimbursement of expenses payable to them as per the terms of their appointment. For further details of terms of appointment, please see the section titled “Our Management” beginning on page 71 of this Draft Letter of Offer.

One of our promoter, Mr. Kallam Mohan Reddy is also director on the Board of our Group Company namely, Kallam Agro Products & Oils Private Limited and he may be deemed to be interested to the extent of the payments made or received by our Company, if any, to or from this Promoter Company.

Further, three of our Promoters namely Mr. Poluri Venkateshwara Reddy, Mr. Gurram Venkata Krishna Reddy and Mr. Movva Venkata Subba Reddy have also extended unsecured loans for Rs. 171.55 Lakhs, Rs. 85.40 Lakhs and Rs. 38.50 Lakhs respectively as on January 31, 2019. For details on Unsecured Loans please refer to chapter on Financial Indebtedness on Page 140.

Our Promoters, Directors and Group Companies have no interest, whether direct or indirect, in any property acquired by our Company within the preceding three years from the date of this Draft Letter of Offer or proposed to be acquired by it as on the date of this Draft Letter of Offer, or in any transaction by our Company for acquisition of land, construction of building or supply of machinery.

Payment or Benefits to Promoters or Promoter Group

Except as disclosed in this section or stated otherwise in “Financial Statements” beginning on page 86 about the related party transactions, there has been no payment or benefit to our Promoters or Promoter Group during the two years prior to the filing of this Draft Letter of Offer nor is there any intention to pay or give any benefit to our Promoters or members of the Promoter Group as on the date of this Draft Letter of Offer. For details of related party transactions refer to “*Financial Statements*” on page 86 of this Draft Letter of Offer.

Outstanding Litigation

There are no outstanding litigation against our Promoters except as disclosed in the section titled “*Risk Factors*” and chapter titled “*Outstanding Litigations and Material Developments*” beginning on page nos. 12 and 145 of the Draft Letter of Offer.

Disassociation by Promoters in the last three years

None of our Promoters have disassociated themselves from any company or firm during the preceding three years from the date of this Draft Letter of Offer.

Material Guarantees

Our Promoters have not given any material guarantee to any third party with respect to the Equity Shares as on the date of this Draft Letter of Offer.

OUR GROUP COMPANIES

In terms of Regulation 2(t) of SEBI ICDR Regulations, our Company has the following two Group Companies:

- Kallam Agro Products & Oils Private Limited
- Kallam Brothers Cottons Private Limited

Kallam Agro Products & Oils Private Limited (KAPOPL)

Kallam Agro Products & Oils Private Limited is part of our Promoter Group holding 54,65,043 shares. It was incorporated on April 19, 1983 under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh. Presently its registered office is situated at S.No. 278, Dokiparru, Medikonduro Mandal, Guntur, Andhra Pradesh-522438. The Corporate Identification Number (CIN) of the Company is U01119AP1983PTC003913. The Company has more than 30 years of expertise in manufacturing of edible oil and de-oiled cake and hydel generation. The equity shares of the Company are not listed on any stock exchange in India.

The Authorised Share Capital of KAPOPL is Rs. 4,00,00,000 (Rupees Four Crores only) comprising of 4,00,000 equity shares of Rs. 100/- each. The Issued, Subscribed and Paid up share capital is Rs. 3,75,00,000 (Rupees Three Crores Seventy Five Lakhs only) comprising of 3,75,000 equity shares of Rs. 100/- each.

Board of Directors:

- Mr. Kallam Mohan Reddy (Managing Director)
- Mr. Poluri Venu Gopala Reddy (Whole Time Director)

Shareholding Pattern (As on February 28, 2019)

| Sr. No. | Name of the Shareholder | No. of Equity Shares | % of holding |
|---------|----------------------------|----------------------|---------------|
| 1. | Kallam Harinadha Reddy | 1,02,100 | 27.23 |
| 2. | Kallam Mohan Reddy | 87,600 | 23.36 |
| 3. | Poluri Venkateshwara Reddy | 67,250 | 17.93 |
| 4. | Kallam Prathusha | 36,000 | 9.60 |
| 5. | Poluri Venugopal Reddy | 26,600 | 7.09 |
| 6. | Kallam Venkata Subbayamma | 21,500 | 5.73 |
| 7. | Poluri Govardhana Reddy | 19,950 | 5.32 |
| 8. | Poluri Siva Nagendramma | 10,000 | 2.67 |
| 9. | Kallam Hari Mohan Madhur | 3,000 | 0.80 |
| 10. | Poluri Venugopal HUF | 1,000 | 0.27 |
| | Total | 3,75,000 | 100.00 |

Financial performance

The audited financial results of Kallam Agro Products & Oils Private Limited for the financial years ended March 31, 2018, 2017 and 2016 are set forth below.

| (Rs. in Lakh wherever applicable) | | | |
|--|----------------|----------------|----------------|
| Particulars | March 31, 2018 | March 31, 2017 | March 31, 2016 |
| Equity Share Capital | 375.00 | 375.00 | 375.00 |
| Reserves & Surplus (excluding revaluation reserve) | 2,540.68 | 3,128.83 | 2,950.30 |
| Net Worth | 2,915.68 | 3,503.83 | 3,325.30 |
| Total Revenue | 15,090.63 | 16,595.16 | 21,569.95 |
| Net profit / (loss) after tax | (588.15) | 178.67 | 346.68 |
| EPS (in Rs.) of face value Rs. 10/- each | | | |
| Basic | (156.84) | 47.65 | 92.45 |
| Diluted | (156.84) | 47.65 | 92.45 |
| Net Asset Value per share | 777.51 | 934.36 | 886.75 |

Kallam Brothers Cottons Private Limited (KBCPL)

Kallam Brothers Cottons Private Limited was incorporated on March 27, 2003 under the Companies Act, 1956 with the Registrar of Companies, Hyderabad. The CIN of KBCPL is U17111AP2003PTC040726. The registered office of KBCPL is located at D.NO.160B, Dhulipalla (Village), Sattenapalli, Andhra Pradesh 522 414. KBCPL is involved in the business of manufacturing of Cotton Yarn.

The Authorised Share Capital of KBCPL is Rs. 7,50,00,000 (Rupees Seven Crores Fifty Lakhs only) comprising of 75,00,000 equity shares of Rs. 10/- each. The Issued, Subscribed and Paid up share capital is Rs. 4,00,22,070 (Rupees Four Crores Twenty Two Lakh Seventy only) comprising of 40,02,207 equity shares of Rs. 10/- each.

Board of Directors

- Nagi Reddy Kallam
- Srinivasa Reddy Kallam
- Sambhi Reddy Poluri
- Praveen Kumar Reddy Poluri
- Suryanarayana Murty Vaddadi

Shareholding Pattern (As on February 28, 2019):

| Sr. No. | Name of the Shareholder | No. of Equity Shares | % of holding |
|----------------|---|-----------------------------|---------------------|
| 1. | Kallam Agro Products & Oils Private Limited | 17,61,880 | 44.02 |
| 2. | Kallam Annapoorna | 2,58,376 | 6.46 |
| 3. | Kallam Siva Kumari | 2,57,180 | 6.43 |
| 4. | Kallam Nagi Reddy | 2,49,813 | 6.24 |
| 5. | Poluri Sambhi Reddy | 2,06,985 | 5.17 |
| 6. | Poluri Praveen Kumar Reddy | 1,80,000 | 4.50 |
| 7. | Kallam Srinivasa Reddy | 1,62,625 | 4.06 |
| 8. | Kallam Prudhvidhar | 1,22,625 | 3.06 |
| 9. | Kallam Harshavardhan | 1,20,937 | 3.02 |
| 10. | Gurram Vijaya Lakshmi | 1,04,316 | 2.61 |
| 11. | Gurram Venkata Krishna Reddy | 61,429 | 1.53 |
| 12. | Poluri Subbayamma | 60,453 | 1.51 |
| 13. | Gurram Nitin | 33,750 | 0.84 |
| 14. | Kallam Venkata Subbayamma | 33,314 | 0.83 |
| 15. | Poluri Venkateswara Reddy | 31,501 | 0.79 |
| 16. | Kallam Mohana Reddy | 31,040 | 0.78 |
| 17. | Adapa Nagi Reddy | 30,937 | 0.77 |
| 18. | Kallam Chandrakanth Reddy | 30,375 | 0.76 |
| 19. | K.V.S Koteswara Rao | 28,125 | 0.70 |
| 20. | Kallam Prathyusha | 27,267 | 0.68 |
| 21. | Kallam Haranadha Reddy | 26,375 | 0.66 |
| 22. | Poluri Sivanagendramma | 23,063 | 0.58 |
| 23. | Adapa Venugopal Reddy | 22,500 | 0.56 |
| 24. | K. Anjanta Devi | 22,500 | 0.56 |
| 25. | K. Hari Kishan | 22,500 | 0.56 |
| 26. | Nalli Rajendra Prasad | 20,757 | 0.52 |
| 27. | Adapa Sambrajyam | 19,687 | 0.49 |
| 28. | Poluri Papi Reddy | 10,380 | 0.26 |
| 29. | Movva Sujatha | 10,380 | 0.26 |
| 30. | Nalli Prabhakara Rao | 6,919 | 0.17 |
| 31. | Movva Uma Sankara Reddy | 6,919 | 0.17 |
| 32. | Nalli Prathibharani | 6,919 | 0.17 |
| 33. | Gaddam Rajiv Kumar | 3,460 | 0.09 |
| 34. | Kusam Srinivasa Reddy | 3,460 | 0.09 |

| | | | |
|-----|--------------|------------------|---------------|
| 35. | Kusam Jyothi | 3,460 | 0.09 |
| | Total | 40,02,207 | 100.00 |

Financial performance

The audited financial results of KBCPL for the financial years ended March 31, 2018, 2017 and 2016 are set forth below.

| (Rs. in Lakh wherever applicable) | | | |
|--|----------------|----------------|----------------|
| Particulars | March 31, 2018 | March 31, 2017 | March 31, 2016 |
| Equity Share Capital | 400.22 | 400.22 | 400.22 |
| Reserves & Surplus (excluding revaluation reserve) | 2,997.87 | 2,379.48 | 1,991.79 |
| Net Worth | 3,398.09 | 2,779.70 | 2,392.01 |
| Total Revenue | 16,329.37 | 18,668.00 | 16,703.17 |
| Net profit / (loss) after tax | 618.39 | 387.69 | 243.51 |
| EPS (in Rs.) of face value Rs. 10/- each | | | |
| Basic | 15.45 | 9.69 | 6.08 |
| Diluted | 15.45 | 9.69 | 6.08 |
| Net Asset Value per share | 84.91 | 69.46 | 59.77 |

Litigation

As on the date of this Draft Letter of Offer, there are no outstanding litigation involving our Group Companies which have a material impact on our Company.

Group Company which is a sick industrial company

None of our Group Companies have become a sick company under the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985.

Group Companies under winding up/insolvency proceedings

None of our Group Companies are under winding up/insolvency proceedings.

Defunct Group Company:

During the five years immediately preceding the date of this Draft Letter of Offer, none of our Group Companies have remained defunct and no application has been made to the relevant Registrar of Companies for striking off the name of any of our Group Companies.

Common Pursuits:

The objects of our Group Companies allows them to carry on business activities which are similar to activities being carried out by our Company. Our Group Company Kallam Brothers Cottons Private Limited is involved in the business of manufacturing of Cotton Yarn. Accordingly, there are some Common Pursuits between our Group Companies and our Company. In the past, there have not been any instances of conflict of interest between our Company and Group Companies. We will adopt the necessary procedures and practices as permitted by law to address any conflict situation as and when they arise.

Business interest of our Group Companies in our Company

For details of related business transactions between our Company and Group Companies, please refer to the Chapter on “Financial Statements” on page 86.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR FY 2017-18

CHEVUTURI ASSOCIATES
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of
KALLAM TEXTILES LIMITED
(Formerly known as Kallam Spinning Mills Limited)

Report on the Ind AS financial statements

We have audited the accompanying Ind AS financial statements of **KALLAM TEXTILES LIMITED (Formerly known as Kallam Spinning Mills Limited)** ('the Company') which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting of frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's board of directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss including other comprehensive income, the Statement of changes in equity and the Statement of Cash Flow dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the aforesaid Ind AS financial statements comply with the accounting standards specified under section 133 of the Act.



CHEVUTURI ASSOCIATES
Chartered Accountants

- e) On the basis of written representations received from the directors as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of sub-section (2) of section 164 of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure-B. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the basis of our information and according to the explanations given to us:
- The company does not have any pending litigations which would impact its financial position.
 - The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - There were no amounts which were required to be transferred to the Investor Education Protection Fund by the company.



Place: Camp: Guntur
Date : 28.5.2018

For Chevuturi Associates
Chartered Accountants
Firm Registration No.0006325
B. Raghunadha Rao
(Raghunadha Rao Balineni)
Partner
(Membership No: 028105)

ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in paragraph 1 under "Report on other legal and regulatory requirements" section of our report to the members of KALLAM TEXTILES LIMITED (Formerly known as Kallam Spinning Mills Limited) for the year ended March 31, 2018.

We report that:

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) According to the information and explanations furnished to us, the Company has not physically verified its fixed assets during the year. However, the Company has adopted a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
 - c) According to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties are held in the name of the company.
2. In respect of its inventories:
 - a) According to the information and explanations furnished to us, the Company has physically verified its inventories during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable.
3. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act. Consequently, clauses (iii)(a),(b) and (c) of paragraph 3 of the Order are not applicable.
4. The company has not advanced any loans or made any investments or provided any guarantees during the year. Hence the reporting requirements in terms of clause (iv) of paragraph 3 of the Order regarding reporting on compliance with the provisions of section 185 and 186 of the Act with respect to the loans, investments and guarantees does not arise.
5. The company has borrowed interest free loans from directors and their relatives in pursuance of the stipulation imposed by Andhra Bank at the time of lending and the amount outstanding against such borrowings on 31st March, 2018 was Rs.320.55 lakhs. Apart from the said amounts, the company has not accepted any deposits from the public or members. Hence the question of compliance with the directives issued by Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under does not apply. According to the information

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Chartered Accountants

furnished to us, no order has been passed on the Company by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non-compliance with the provisions of sections 73 to 76 of the Act.

6. We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed audit of the same.
7. a) According to the information furnished to us, the Company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Value added tax, Service tax, Customs duty, Excise duty, Cess, GST and any other statutory dues applicable to it. There were no undisputed statutory dues in arrears as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.

b) According to the information furnished to us and records of the company examined by us, there were no amounts of Income tax, Value added tax, Customs duty, Excise duty, GST and Service tax etc., have been disputed by the Company, and hence were not remitted to the authorities concerned at the date of the Balance Sheet under report.
8. In our opinion and according to the information and explanations furnished to us by the Company, there were no defaults in repayment of dues to banks or government. However, the company has not borrowed any loans from financial institutions, or raised any funds by way of issue of debentures.
9. The company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. In respect of term loans borrowed during the year from banks, the proceeds were applied for the purpose for which the said loans were raised.
10. According to the information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year.
11. According to the information and explanation given to us and based on examination of the records of the company, the company has provided remuneration for managerial personnel in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V of the Act.
12. The company is not a nidhi company. Accordingly reporting under provisions of para 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on examination of records of the company, transactions with the related parties are in compliance with the

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provisions of section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

14. According to the information and explanations given to us and based on our examination of the records of the company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures of the company.
15. According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or persons connected with them. Accordingly paragraph 3(xv) of the Order is not applicable.
16. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.



Place: Camp: Guntur
Date : 28.5.2018

For Chevuturi Associates
Chartered Accountants
Firm Registration No. 0006325
B. Raghunatha Rao
(Raghunatha Rao Balineni)
Partner
(Membership No: 028105)

Annexure "B" to the Independent Auditors' Report

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **KALLAM TEXTILES LIMITED** (Formerly known as Kallam Spinning Mills Limited ("the Company")) as of 31st March 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of directors of the company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



Place: Camp; Guntur
Date : 28.5.2018

For Chevuturi Associates
Chartered Accountants
Firm Registration No. 000632S

B. Raghunadha Rao
(Raghunadha Rao Balineni)
Partner
(Membership No: 028105)

KALLAM TEXTILES LIMITED
(Formerly known as Kallam Spinning Mills Limited)

Balance Sheet as at 31st March, 2018

(Amount in Rs.)

| | Particulars | Note No. | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|-------|--------------------------------------|----------|---------------------------------------|---------------------------------------|--------------------------------------|
| 1 | ASSETS | | | | |
| | Non-Current Assets | | | | |
| (a) | Property, Plant and Equipment | 4 | 4,15,68,45,036 | 3,57,37,55,113 | 3,56,49,33,448 |
| (b) | Capital Work-in-progress | 4 | 5,90,36,453 | 4,48,31,391 | 4,60,36,613 |
| (d) | Financial Assets | | | | |
| (i) | Loans | 5 | 6,45,05,945 | 6,25,02,865 | 4,91,18,983 |
| (ii) | Other financial assets | 6 | - | - | - |
| (e) | Other Non-current Assets | 7 | 14,64,073 | 2,24,60,945 | 8,02,296 |
| | Total Non-Current assets | | 4,28,18,51,507 | 3,70,35,50,314 | 3,66,08,91,340 |
| 2 | Current Assets | | | | |
| (a) | Inventories | 8 | 92,87,11,656 | 87,21,84,599 | 75,70,79,176 |
| (b) | Financial Assets | | | | |
| (i) | Trade Receivables | 9 | 22,77,96,003 | 31,06,24,716 | 24,34,57,242 |
| (ii) | Cash and cash equivalents | 10 | 75,99,878 | 78,14,521 | 17,89,545 |
| (iii) | Other Bank balances | 10 | 54,01,676 | 55,29,125 | 29,61,514 |
| (iv) | Loans | 5 | 5,12,161 | 19,03,078 | 22,73,994 |
| (v) | Other financial assets | 6 | 4,500 | 17,390 | 17,390 |
| (c) | Other Current assets | 7 | 45,64,26,590 | 29,56,40,549 | 16,11,92,349 |
| | Total Current assets | | 1,62,64,52,464 | 1,49,37,13,978 | 1,16,87,71,210 |
| | Total Assets | | 5,90,83,03,971 | 5,19,72,64,292 | 4,82,96,62,550 |
| | EQUITY AND LIABILITIES | | | | |
| | Equity | | | | |
| (a) | Equity Share Capital | 11 | 8,56,38,750 | 6,85,11,000 | 6,85,11,000 |
| | Other Equity | 12 | 2,03,76,16,494 | 1,40,15,12,462 | 1,28,70,96,483 |
| | | | 2,12,32,55,244 | 1,47,00,23,462 | 1,35,06,07,483 |
| | Liabilities | | | | |
| 2 | Non-current liabilities | | | | |
| (a) | Financial Liabilities | | | | |
| (i) | Long-term borrowings | 13 | 1,75,60,68,613 | 1,94,30,40,847 | 1,84,14,49,995 |
| (ii) | Other financial liabilities | 14 | - | - | - |
| (b) | Provisions | 15 | 1,24,81,130 | 1,03,49,650 | 71,41,210 |
| (c) | Deferred Tax Liabilities (Net) | 16 | 28,38,06,725 | 15,80,40,824 | 12,41,39,662 |
| (d) | Other non-current liabilities | 17 | 8,74,37,870 | 9,80,86,333 | 9,00,49,460 |
| | Total Non-current liabilities | | 2,13,97,94,338 | 2,20,95,17,654 | 2,06,27,80,327 |
| 3 | Current liabilities | | | | |
| (a) | Financial Liabilities | | | | |
| (i) | Short-term borrowings | 18 | 1,16,05,40,476 | 1,15,28,17,033 | 1,06,25,27,641 |
| (ii) | Trade payables | 19 | 8,38,55,898 | 2,80,45,069 | 5,60,91,310 |
| (iii) | Other financial liabilities | 14 | 35,08,37,434 | 28,50,43,044 | 26,92,36,305 |
| (b) | Other current liabilities | 17 | 1,81,56,070 | 1,06,79,980 | 97,82,392 |
| (c) | Provisions | 15 | 6,32,691 | 41,322 | 31,027 |
| (d) | Current tax Liabilities (Net) | 20 | 3,12,31,820 | 4,10,96,728 | 1,86,06,065 |
| | Total Current liabilities | | 1,64,52,54,388 | 1,51,77,23,176 | 1,41,62,74,740 |
| | Total Liabilities | | 3,78,50,48,728 | 3,72,72,40,830 | 3,47,90,55,067 |
| | Total Equity and Liabilities | | 5,90,83,03,971 | 5,19,72,64,292 | 4,82,96,62,550 |



For CHEVUTURI ASSOCIATES
Chartered Accountants
Firm Regn No. 0066325
B. Raghunatha Rao
Partner
ICAI memb no: 28165

For KALLAM TEXTILES LTD.
(P. VENKATESWARA REDDY)
Managing Director



Statement of Profit and Loss for the year ended 31st March, 2018

(Amount in Rs.)

| | Particulars | Note No. | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|------|--|----------|--|--|
| I | Revenue from Operations | 21 | 3,12,64,26,542 | 2,88,63,17,329 |
| II | Other Income | 22 | 1,13,22,728 | 1,01,23,693 |
| III | Total Income (I+II) | | 3,13,77,49,270 | 2,89,64,41,022 |
| IV | Expenses | | | |
| | Cost of Material Consumed | 23 | 1,70,28,44,603 | 1,58,01,38,922 |
| | Purchases of Stock-in-Trade | 24 | - | - |
| | Changes in inventories of Finished goods and work-in-progress | 25 | -3,84,98,189 | (11,81,21,634) |
| | Employee benefits expense | 26 | 20,86,36,897 | 18,04,95,661 |
| | Finance costs | 27 | 21,88,33,106 | 21,98,66,793 |
| | Depreciation and Amortization expense | 28 | 14,19,46,320 | 13,64,89,377 |
| | Other expenses | 29 | 69,33,02,560 | 68,57,71,056 |
| | Total Expenses (IV) | | 2,92,70,65,297 | 2,68,46,40,175 |
| V | Profit before exceptional items and tax (III-IV) | | 21,06,83,973 | 21,18,00,847 |
| VI | Exceptional Items | | - | - |
| VII | Profit before tax (V-VI) | | 21,06,83,973 | 21,18,00,847 |
| VIII | Tax expense: | 20 | | |
| | Current tax | | 4,60,26,739 | 5,00,00,000 |
| | Deferred tax (Net of MAT Credit Entitlement) | | 79,27,680 | 3,39,01,162 |
| IX | Profit for the year (VII-VIII) | | 15,67,29,554 | 12,78,99,685 |
| X | Other Comprehensive Income | | | |
| | A. Items that will not be re-classified to statement of Profit and loss (Net of tax) | | | |
| | a) Remeasurement of land at fair value | | 28,44,38,715 | - |
| | b) Revaluation surplus on measurement of buildings at fair value | | 33,72,20,182 | - |
| | c) Remeasurement of defined employee benefit plans | | 9,27,375 | -2,37,883 |
| | d) Deferred Tax charge on above | | -11,78,38,220 | - |
| | Total Other comprehensive Income | | 50,47,48,052 | -2,37,883 |
| XI | Total Comprehensive Income for the year (IX+X) | | 66,14,77,606 | 12,76,61,802 |
| XII | Earnings per Share - Basic and Diluted (Profit after tax and before OCI/Wt. average number of shares) | 43 | 3.66 | 2.99 |



For CHEVUTURI ASSOCIATES
Chartered Accountants
Firm Regn No: 8006328
B. Raghunatha Rao
(RAGHUNATHA RAO BALINENI)
Partner
ICAI memb no: 28105



For KALLAM TEXTILES LTD.
Heart
(P VENKATESWARA REDDY)
Managing Director

KALLAM TEXTILES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2018

| PARTICULARS | 2017-18 Rs. | 2016-17 Rs. |
|--|----------------|----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax | 21,06,83,973 | 21,18,00,847 |
| Add/Less: Adjustments for | | |
| Depreciation | 14,19,46,320 | 13,64,89,377 |
| Interest expense | 21,88,33,106 | 21,98,66,793 |
| Interest income | (42,73,465) | (32,24,480) |
| Amortisation of Govt. grants | (45,91,242) | (44,05,796) |
| Remeasurement of employee defined benefit plans | 9,27,375 | (2,37,883) |
| Profit on sale of assets | - | (1,43,785) |
| Loss on sale of assets | 4,64,465 | 3,42,081 |
| Operating profit before working capital changes | 56,39,90,532 | 56,04,87,154 |
| Add/Less: Adjustments for working capital | | |
| Inventories | (5,65,27,057) | (11,51,05,423) |
| Trade and other receivables | (5,75,59,729) | (23,62,87,289) |
| Trade and other payables | 6,24,22,697 | (3,99,71,955) |
| Cash generated from operations | 51,23,26,443 | 16,91,22,487 |
| Less: Direct taxes paid | 5,98,64,908 | 2,75,09,337 |
| Net cash from operating activities | 45,24,61,535 | 14,16,13,150 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets and Capital WIP (Net of subsidy) | (11,61,28,193) | (13,91,92,436) |
| Proceeds from sale of fixed assets | 26,26,683 | 76,17,770 |
| Margin Money deposit with banks and other balances | 1,27,449 | (25,67,611) |
| Interest received | 42,73,465 | 32,24,480 |
| Net cash used in investing activities | (10,91,00,596) | (13,09,17,797) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from/(Repayment of) borrowings | (12,04,96,633) | 22,34,42,238 |
| Dividend and tax paid | (82,45,823) | (82,45,823) |
| Interest and finance charges | (21,48,33,106) | (21,98,66,793) |
| Net cash used in financing activities | (34,35,75,582) | (46,70,378) |
| Net increase/(Decrease) in cash and cash equivalents | (2,14,643) | 60,24,975 |
| Cash and cash equivalents at the beginning of the Year | 78,14,521 | 17,89,545 |
| Cash and cash equivalents at the end of the Year (Note.10) | 75,99,878 | 78,14,521 |
| Net increase in cash and cash equivalents | (2,14,643) | 60,24,975 |

Changes in Liability arising from Financing activities

| Particulars | Opening balance as on 1st April 2017 | Cash inflow / (Out flow) | Non- Cash changes | Closing balance as on 31st March 2018 |
|---------------------------------------|--|-----------------------------|-------------------------|---|
| Long term borrowings (Refer Note 13) | 2,13,79,55,659 | (12,82,20,096) | - | 2,00,97,35,563 |
| Short term borrowings (Refer Note 18) | 1,15,28,17,033 | 77,23,443 | - | 1,16,05,40,476 |



Statement of Changes in Equity as at 31st March, 2018**Equity share capital**

| Particulars | No's | INR |
|---|-------------|-------------|
| As at 1 st April, 2016 | 68,51,103 | 6,85,11,000 |
| Changes in equity during the year:- | | |
| Sub-division of 1 equity of Rs.10/- each into 5 equity of Rs.2/- each | 3,42,55,500 | - |
| As at 31 st March, 2017 | 3,42,55,500 | 6,85,11,000 |
| Changes in equity during the year:- | | |
| Bonus shares issued during the year | 85,63,875 | 1,71,27,750 |
| As at 31 st March, 2018 | 4,28,19,375 | 8,56,38,750 |

Other Equity

| Particulars | Reserves and Surplus | | | | Items of Other Comprehensive Income | | Total |
|--|----------------------|-----------------|-------------------|---------------------|-------------------------------------|--------------------------|----------------|
| | Investment Subsidy | General Reserve | Retained Earnings | Revaluation surplus | Revaluation surplus | Actuarial Gains/(Losses) | |
| Balance at the beginning of reporting period - 1 st April, 2016 - as per IGAAP | 1,47,00,000 | 1,60,36,486 | 64,52,08,985 | - | - | - | 67,59,45,441 |
| Ind AS adjustments as per Ind AS 103:- | | | | | | | |
| Investment subsidy treated as Government grant | -1,47,00,000 | - | 44,18,617 | - | - | - | -1,02,61,383 |
| Proposed Dividend and Dividend tax | - | - | 82,45,823 | - | - | - | 82,45,823 |
| Increase in carrying value of land on adoption of revaluation model on transition date transferred to Reserves and surplus | - | - | - | 60,81,86,602 | - | - | 60,81,86,602 |
| Balance at the beginning of reporting period - 1 st April, 2016 - As per Ind AS | - | 1,60,36,486 | 65,78,73,395 | 60,81,86,602 | - | - | 1,28,20,96,483 |
| Add: Profit for the year 16-17 | - | - | 12,78,99,685 | - | - | - | 12,78,99,685 |
| Other Comprehensive Income | - | - | - | - | - | -2,37,883 | -2,37,883 |
| Total Comprehensive Income for the year | - | - | 12,78,99,685 | - | - | -2,37,883 | 12,76,61,802 |
| Less: Appropriations:- | | | | | | | |
| Final Dividend for the year 2015-16 | - | - | 68,51,100 | - | - | - | 68,51,100 |
| Dividend Distribution tax | - | - | 13,94,773 | - | - | - | 13,94,773 |
| Balance at the end of reporting period - 31 st March, 2017 | - | 1,60,36,486 | 77,75,27,257 | 60,81,86,602 | - | -2,37,883 | 1,40,15,12,462 |
| Add: Profit for the year 17-18 | - | - | 15,67,29,554 | - | - | 0 | 15,67,29,554 |
| Other Comprehensive Income | - | - | - | - | 62,16,58,897 | 9,27,375 | 62,25,86,272 |
| Less: Deferred tax on OCI | - | - | - | - | -11,78,38,220 | - | -11,78,38,220 |
| Total Comprehensive income for the year | - | - | 15,67,29,554 | - | 50,38,20,677 | 9,27,375 | 66,14,77,606 |
| Less: Appropriations:- | | | | | | | |
| Utilised for issue of bonus shares | - | - | 1,71,27,751 | - | - | - | 1,71,27,751 |
| Proposed Dividend and Dividend tax for the year 2016-17 | - | - | 82,45,823 | - | - | - | 82,45,823 |
| Transfer to General Reserve | - | - | - | - | - | 0 | - |
| Balance at the end of reporting period - 31 st March, 2018 | - | 1,60,36,486 | 90,88,83,237 | 60,81,86,602 | 50,38,20,677 | 6,89,492 | 2,03,76,16,494 |



FIRST TIME ADOPTION OF IND AS:

Note no:3

The company has adopted Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs with effect from 1st April, 2017 with transition date of 1st April, 2016. These financial statements for the year ended 31st March, 2018 are the first Ind AS financial statements. For all periods upto and including the year ended 31st March, 2017, the company prepared its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP).

The adoption of Ind AS has been carried out in accordance with Ind AS 101, First time adoption of Indian Accounting Standards requires that all Ind AS standards and interpretations that are issued and effective for the first Ind AS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the company has prepared financial statements which comply with Ind AS for the year ended 31st March, 2018 together with the comparative information as at and for the year ended 31st March, 2017 and the opening Ind AS balance sheet as at 1st April, 2016, the date of transition to Ind AS.

In preparing these Ind AS financial statements, the company has availed certain exemptions and exceptions in accordance with Ind AS 101. The resulting difference between the carrying values of the assets and the liabilities in the financial statements as at the transition date under Ind AS and previous GAAP have been recognized directly in equity.

A. Exceptions from retrospective application.

(i) Estimates exception: Upon an assessment of the estimates made under Previous GAAP, the Company has concluded that there was no necessity to revise such estimates under Ind AS except where estimates were required by Ind AS and not required by Previous GAAP.

(ii) Classification and measurement of financial assets: The Company has determined the classification of financial assets in terms of whether they meet the amortised cost criteria or the fair value through other comprehensive income criteria based on the facts and circumstances that existed as of the transition date.

(iii) Deemed cost for property, plant and equipment and intangible assets: The Company has elected to continue with carrying value of all its property plant and equipment, and intangible assets recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date except in case of land where fair value was adopted. The excess amount of fair value over its carrying amount was transferred to revaluation surplus and grouped under Reserves and Surplus.

(iv) Interest free loans from Government: The requirements of Ind AS 20- Accounting for Government Grants and Disclosure of Government Assistance and Ind AS 109- Financial Instruments, in respect of recognition and measurement of interest free loans from government authorities is opted to be applied prospectively to all grants received after the date of transition to Ind AS. Consequently, the carrying amount of such interest free loans as per the financial statements of the Company prepared under Previous GAAP is considered for recognition in the opening Ind AS Balance Sheet.

B. Transition to Ind AS - Reconciliations.

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from Previous GAAP to Ind AS in accordance with Ind AS 101:

- i) Adjustments made by the company in restating the financial statements prepared under previous GAAP, including the balance sheet as at 1st April, 2016 and the financial statements as at and for the year ended 31st March, 2017.
- ii) Reconciliation of Equity as at 1st April, 2016 and 31st March, 2017
- iii) Reconciliation of Total Comprehensive Income for the year ended 31st March, 2017

Reconciliation of Equity as previously reported under IGAAP to Ind AS

| Particulars | | IGAAP as at 31 st March, 2017 | Ind AS adjustments | Ind AS as at 31 st March, 2017 | IGAAP as at 1 st April, 2016 | Ind AS adjustments | Ind AS as at 1 st April, 2016 |
|-------------|-------------------------------------|---|----------------------|--|--|-----------------------|---|
| 1 | Assets | | | | | | |
| | Non-Current Assets | | | | | | |
| (a) | Property, Plant and Equipment | 3,56,14,24,713 | 1,23,30,400 | 3,57,37,55,113 | 2,95,67,46,846 | 60,81,86,602 | 3,56,49,33,448 |
| (b) | Capital Work-in-progress | 4,48,31,391 | - | 4,48,31,391 | 4,60,36,613 | - | 4,60,36,613 |
| (c) | Financial Assets | | | | | | |
| (i) | Loans | 6,25,02,865 | - | 6,25,02,865 | 4,91,18,983 | - | 4,91,18,983 |
| (ii) | Other financial assets | - | - | - | - | - | - |
| (d) | Other Non-current Assets | 2,24,60,945 | - | 2,24,60,945 | 8,02,296 | - | 8,02,296 |
| | | 3,69,12,19,914 | 1,23,30,400 | 3,70,35,50,314 | 3,05,27,04,738 | 60,81,86,602 | 3,66,08,91,340 |
| 2 | Current Assets | | | | | | |
| (a) | Inventories | 87,21,84,599 | - | 87,21,84,599 | 75,70,79,176 | - | 75,70,79,176 |
| (b) | Financial Assets | | | | | | |
| (i) | Trade Receivables | 31,06,24,716 | - | 31,06,24,716 | 24,34,57,342 | - | 24,34,57,342 |
| (ii) | Cash and cash equivalents | 78,14,521 | - | 78,14,521 | 17,89,545 | - | 17,89,545 |
| (iii) | Other Bank balances | 55,29,125 | - | 55,29,125 | 29,61,514 | - | 29,61,514 |
| (iv) | Loans | 19,09,078 | - | 19,09,078 | 22,73,994 | - | 22,73,994 |
| (v) | Other financial assets | 17,390 | - | 17,390 | 17,390 | - | 17,390 |
| (c) | Other Current assets | 39,72,18,101 | -10,15,77,552 | 29,56,40,549 | 22,37,57,058 | -6,25,64,709 | 16,11,92,349 |
| | | 1,59,52,91,530 | -10,15,77,552 | 1,49,37,13,978 | 1,23,13,35,919 | -6,25,64,709 | 1,16,87,71,210 |
| | Total Assets | 5,28,65,11,444 | -8,92,47,152 | 5,19,72,64,292 | 4,28,40,40,657 | 54,56,21,893 | 4,82,96,62,550 |
| | EQUITY AND LIABILITIES | | | | | | |
| | Equity | | | | | | |
| (a) | Equity Share Capital | 6,85,11,000 | - | 6,85,11,000 | 6,85,11,000 | - | 6,85,11,000 |
| (b) | Other Equity | 1,41,11,11,114 | -95,98,652 | 1,40,15,12,462 | 67,59,45,441 | 60,61,51,042 | 1,28,20,96,483 |
| | | 1,47,96,22,114 | -95,98,652 | 1,47,00,23,462 | 74,44,56,441 | 60,61,51,042 | 1,35,06,07,483 |
| | Liabilities | | | | | | |
| 1 | Non-current liabilities | | | | | | |
| (a) | Financial Liabilities | | | | | | |
| (i) | Long-term Borrowings | 1,94,30,40,847 | - | 1,94,30,40,847 | 1,84,14,49,995 | - | 1,84,14,49,995 |
| (ii) | Other financial liabilities | - | - | - | - | - | - |
| (b) | Provisions | 1,03,49,650 | - | 1,03,49,650 | 71,41,210 | - | 71,41,210 |
| (c) | Deferred Tax Liabilities (Net) | 25,96,18,376 | -10,15,77,552 | 15,80,40,824 | 18,67,04,371 | -6,25,64,709 | 12,41,39,662 |
| (d) | Other non-current liabilities | 9,80,86,333 | - | 9,80,86,333 | 9,00,49,460 | - | 9,00,49,460 |
| | | 2,31,10,95,206 | -10,15,77,552 | 2,20,95,17,654 | 2,12,53,45,036 | -6,25,64,709 | 2,06,27,80,327 |
| 2 | Current liabilities | | | | | | |
| (a) | Financial Liabilities | | | | | | |
| (i) | Short-term Borrowings | 1,15,28,17,033 | - | 1,15,28,17,033 | 1,06,25,27,641 | - | 1,06,25,27,641 |
| (ii) | Trade payables | 2,80,45,069 | - | 2,80,45,069 | 5,60,91,310 | - | 5,60,91,310 |
| (iii) | Other financial liabilities | 26,50,43,044 | - | 26,50,43,044 | 26,92,36,305 | - | 26,92,36,305 |
| (b) | Other current liabilities | -1,12,49,072 | 2,19,29,052 | 1,06,79,980 | -4,98,991 | 1,02,81,383 | 97,82,392 |
| (c) | Provisions | 41,322 | - | 41,322 | 82,76,850 | -82,45,823 | 31,027 |
| (d) | Current tax Liabilities (Net) | 4,10,96,728 | - | 4,10,96,728 | 1,86,06,065 | - | 1,86,06,065 |
| | | 1,49,57,94,124 | 2,19,29,052 | 1,51,77,23,176 | 1,41,42,39,180 | 20,35,560 | 1,41,62,74,740 |
| | Total Liabilities | 3,80,68,89,330 | -7,96,48,500 | 3,72,72,40,830 | 3,53,95,84,216 | -6,05,29,149 | 3,47,90,55,067 |
| | Total Equity and Liabilities | 5,28,65,11,444 | -8,92,47,152 | 5,19,72,64,292 | 4,28,40,40,657 | 54,56,21,893 | 4,82,96,62,550 |

Reconciliation of Statement of Profit and Loss reported under IGAAP to Ind AS

| Particulars | | IGAAP for the year ending 31 st March, 2017 | Ind AS adjustments | Ind AS for the year ending 31 st March, 2017 |
|-------------|---|--|--------------------|---|
| I | Revenue from Operations | 2,88,63,17,329 | | 2,88,63,17,329 |
| II | Other Income | 90,41,912 | 10,81,781 | 1,01,23,693 |
| III | Total Income (I+II) | 2,89,53,59,241 | 10,81,781 | 2,89,64,41,022 |
| IV | Expenses | | | |
| | Cost of Material Consumed | 1,58,01,38,922 | | 1,58,01,38,922 |
| | Purchase of Stock in Trade | - | | - |
| | (Increase)/Decrease in Inventories of Finished goods, | -11,81,21,634 | | -11,81,21,634 |
| | Employee benefits expense | 18,07,33,544 | -2,37,883 | 18,04,95,661 |
| | Finance costs | 21,98,66,793 | | 21,98,66,793 |
| | Depreciation and Amortization expense | 13,60,90,327 | 3,99,050 | 13,64,89,377 |
| | Other expenses | 68,57,71,056 | | 68,57,71,056 |
| | Total Expenses (IV) | 2,68,44,79,008 | 1,61,167 | 2,68,46,40,175 |
| V | Profit before exceptional items and tax (III-IV) | 21,08,80,233 | 9,20,614 | 21,18,00,847 |
| VI | Exceptional items | - | | - |
| VII | Profit before tax (VII-VI) | 21,08,80,233 | 9,20,614 | 21,18,00,847 |
| VIII | Tax expense: | | | |
| | Current tax | 5,00,00,000 | - | 5,00,00,000 |
| | Deferred tax charge (Net of MAT Credit) | 3,39,01,162 | - | 3,39,01,162 |
| IX | Profit for the year (VII-VIII) | 12,69,79,071 | 9,20,614 | 12,78,99,685 |
| X | Other Comprehensive Income * | | | |
| | A. Items that will not be re-classified to statement of Profit and loss (net of tax) | | | |
| | a) Acturial Loss on remeasurement | - | -2,37,883 | -2,37,883 |
| | Total Other comprehensive income | - | -2,37,883 | -2,37,883 |
| XI | Total Comprehensive Income for the year (IX+X) | 12,69,79,071 | 6,82,731 | 12,76,61,802 |

* Under the previous GAAP, there was no concept of Other Comprehensive Income. Under Ind As, specified items of Income, expense, gains or losses are required to be presented in Other Comprehensive Income.



Reconciliation between Previous GAAP and Ind AS

Note No.3

(i) Reconciliation of Equity

| Particulars | Note | As at 31 st March, 2017 | As at 1 st April, 2016 |
|--|------|---------------------------------------|--------------------------------------|
| Total Equity as per Previous GAAP (A) | | 1,47,96,22,114 | 74,44,56,441 |
| a) Treatment of investment subsidy as per Ind AS 20 | 1 | -1,02,81,383 | -1,02,81,383 |
| b) Amortisation of Deferred government grant over the useful life of the asset to which such grant is sanctioned | | 10,81,781 | - |
| c) Depreciation on assets for which grant is treated as per Ind AS 20 | | -3,99,050 | - |
| d) Proposed Dividend and tax | 2 | - | 82,45,823 |
| e) Revaluation of Land on adoption of fair value model on first time adoption of Ind AS transition provisions under Ind AS-201 | 4 | - | 60,81,86,602 |
| Total adjustment to Equity (B) | | -95,98,652 | 60,61,51,042 |
| Total Equity as per Ind AS (C=A+B) | | 1,47,00,23,462 | 1,35,06,07,483 |

(ii) Reconciliation for Total Comprehensive Income

| Particulars | Note | Year ended 31 st March, 2017 |
|---|------|--|
| Net Profit after tax under Previous GAAP | | 12,69,79,071 |
| a) Amortisation of Deferred government grant over the useful life of the asset. | 1 | 10,81,781 |
| b) Depreciation on assets for which grant is treated as per Ind AS 20 | | -3,99,050 |
| c) Remeasurement benefits on defined benefit obligations | 3 | 2,37,883 |
| Net Profit after tax before OCI as per Ind AS | | 12,78,99,685 |
| Other Comprehensive Income | | |
| a) Remeasurement benefits on defined benefit obligations | 3 | -2,37,883 |
| Total Comprehensive Income for the year as reported under Ind AS | | 12,76,61,802 |

Notes to Reconciliation between previous GAAP and Ind AS

1. Deferred Government grants

Under previous GAAP, government grants received in the nature of EPCG and other subsidies are deducted in the value of the asset and the net amount is capitalised in the books of accounts. Under Ind AS, government grants received have been recognised separately in the financial statements with the name Deferred Government grants under Other current liabilities. The deferred grant is recognised in the Statement of Profit and Loss in proportion of depreciation charged on such assets.

2. Dividend and Tax on Dividend

Under previous GAAP, dividend payable is recorded as a liability in the period to which it relates and under Ind AS dividend is recognised as a liability in the period in which the obligation to pay is established.

3. Remeasurement of net defined benefit plans

Under previous GAAP, actuarial gains and losses were recognised in the statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of net defined benefit liability which is recognised in other comprehensive income in respective years. However, such a change does not have any effect on total comprehensive income or total equity.

4. Cost of Property, plant and equipment

The company has elected to measure all its property, plant and equipment and intangible assets at the previous GAAP carrying amount as its deemed cost at the date of transition to Ind AS except in case of land where fair value was adopted. The excess amount of fair value over its carrying amount was transferred to revaluation surplus and grouped under Reserves and Surplus.

5. Interest free sales tax loan

In the financial statements prepared under Previous GAAP, the carrying value of Interest free loan was recognised at the principal amounts payable by the company. Under Ind AS, interest free borrowing being a financial liability is required



to be recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The difference between such fair value and the carrying value is recognised as deferred income disclosed under Other liabilities.

On the date of transition, there is no change in the amount of Interest free loan since the Company has opted for exemption from retrospective application for fair valuation of such financial instruments. However, the company has not received any such loans subsequent to the date of transition.

6. Deferred Tax :

Under previous GAAP, deferred tax was accounted using the income statement approach, on the timing differences between the taxable profit and accounting profits for the period. Under IND AS, deferred tax is recognized following balance sheet approach on the temporary differences between the carrying amount of asset or liability in the balance sheet and its tax base. In addition, various transitional adjustments has also lead to recognition of deferred taxes on new temporary differences. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as deferred tax asset if there is convincing evidence that the company will pay normal Income Tax.



Property, Plant and Equipment and Capital Work-in-Progress

Note No.4

| Carrying Amounts of: | Particulars | As at 31 st March, 2016 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|-------------------------------------|-------------|---------------------------------------|---------------------------------------|--------------------------------------|
| Land | | | | |
| Factory Buildings | | 62,56,40,141 | 64,10,57,526 | 62,69,10,301 |
| Office Buildings | | 70,08,33,553 | 49,29,89,090 | 51,28,18,856 |
| Plant and Equipment | | 31,07,84,100 | 37,89,64,721 | 37,55,55,229 |
| Electrical and Electronic Equipment | | 1,92,47,31,215 | 3,64,94,12,032 | 1,94,06,53,561 |
| Boats and Water Purifier | | 6,01,12,817 | 10,55,801 | 10,56,41,620 |
| Office and other equipment | | 10,55,801 | 14,90,811 | 15,76,153 |
| Furniture and Fixtures | | 40,54,774 | 48,27,347 | 46,86,537 |
| Vehicle | | 9,11,297 | 9,42,971 | 11,59,955 |
| | | 79,03,485 | 85,72,303 | 54,67,115 |
| | | 4,15,88,45,096 | 3,57,27,55,413 | 3,56,49,33,448 |
| Capital Work-in-progress | | | | |
| | | 5,90,36,453 | 4,48,11,391 | 4,60,36,523 |

Property, Plant and Equipment

| Particulars | Land | Factory Buildings | Non-factory Buildings | Plant and Equipment | Electrical and Electronic Equipment | Boats and Water pumps | Office & Other Equipment | Furniture and Fixtures | Vehicle | Total |
|--|--------------|-------------------|-----------------------|---------------------|-------------------------------------|-----------------------|--------------------------|------------------------|-------------|----------------|
| SEVEN LAKHS ONLY | | | | | | | | | | |
| At Diamond Credit Ltd. value | | | | | | | | | | |
| As at 1 st April, 2015 as per Balance Sheet | 3,17,43,699 | 51,29,16,550 | 37,59,58,819 | 1,31,06,55,561 | 10,38,41,638 | 15,76,153 | 52,36,537 | 11,54,593 | 54,37,125 | 2,95,67,16,995 |
| Less: Carrying and 35 adjustments | 52,35,85,502 | - | - | - | - | - | - | - | - | 52,35,85,502 |
| Surplus on revaluation of land at the value | 62,95,84,301 | 51,28,18,856 | 71,01,63,819 | 1,43,06,55,946 | 99,48,41,886 | 15,76,153 | 46,38,537 | 11,55,935 | 54,87,125 | 3,56,49,33,448 |
| As at 1 st April, 2015 under and 85 | 13,63,195 | - | 1,11,20,026 | 12,20,82,712 | 33,01,363 | 4,42,926 | 50,42,922 | - | 49,79,187 | 1,08,135,596 |
| Depreciation | - | - | - | 2,79,138 | - | - | - | - | 6,53,567 | 9,32,705 |
| As at 31 st March, 2017 | 64,10,57,826 | 53,28,16,559 | 38,66,86,119 | 2,06,06,61,196 | 10,99,43,022 | 30,18,153 | 86,77,855 | 11,53,939 | 59,10,751 | 3,11,01,55,003 |
| Revaluation during the year | 1,08,620 | 62,00,000 | 2,15,40,197 | 7,02,42,707 | 10,99,43,022 | - | 11,15,586 | - | 18,48,685 | 28,48,18,715 |
| Surplus on revaluation of buildings at the value | 28,44,10,713 | 21,88,51,416 | 12,05,86,766 | - | 1,18,386 | - | - | - | - | 40,72,07,182 |
| Adjustment of net depreciation on revaluation | - | 5,12,37,329 | 1,38,86,722 | - | - | - | - | - | - | 4,21,48,545 |
| Depreciation | - | - | - | 8,00,716 | - | - | - | - | 7,36,275 | 11,17,099 |
| As at 31 st March, 2016 | 62,56,40,141 | 70,08,33,553 | 31,27,08,452 | 2,10,83,34,190 | 10,38,41,638 | 20,19,029 | 98,33,455 | 11,53,935 | 1,04,41,461 | 4,28,27,68,105 |
| Revaluation Surplus: | | | | | | | | | | |
| As at 1 st April, 2015 | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the year | - | 1,79,27,528 | 77,71,393 | 8,90,54,227 | 1,32,20,135 | 3,18,228 | 25,44,515 | 1,11,384 | 13,71,978 | 13,64,98,977 |
| On disposal | - | - | - | 8,879 | - | - | - | - | 83,528 | 83,528 |
| As at 31 st March, 2017 | - | 3,99,27,848 | 77,11,393 | 8,99,43,044 | 1,32,20,135 | 3,18,228 | 25,44,515 | 2,71,364 | 13,80,497 | 13,63,98,970 |
| Depreciation charge for the year | - | 1,79,27,528 | 1,40,89,587 | 9,46,43,584 | 1,46,10,376 | 4,38,090 | 26,62,142 | 1,27,384 | 14,99,566 | 14,19,46,500 |
| On disposal/Withdrawal or realisation | - | 3,12,37,922 | 1,58,08,722 | 92,511 | - | - | - | - | 2,00,028 | 4,74,91,228 |
| As at 31 st March, 2016 | - | 66,76,086 | 18,29,769 | 11,55,80,149 | 2,38,48,513 | 6,61,196 | 92,58,687 | 3,42,728 | 25,37,596 | 23,09,31,064 |
| Net carrying amount | | | | | | | | | | |
| As at 31 st March, 2016 | 92,56,40,141 | 70,08,33,553 | 31,07,08,452 | 2,08,44,81,015 | 9,61,10,877 | 10,55,801 | 49,34,778 | 8,11,207 | 79,03,485 | 4,15,88,45,096 |
| As at 31 st March, 2017 | 64,10,57,826 | 63,29,89,090 | 37,89,64,721 | 3,56,94,12,820 | 5,99,27,847 | 34,90,811 | 62,37,304 | 5,83,571 | 86,77,303 | 3,57,27,55,413 |
| As at 1 st April, 2016 | 62,56,40,141 | 51,28,18,856 | 37,59,58,819 | 1,94,06,53,561 | 10,38,41,638 | 15,76,153 | 52,36,537 | 11,54,593 | 54,37,125 | 3,56,49,33,448 |

Notes:

1. Items shown under the Century Open Field, Arthing Bank, Arthing Bank and Bank of Baroda are secured by way of first charge on fixed assets of the company.

2. Value Significant Accounting Policies under the Head Property, Plant and Equipment.



Capital Work-in-Progress

| Particulars | Amount |
|---|--------------|
| <u>Carrying value - At Cost/Deemed Cost</u> | |
| As at 1 st April, 2016 | 4,60,36,613 |
| Additions | 14,03,97,658 |
| Capitalised during the year | 14,16,02,880 |
| As at 31 st March, 2017 | 4,48,31,391 |
| Additions | 10,87,60,647 |
| Capitalised during the year | 9,45,55,585 |
| As at 31 st March, 2018 | 5,90,36,453 |

Unallocated Capital Expenditure *

| Nature of Expenditure | Interest on Borrowings | Bank Charges | Total |
|------------------------------------|------------------------|--------------|-----------|
| As at 1 st April, 2016 | 42,411 | 15,15,700 | 15,58,111 |
| Additions | 57,184 | - | 57,184 |
| Capitalised during the year | - | 15,15,700 | 15,15,700 |
| As at 31 st March, 2017 | 99,595 | - | 99,595 |
| Additions | - | - | - |
| Capitalised during the year | 99,595 | - | 99,595 |
| As at 31 st March, 2018 | - | - | - |

*Note : The above expenditure was included under capital work in progress in respective years



KALLAM TEXTILES LIMITED
Notes to the Financial Statements

LOANS

Note No.5

| Particulars | Non-Current | | | Current | | |
|--|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| Unsecured, Considered Good | | | | | | |
| a) Security deposits with Govt. authorities and others | 6,45,05,945 | 6,25,02,865 | 4,91,18,983 | - | - | - |
| b) Employee related advances | | - | - | 4,80,965 | 8,24,637 | 19,76,945 |
| c) Other advances | | - | - | 31,196 | 10,79,441 | 2,97,049 |
| Total | 6,45,05,945 | 6,25,02,865 | 4,91,18,983 | 5,12,161 | 19,05,078 | 22,73,994 |

Note: 1) No loans are due from directors or other officers of the company either severally or jointly with any other person nor any other loans are due from firms in which any director is a partner, a director or a member.

OTHER FINANCIAL ASSETS

Note No.6

| Particulars | Non-Current | | | Current | | |
|-------------------------|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| a) Deposits Recoverable | | - | - | - | 17,390 | 17,390 |
| b) Other receivables | | - | - | 4,500 | - | - |
| Total | - | - | - | 4,500 | 17,390 | 17,390 |

OTHER ASSETS

Note No.7

| Particulars | Non-Current | | | Current | | |
|---|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| Unsecured, Considered Good | | | | | | |
| a) Advances for Capital goods | 14,64,073 | 2,24,60,945 | 8,02,296 | - | - | - |
| b) Advances to creditors against supplies | | - | - | 1,23,53,859 | 1,40,20,430 | 87,28,087 |
| c) Prepaid expenses | | - | - | 83,74,830 | 24,74,026 | 10,11,539 |
| d) Balances with Statutory Authorities: | | | | | | |
| Excise Duty receivable (Transit) | | | | 24,43,758 | - | - |
| IGST receivable | | | | 16,00,352 | - | - |
| CGST Receivable | | | | 69,58,444 | - | - |
| SGST receivable | | | | 1,59,54,700 | - | - |
| VAT Credit | | | | - | - | 1,21,759 |
| e) EPCG Terminal Excise Duty refund receivable | | - | - | 87,38,420 | 95,26,129 | 67,34,554 |
| f) Duty draw back refund receivable | | - | - | 37,47,661 | 38,90,645 | 29,11,727 |
| g) Interest rebate receivable under TUF scheme | | - | - | 3,63,29,591 | 4,18,04,799 | 7,52,15,617 |
| h) Interest subsidy receivable from AP government | | - | - | 16,81,77,796 | 8,65,41,396 | - |
| i) Power Subsidy receivable | | - | - | 19,11,24,397 | 13,44,58,665 | 6,32,06,459 |
| j) Accrued Interest | | - | - | 46,22,782 | 29,27,459 | 32,62,607 |
| Total | 14,64,073 | 2,24,60,945 | 8,02,296 | 45,64,26,590 | 29,56,40,539 | 16,11,92,349 |



KALLAM TEXTILES LIMITED
Notes to the Financial Statements

INVENTORIES

Note No.8

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|-----------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| Spinning/Power: | | | |
| Raw materials | 41,43,20,340 | 39,71,75,447 | 41,55,09,427 |
| Work-in-progress | 8,78,10,939 | 8,08,05,273 | 5,13,88,693 |
| Finished goods | 6,54,19,600 | 10,26,39,629 | 7,25,09,156 |
| Stores and spares | 3,75,69,590 | 3,23,12,049 | 2,69,29,333 |
| Weaving/Dyeing unit: | | | |
| Raw materials | 99,93,202 | 1,33,50,974 | 96,92,750 |
| Work-in-progress | 20,79,69,574 | 16,77,73,412 | 8,71,25,590 |
| Finished goods | 8,57,75,191 | 6,00,19,583 | 7,93,32,042 |
| Stores and spares | 1,98,53,220 | 1,81,08,238 | 1,45,92,185 |
| Total | 92,87,11,656 | 87,21,84,599 | 75,70,79,176 |

Notes:

- The mode of valuation of inventories has been stated in significant accounting Policies.
- The cost of inventories recognised as an expense for the year ended 31st March, 2018 was Rs. 1,88,20,92,825/- (for the year ended 31st March, 2017: Rs. 1,77,27,93,287/-)
- All the above inventories are offered as security in respect of working capital loans availed by the company from all the banks.
- There are no inventories expected to be recovered after more than twelve months.

TRADE RECEIVABLES

Note No.9

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|
| Unsecured, Considered Good | | | |
| Outstanding for a period exceeding six months | 10,248 | 8,69,867 | 3,52,97,819 |
| Others | 22,77,85,755 | 30,97,54,849 | 20,81,59,423 |
| | 22,77,96,003 | 31,06,24,716 | 24,34,57,242 |
| Unsecured, Considered Doubtful | | | |
| Outstanding for a period exceeding six months | - | 1,33,519 | 1,33,519 |
| Less: Provision for expected Credit Losses | - | 1,33,519 | 1,33,519 |
| | | | |
| Total | 22,77,96,003 | 31,06,24,716 | 24,34,57,242 |

Notes:

- The average credit period of trade receivables varies from 15-45 days.
- The above does not include any amount due from related parties.
- The company has used practical expedient by computing the expected credit loss for doubtful trade receivables based on the ageing of receivables, history of recoverability from the customers, credit worthiness of the customers etc.,
- During the year, the company has recognised loss allowance of Rs.Nil under 12 months expected credit loss model.



KALLAM TEXTILES LIMITED
Notes to the Financial Statements

CASH AND CASH EQUIVALENTS

Note No.10

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|
| i) Balances with banks in Current accounts: | | | |
| a. In Current accounts | 23,75,637 | 48,27,326 | 3,52,255 |
| ii) Cash on hand | 52,24,241 | 29,87,195 | 14,37,290 |
| Total | 75,99,878 | 78,14,521 | 17,89,545 |

Other bank balances

Note No.10

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|
| a. Earmarked balances with banks held as margin money against LC and guarantees falls due for maturity within 12 months from the date of Balance sheet. | 40,00,881 | 40,70,196 | 14,83,462 |
| b. Earmarked balances with banks towards unclaimed dividends | 14,00,795 | 14,58,929 | 14,78,052 |
| Total | 54,01,676 | 55,29,125 | 29,61,514 |



Notes to the Financial Statements

SHARE CAPITAL

Note No.11

Authorised Share Capital

| Particulars | Equity | |
|--------------------------------------|-------------|--------------|
| | No's | INR |
| As at 1 st April, 2016 | 1,00,00,000 | 10,00,00,000 |
| Changes during the year (Refer note) | - | - |
| As at 31 st March, 2017 | 5,00,00,000 | 10,00,00,000 |
| Changes during the year | - | - |
| As at 31 st March, 2018 | 5,00,00,000 | 10,00,00,000 |

Note: During the year 2016-17, the company has sub divided one equity share of Rs.10/- each into 5 equity shares of Rs.2/- each.

Issued Share Capital

| Particulars | No's | INR |
|---|-------------|-------------|
| As at 1 st April, 2016 | 68,51,100 | 6,85,11,000 |
| Sub-division of one Equity shares of " 10/- each into 5 Equity shares of " 2/- each | 2,74,04,400 | - |
| As at 31 st March, 2017 | 3,42,55,500 | 6,85,11,000 |
| Bonus shares issued during the year | 85,63,875 | 1,71,27,750 |
| As at 31 st March, 2018 | 4,28,19,375 | 8,56,38,750 |

Note: During the year 2016-17, the company has sub divided one equity share of Rs.10/- each into 5 equity shares of Rs.2/- each.

During the year 2017-18, the company has issued and allotted Nos.85,63,875 of Equity shares as fully paid up bonus shares in the ratio of 1:4 one (1) equity share for every four (4) equity shares held by capitalizing retained earnings.

Rights, Preferences and restrictions attached to Equity shares

The Company has only one class of Equity shares having a face value of Rs.2/- each. Each holder of equity share is entitled to one vote per share on poll and have one vote on show of hands. In the event of liquidation of Company, the equity share holders are eligible to receive the remaining assets of the company in proportion to their shareholding after distribution of payments to preferential creditors.

Details of share holders holding more than 5% of total number of shares

| Name of the Share Holder | As at 31 st March, 2018 | | As at 31 st March, 2017 | | As at 1 st April, 2016 | |
|--|------------------------------------|--|------------------------------------|--|-----------------------------------|--|
| | No of Shares held | % out of total number of shares of the Company | No of Shares held | % out of total number of shares of the Company | No of Shares held | % out of total number of shares of the Company |
| Kallam Haranadha Reddy | 22,45,625 | 5.24% | 17,96,500 | 5.24% | 3,59,300 | 5.24% |
| Gurram Venkata Krishna Reddy | 35,13,723 | 8.21% | 27,75,325 | 8.10% | 5,55,065 | 8.10% |
| Kallam Agro products and Oils Pvt. Ltd | 54,65,043 | 12.76% | 43,72,035 | 12.76% | 8,74,057 | 12.76% |
| T. Lakshminarayan | 19,65,819 | 4.59% | 26,56,873 | 7.76% | 7,80,125 | 11.39% |
| | 1,31,90,210 | 30.80% | 1,16,00,733 | 33.87% | 25,68,547 | 37.49% |

Out of last five financial years, during the financial year 2017-18, the company has issued bonus shares Nos.85,63,875 in ratio of 1:4 i.e one equity share for every four shares held by capitalizing part of retained earnings.

None of the shares were allotted in pursuant to contract without payment being received in cash.



OTHER EQUITY

Note No.12

Investment Subsidy

| Particulars | Amount |
|--|--------------|
| As at 1 st April, 2016 as per IGAAP | 1,47,00,000 |
| Add/(Less): Ind AS adjustments | |
| Investment subsidy received on fixed assets transferred to Deferred Govt. grant as per Ind AS 20 | -1,47,00,000 |
| As at 1 st April, 2016 as per Ind AS | - |
| Changes during the year | - |
| As at 31 st March, 2017 | - |
| Changes during the year | - |
| As at 31 st March, 2018 | - |

General Reserve

| Particulars | Amount |
|------------------------------------|-------------|
| As at 1 st April, 2016 | 1,60,36,486 |
| Transfers during the year | - |
| As at 31 st March, 2017 | 1,60,36,486 |
| Transfers during the year | - |
| As at 31 st March, 2018 | 1,60,36,486 |

Revaluation Surplus

| Particulars | Amount |
|--|----------------|
| As at 1 st April, 2016 as per IGAAP | - |
| Add/(Less): Ind AS adjustments | |
| Measurement of land at fair value on 1st time adoption of Ind AS | 60,81,86,602 |
| As at 1 st April, 2016 as per Ind AS | 60,81,86,602 |
| Changes during the year | - |
| As at 31 st March, 2017 | 60,81,86,602 |
| Changes during the year: | |
| - Remeasurement of land at fair value | 28,44,58,715 |
| - Measurement of buildings at fair value | 33,72,20,182 |
| - Deferred tax on above | -11,78,88,220 |
| As at 31 st March, 2018 | 1,11,20,67,279 |

Note :

- a) The above amount includes Rs. 608,186,602/- being measurement of land at fair value and the value represents excess of fair value over its carrying amount. The fair value model was adopted for land on 1st time adoption of Ind AS on 1.4.2016 and the difference amount was adjusted against Reserves and surplus.
- b) The company subsequent to the adoption of Ind AS, remeasured its land and revalued its buildings on 31.3.2018 and the difference amount of Rs. 508,820,677/- (Net of deferred tax) was recognised under Other comprehensive income.

Retained Earnings

| Particulars | Amount |
|---|--------------|
| As at 1 st April, 2016 - As per IGAAP | 64,52,08,955 |
| Adjustments made as per Ind AS 101 | |
| Add: Amortisation of Deferred grant to the extent of useful life of assets already completed. | 44,18,617 |
| Add: Dividend proposed for the FY 2016-15 to be accounted in the year of payment. | 82,45,829 |
| As at 1 st April, 2016 after making necessary Ind AS adjustments | 65,78,73,395 |
| Add: Total comprehensive income for the year transferred from statement of profit and loss | 12,76,61,803 |
| Less: Final Dividend for the Financial year 2015-16 proposed & paid during the year | 68,54,109 |
| Dividend Distribution tax on Dividend paid during the year | 13,94,728 |
| As at 31 st March, 2017 | 77,72,89,374 |
| Add: Total comprehensive income for the period transferred from statement of profit and loss | 15,76,56,928 |
| Less: Utilised for issue of bonus shares | 1,71,27,753 |
| Final dividend and dividend distribution tax for the year 2016-17 | 82,45,823 |
| As at 31 st March, 2018 | 90,95,72,729 |

Summary of Other Equity

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|---------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| Revaluation surplus | 1,11,20,67,279 | 60,81,86,602 | 60,81,86,602 |
| General Reserve | 1,60,36,486 | 1,60,36,486 | 1,60,36,486 |
| Retained Earnings | 90,95,72,729 | 77,72,89,374 | 65,78,73,395 |
| | 2,62,52,86,494 | 1,98,91,12,462 | 1,28,20,96,483 |

Notes on reserves:

a) Revaluation surplus

The revaluation surplus represents revaluation of land by the company as at 1st April, 2016 at its fair market value and the resultant excess amount over its book value was transferred to other equity as Revaluation Surplus.

During the year ended on 31.3.2018, the company keeping in view of changes in fair value of land, remeasured the land at fair value and differential amount was transferred to revaluation surplus through other comprehensive income.

During the year ended on 31.3.2018, subsequent to recognition of buildings at deemed cost on 1st April, 2016, being the date of transition to Ind AS, the company adopted revaluation model for its buildings and consequent to that decision, valued its buildings at their fair value. The resultant increase over its carrying value was transferred to Revaluation surplus through other comprehensive income.

b) General reserve

The general reserve is created by way of transfer of part of the profits before declaring dividend pursuant to the provisions of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.

c) Retained Earnings:

Retained earnings are the profits that the company has earned till date less transfers to general reserves and dividends paid to share holders.



LONG TERM BORROWINGS

Note No.13

| Particulars | Non-Current | | | Current | | |
|---|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| A. Secured | | | | | | |
| i. Term loans | | | | | | |
| a) From Financial institutions: | | | | | | |
| i) IREDA | 32,89,670 | 48,59,178 | 53,00,534 | 16,19,252 | 16,19,252 | 23,55,792 |
| b) From banks: | | | | | | |
| i) Andhra Bank | 55,60,78,043 | 58,18,65,958 | 42,33,21,665 | 5,80,00,000 | 8,24,45,000 | 3,48,38,595 |
| ii) Indian Bank | 1,08,56,83,900 | 1,24,57,32,899 | 1,30,84,38,718 | 18,77,43,798 | 15,34,19,291 | 12,08,20,000 |
| iii) Bank of Baroda | 7,90,00,000 | 8,60,00,000 | 9,10,00,000 | 60,00,000 | 40,00,000 | 30,00,000 |
| Total (a) | 1,72,40,13,613 | 1,92,24,58,036 | 1,82,30,60,915 | 25,33,63,050 | 19,34,83,543 | 16,10,14,387 |
| B. Unsecured | | | | | | |
| a) Deferred payment liabilities | | | | | | |
| i) Interest free Sales tax Deformant. | - | 2,77,811 | 17,09,080 | 3,03,900 | 14,31,269 | 23,38,431 |
| b) Other Loans | | | | | | |
| i) Loans from Promoters and their relatives | 25,10,000 | 13,10,000 | 13,10,000 | - | - | - |
| ii) Loans from Directors | 2,95,45,000 | 1,89,01,000 | 1,53,70,000 | - | - | - |
| Total (b) | 3,20,55,000 | 2,05,82,811 | 1,83,89,080 | 3,03,900 | 14,31,269 | 23,38,431 |
| Total (a+b) | 1,75,60,68,613 | 1,94,30,40,847 | 1,84,14,49,995 | 25,36,66,950 | 19,49,14,812 | 16,33,52,818 |

I) HYDEL POWER PLANT:**i) IREDA :**

a) Term loan from IREDA is secured by first charge on all the movable and immovable assets of the company's power division of 0.8 MW small hydro project at 16th & 17th branch canal at mile # 3, Nela Kondapalli Village & Mandal, Khammam Dist., Telangana. Further guaranteed by six promoter directors of the company and corporate guarantee of two companies.

b) The above loan carry interest @ 10%.

c) The above loan is repayable in following manner.

2019-20 : ₹ 16,19,252/- ; 2020-21 : ₹ 16,20,418/-

d) There are no defaults in repayment of above loan.

ii) ANDHRA BANK:

a) Term loan from Andhra Bank is secured by way of charge on movable and immovable assets of power plant at Nela Kondapalli and Bhairavipalli of Khammam Dist., Telangana, excluding those assets specifically charged to IREDA which are exclusively created out of said loan. The said loan is further guaranteed by two directors in their personal capacities.

b) The above loan carry interest @ 12.25%

c) The above loan is repayable in following manner.

2019-20 : ₹ 3,11,00,000/-

d) There are no defaults in repayment of above loan.

(iii) SPINNING UNIT :**i) ANDHRA BANK :**

a) Term loans from Andhra Bank are secured on pari passu basis by way of first charge on all the movable and immovable assets of spinning division (all units at Chowdevaram, Guntur Dist.) of the company. Further guaranteed by two directors in their personal capacities.

b) The above loans carry interest @ 12.25%, 11.50%, 11.00%, 11.50%, 11.25%, 12.25% and 10.4%.

c) The above loans are repayable in following manner.

2019-20 : ₹ 4,98,00,000/- ; 2020-21 : ₹ 8,93,00,000/- ; 2021-22 : ₹ 10,82,67,030/- ; 2022-23 : ₹ 7,88,65,500/- ; 2023-24 : ₹ 9,28,19,805/- ; 2024-25 : ₹ 2,01,86,588/- ; 2025-26 : ₹ 7,56,39,119/-

d) There are no defaults in repayment of above loans.

ii) INDIAN BANK :

a) Term loans from Indian Bank are secured on pari passu basis by way of first charge on all the movable and immovable assets of spinning division (all units at Chowdevaram, Guntur Dist.) of the company. Further guaranteed by two directors in their personal capacities.

b) The above loans carry interest @ 12.50%, 13.50% and 13.50%.

c) The above loans are repayable in following manner.

2019-20 : ₹ 5,00,00,000/- ; 2020-21 : ₹ 6,25,00,000/-

d) There are no defaults in repayment of above loans.

III. WEAVING UNIT :**i) INDIAN BANK :**

a) Term loans from Indian Bank are secured by exclusive charge on all the movable and immovable assets of weaving division at Kunkupadu Village, Addanki Mandal, Prakasam Dist. of the company. Further guaranteed by two directors in their personal capacities.

b) The above loans carry interest @ 11.90%, 11.90%, 11.40% and 12.10%.

c) The above loans are repayable in following manner.

2019-20 : ₹ 16,80,00,000/- ; 2020-21 : ₹ 21,00,00,000/- ; 2021-22 : ₹ 14,80,00,000/- ; 2022-23 : ₹ 18,00,00,000/- ; 2023-24 : ₹ 20,31,85,900/- and 2024-25 : ₹ 6,30,00,000/-

d) There are no defaults in repayment of above loans.

IV. DYEING UNIT :**i) BANK OF BARODA :**

a) Term loan from Bank of Baroda is secured by way of first charge on fixed assets of Company's Dyeing Unit at Kunkupadu Village, Addanki Mandal, Prakasam Dist. of the company. Further guaranteed by two directors in their personal capacities.

b) The above loan carry interest @ 11.50%.

c) The above loan is repayable in following manner.

2019-20 : ₹ 2,00,00,000/- ; 2020-21 : ₹ 2,75,00,000/- and 2021-22 : ₹ 3,15,00,000/-

d) There are no defaults in repayment of above loan.

V. INTEREST FREE SALES TAX LOAN :

a) The Company availed interest free sales tax loan for the period from 1995-96 to 2008-09 aggregating to ₹ 2,54,75,992/-. The said loan is repayable within a period of 10/14 years from each year of avallment. The Company has to pay an amount of ₹ 3,03,900/- as on 31-03-2018 and entire amount is due for payment during financial year 2018-19.

VI. Loans accepted from promoters, directors and their relatives are interest free and are accepted as per the conditions of sanction of term loans from banks and shall not be repayable during the currency of term loans.



KALLAM TEXTILES LIMITED
Notes to the Financial Statements

OTHER FINANCIAL LIABILITIES

Note No.14

| Particulars | Non-Current | | | Current | | |
|---|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| a) Current maturities of long-term debt (Refer note no.13) | | | - | 25,36,66,950 | 19,49,14,812 | 16,33,52,818 |
| b) Creditors for capital goods | - | - | - | 27,58,617 | 40,59,245 | 1,03,21,977 |
| c) Interest accrued and due | - | - | - | 1,29,51,142 | 1,52,58,972 | 2,05,80,580 |
| d) Unclaimed dividend | - | - | - | 14,01,425 | 14,58,929 | 14,78,252 |
| e) Employee related payments | - | - | - | 2,57,71,830 | 2,10,00,447 | 1,97,88,806 |
| f) Other Liabilities | - | - | - | 5,42,87,470 | 4,83,50,639 | 5,37,13,872 |
| Total | - | - | - | 35,08,37,434 | 28,50,43,044 | 26,92,36,305 |

PROVISIONS

Note No.15

| Particulars | Non-Current | | | Current | | |
|---|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| a) Provision for employee benefits - Group gratuity (Unfunded) | 1,24,81,130 | 1,03,49,650 | 71,41,210 | 5,92,967 | | |
| - Leave Encashment (Unfunded) | - | - | - | 39,724 | 41,322 | 31,027 |
| Total | 1,24,81,130 | 1,03,49,650 | 71,41,210 | 6,32,691 | 41,322 | 31,027 |

EMPLOYEE BENEFITS

a. Defined contribution plans

The Company makes Provident Fund and Employees' State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. The Company recognised Rs. 41,53,321/- (Year ended March 31, 2017: Rs.29,56,720/-) for provident fund contributions, and Rs. 7,00,980/- (Year ended March 31, 2017: Rs. 5,37,453/-) towards Employees' State Insurance Scheme contributions in the Statement of Profit and Loss.

b. Defined benefit plans

The Company provides to the eligible employees defined benefit plans in the form of gratuity. The gratuity plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service. Vesting occurs upon completion of five continuous years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

(i) Balance Sheet

The assets, liabilities and surplus / (deficit) position of the defined benefit plans at the Balance Sheet date were

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 31 st March, 2016 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| | | | |
| Present value of obligation | 1,30,74,097 | 1,03,49,650 | 71,41,210 |
| Fair Value of plan assets | | | |
| (Asset)/Liability recognised in the Balance Sheet | 1,30,74,097 | 1,03,49,650 | 71,41,210 |

(ii) Movements in Present Value of Obligation and Fair Value of Plan Assets

| Particulars | Plan Obligation |
|--|--------------------|
| As at 1st April, 2016 | 71,41,210 |
| Current service cost | 24,02,570 |
| Interest cost | 5,67,980 |
| Interest income | - |
| Actuarial (gain)/loss arising from experience adjustment | 2,37,880 |
| Contributions by employer | - |
| Benefit payments | - |
| Return on plan assets, excluding interest income | - |
| As at March 31, 2017 | 1,08,48,650 |
| Current service cost | 26,23,800 |
| Interest cost | 8,27,072 |
| Interest income | - |
| Actuarial (gain)/loss arising from experience adjustment | -3,37,375 |
| Contributions by employer | - |
| Benefit payments | - |
| Return on plan assets, excluding interest income | - |
| As at March 31, 2018 | 1,38,74,097 |

(iii) Statement of Profit and Loss

The charge to the Statement of Profit and Loss comprises:

| Particulars | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|---|--|--|
| Employee Benefit Expenses | | |
| Current service cost | 26,23,800 | 24,02,570 |
| Past service cost | - | - |
| Interest cost | 8,27,072 | 5,67,980 |
| Interest income | - | - |
| Net impact on profit before tax | 34,50,872 | 29,70,550 |
| Remeasurement of the net defined benefit plans | | |
| Actuarial (gain)/loss arising due to experience adjustments | (9,27,575) | 2,37,880 |
| Return on plan assets, excluding interest income | - | - |
| Net impact on other comprehensive income before tax | (9,27,575) | 2,37,880 |

(iv) Assets

The major categories of plan assets as a % of the total plan assets

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 |
|-------------|---------------------------------------|---------------------------------------|
| Unfunded | 100% | 100% |

(v) Assumptions

With the objective of presenting the plan assets and plan obligations of the defined benefits plans at their fair value on the Balance Sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 31 st March, 2016 |
|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Discount rate | 8.00% | 9.00% | 7.50% |
| Salary escalation rate | 12.00% | 12.00% | 10.00% |

(vi) Sensitivity Analysis :

Discount Rate, Salary Escalation Rate and Withdrawal Rate are significant actuarial assumptions. The change in the Present Value of Defined Benefit Obligation for a change of 100 Basis Points from the assumed assumption is given below:

| Scenario | DPO | % Change |
|--------------------------------|-------------|----------|
| Under Base Scenario | 1,30,74,097 | 0.00% |
| Salary Escalation - Up by 1% | 1,44,12,120 | 10.23% |
| Salary Escalation - Down by 1% | 1,16,10,528 | -9.50% |
| Withdrawal Rates - Up by 1% | 1,27,25,924 | -2.66% |
| Withdrawal Rates - Down by 1% | 1,34,67,820 | 5.02% |
| Discount Rates - Up by 1% | 1,19,48,891 | -8.57% |
| Discount Rates - Down by 1% | 1,43,99,134 | 10.31% |

(vii) Discontinuation Liability

Amount payable upon discontinuance of all employees Rs. 79,62,547/-

(viii) Best Estimate of Contribution during the next year

The Best Estimate Contribution for the Company during the next year would be Rs. Nil, since the company is not contributing to any fund.

(ix) Expected Cash flow for following years

Maturity Profile of Defined Benefit Obligation

| Year | Amount(Rs.) |
|------|-------------|
| 1 | 24,15,122 |
| 2 | 3,21,556 |
| 3 | 5,03,209 |
| 4 | 6,47,164 |
| 5 | 6,93,348 |
| 6 | 81,56,585 |
| 7 | 6,93,482 |
| 8 | 8,40,015 |
| 9 | 8,91,520 |
| 10 | 0,11,265 |



DEFERRED TAX

Note No.16

The following is the analysis of deferred tax (assets)/liabilities presented in the Balance Sheet

| Particulars | Components | | |
|---|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| Liability: | | | |
| Towards depreciation | 58,29,97,323 | 42,55,90,487 | 38,84,47,126 |
| Asset: | | | |
| On allowances under Income-tax | (3,96,11,612) | (36,28,015) | (25,21,239) |
| Unabsorbed losses as per Income tax Act | (11,82,84,899) | (16,23,44,096) | (19,92,21,516) |
| MAT Credit Entitlement | (14,12,94,087) | (10,15,77,552) | (6,25,64,709) |
| Total | 28,38,06,725 | 15,80,40,824 | 12,41,39,662 |

Movement in Deferred Tax Assets/Liabilities

| Component | As at 1 st April, 2016 | Charge/(Credit) in Statement of P&L | As at 31 st March, 2017 | Charge/(Credit) in Statement of P&L | As at 31 st March, 2018 |
|---|--------------------------------------|--|---------------------------------------|--|---------------------------------------|
| Deferred tax liabilities/(assets) in relation to: | | | | | |
| Depreciation | 38,84,47,126 | 3,71,43,361 | 42,55,90,487 | 15,74,06,836 | 58,29,97,323 |
| Expenses allowable under income tax when paid | (25,21,239) | (11,06,776) | (36,28,015) | (3,59,83,597) | (3,96,11,612) |
| Unabsorbed Depreciation as per Income Tax Act | (19,92,21,516) | 3,68,77,420 | (16,23,44,096) | 4,40,59,197 | (11,82,84,899) |
| MAT Credit Entitlement | (6,25,64,709) | (3,90,12,843) | (10,15,77,552) | (3,97,16,535) | (14,12,94,087) |
| | 12,41,39,662 | 3,39,01,162 | 15,80,40,824 | 12,57,65,901 | 28,38,06,725 |

OTHER LIABILITIES

Note No.17

| Particulars | Non-Current | | | Current | | |
|--|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| a) Advances received from customers against supplies | | | | 10,21,800 | 19,60,786 | 18,25,246 |
| b) Statutory Liabilities | | | | 42,30,329 | 41,45,154 | 36,69,887 |
| c) Teak Plantation Deposits | | | | 58,500 | 58,500 | 58,500 |
| d) Deferred government grants (Refer note) | 8,74,37,869 | 9,80,86,333 | 9,00,49,460 | 1,28,45,441 | 45,15,540 | 42,28,759 |
| Total | 8,74,37,869 | 9,80,86,333 | 9,00,49,460 | 1,81,56,070 | 1,06,79,980 | 97,82,392 |

Note: The company received government grants in the nature of export incentives. During the year, the company received incentives under EPCG Schemes and same is utilised against import of capital goods and capitalised to Property, plant and equipment.

The deferred government grant will be recognised in statement of profit and loss over the period in proportion in which depreciation expense on the assets is recognised.



KALLAM TEXTILES LIMITED
Notes to the Financial Statements

SHORT TERM BORROWINGS

Note No.18

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| A. Secured | | | |
| Loans repayable on demand : | | | |
| Working Capital Loans : | | | |
| a) Cash Credit from banks | | | |
| i) From Andhra Bank | 59,69,13,211 | 59,93,83,064 | 59,37,67,924 |
| ii) From Indian Bank | 51,19,98,903 | 52,08,30,478 | 46,87,59,717 |
| iii) From Bank of Baroda | 4,94,28,362 | - | - |
| b) Buyers Credit Facilities: | | | |
| i) From Andhra Bank | - | 1,74,19,468 | - |
| ii) From Indian Bank | - | 1,51,84,023 | - |
| B. Unsecured: | | | |
| Loans repayable on demand; | | | |
| From a Director | 22,00,000 | - | - |
| Total | 1,16,05,40,476 | 1,15,28,17,033 | 1,06,25,27,641 |

Note:

A.Secured

a) Working Capital Loan from Andhra Bank is secured by way of exclusive charge on current assets of spinning division of all units at Chowdavaram Village , Guntur Dt. This loan carries interest @ 9.5% .

b) Working Capital loan from Indian Bank is secured by way of Hypothecation of stocks of cotton, stock in process ,Finished Goods, Stores and Spares , Book Debts , Goods in Transit .This loan is also secured by way of Extension of EM/ Second and exclusive charge by way of EM of Land admeasuring AC 25.72 at Weaving Division of the Company at kunkupadu and Hypothecation of Plant&Machinery, Spares and Other assets Acquired (Existing and Future).This Loan carries interest @ 9% .

c) Working Capital Loan from Bank of Baroda is secured by way of Hypothecation of Stocks and Book debts and further secured by way of personal guarantee of 2 Directors .This Loan carries interest @ 12.15%.

B. Unsecured

a) Loan from Directors is Interest free and no specific terms of repayment were defined for the same , hence categorised as short term .



KALLAM TEXTILES LIMITED
Notes to the Financial Statements

TRADE PAYABLES

Note No.19

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|--|---------------------------------------|---------------------------------------|--------------------------------------|
| Dues to : Small and Micro Enterprises : | - | 1,46,363 | - |
| : Other than Small and Micro Enterprises | 8,38,55,898 | 2,78,98,706 | 5,60,91,310 |
| Total | 8,38,55,898 | 2,80,45,069 | 5,60,91,310 |

Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006.

Based on and to the extent of information obtained and available with the Company, with regard to the status of their suppliers under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED ACT), on which the auditors have relied, the disclosure requirement with regard to the payment made/ due to Micro, Small and Medium Enterprises are given below:

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|---|---------------------------------------|---------------------------------------|--------------------------------------|
| 1. Amount remaining unpaid, beyond the appointed / agreed day at the end of the year | - | - | - |
| (a) Principal amount of bills to be paid | - | - | - |
| (b) Interest due there on | - | - | - |
| 2. (a) Payment made to suppliers, during the year, but beyond appointed / agreed date Interest there on in terms of Sec 16 of the Act | - | - | - |
| (b) Interest paid along with such payments during the year | - | - | - |
| (c) Interest due and payable at the end of the year on such payments made during the year. | - | - | - |
| 3. Amount of Interest for the year u/s 16 of the Act accrued and remaining un-paid at the end of the year | - | - | - |
| 4. Total amount of interest u/s 16 of the Act including that arising in earlier years, accrued and remaining unpaid at end of the year. | - | - | - |

CURRENT INCOME-TAX LIABILITIES (Net)

Note No.20

| Particulars | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
|----------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| Provision for income-tax | 18,81,60,000 | 13,81,60,000 | 8,81,60,000 |
| Less: Advance Income-tax and TDS | 15,69,28,180 | 9,70,63,272 | 6,95,53,935 |
| | 3,12,31,820 | 4,10,96,728 | 1,86,06,065 |

The current income- tax expense for the year can be reconciled to the accounting profit as follows:

| Particulars | Year ended 31st March, 2018 | Year ended 31st March, 2017 |
|---|--------------------------------|--------------------------------|
| Profit before tax | 21,06,83,973 | 21,18,00,847 |
| Enacted Tax Rates in India (Under MAT) | 21.3416% | 21.3416% |
| Computed Tax expense | 4,49,63,331 | 4,52,01,690 |
| Add: Tax effects of expenses which are not deductible in determining taxable profit | | |
| - Depreciation difference | - | - |
| - Expenses(net of income) not deductible for tax purposes | - | - |
| - Interest on Income Tax | 10,36,669 | 49,94,784 |
| Tax on Ind AS adjustments | - | -1,96,474 |
| Excess provision of income tax relating to earlier years | 26,739 | - |
| Current Tax Provision (A) | 4,60,26,739 | 5,00,00,000 |
| Increase of Deferred tax liability on account of Fixed Assets | 15,74,06,836 | 3,71,43,361 |
| Increase of Deferred tax Asset on account of expenses and losses | 80,75,600 | 3,57,70,644 |
| MAT Credit Entitlement | -3,97,16,535 | -3,90,12,843 |
| Deferred Tax Charge (Including Charge to OCI) (B) | 12,57,65,901 | 3,39,01,162 |
| Total Tax Expense (A+B) | 17,17,92,640 | 8,39,01,162 |



KALLAM TEXTILES LIMITED
REVENUE FROM OPERATIONS

Note No.21

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|-------------------------|--|--|
| Revenue from Operations | | |
| Sale of goods | 3,10,71,21,015 | 2,86,81,12,822 |
| Other Operating Revenue | | |
| Job work charges | 3,19,000 | 1,64,973 |
| Export Incentive | 1,89,86,527 | 1,80,39,534 |
| | 3,12,64,26,542 | 2,88,63,17,329 |

Revenue from Operations includes:

| PARTICULARS | Year ended 31st March, 2018 | | Year ended 31 st March, 2017 | |
|--|-----------------------------|-----------------------|---|-----------------------|
| | Qty(kgs.) | Revenue | Qty(kgs.) | Revenue |
| i) Cotton Yarn | 64,29,493 | 1,51,08,97,417 | 59,53,917 | 1,38,84,78,419 |
| ii) OE Yarn | 60,26,546 | 78,42,55,542 | 56,70,818 | 65,37,29,286 |
| iii) Cotton Waste | 2,35,371 | 68,03,459 | 3,46,335 | 98,41,416 |
| iv) OE Waste | 10,80,815 | 1,74,97,843 | 9,25,247 | 1,43,18,866 |
| v) Cotton Seed | 92,91,664 | 16,03,54,101 | 64,90,059 | 15,13,05,433 |
| vi) Cotton Lint | - | - | 83,694 | 1,12,41,280 |
| vii) Damaged Kappas | 52,900 | 2,18,213 | - | - |
| viii) Sale of Gray Fabric (Mtrs) | 2,46,12,847 | 1,53,99,60,020 | 2,58,84,238 | 1,52,64,34,706 |
| ix) Sale of Fabric Waste | 1,68,248 | 59,03,630 | 1,56,601 | 42,53,183 |
| x) Sale of Dyed Fabric (Mtrs) | 33,41,032 | 31,73,05,733 | 29,78,595 | 26,77,59,165 |
| xi) Sale of Dyed Yarn (Kgs) | 5,59,820 | 20,79,95,581 | 2,32,310 | 7,85,45,173 |
| xii) Sale of cut pieces cloth and shirts | - | 7,68,299 | - | 5,46,129 |
| xiii) Gray Yarn | 7,33,538 | 17,86,76,908 | - | - |
| xiv) Sale of Power (KWH) | 24,53,066 | 1,16,57,377 | 15,71,728 | 73,95,506 |
| | | 4,74,22,94,123 | | 4,11,38,48,562 |
| Less: Inter divisional transfers | | | | |
| Cotton Yarn | 42,42,926 | 1,10,95,57,267 | 43,32,211 | 1,09,07,40,138 |
| OE yarn | 10,53,411 | 14,31,56,005 | 6,10,460 | 7,69,20,191 |
| Dyed yarn | 5,54,920 | 20,37,82,928 | 2,30,561 | 7,80,75,413 |
| Gray Yarn | 7,33,538 | 17,86,76,908 | - | - |
| | | 1,63,51,73,108 | | 1,24,57,35,740 |
| TOTAL | | 3,10,71,21,015 | | 2,86,81,12,822 |

OTHER INCOME

Note No.22

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|--|--|--|
| Interest from banks and others (at amortised cost) | 42,73,465 | 32,24,480 |
| Deferred Govt. grants credited back | 45,91,242 | 44,05,796 |
| Credit Balances Written back | 52,633 | 23,847 |
| Profit on sale of assets | - | 1,43,785 |
| Gain on exchange fluctuations | 5,57,577 | - |
| Miscellaneous receipts | 18,47,811 | 23,25,785 |
| TOTAL | 1,13,22,728 | 1,01,23,693 |



COST OF MATERIALS CONSUMED

Note No.23

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|-------------------------------|--|--|
| | | |
| Opening Stock | 41,05,26,421 | 42,52,02,177 |
| Add: Purchase of Raw Material | 1,71,66,31,724 | 1,56,54,63,166 |
| | 2,12,71,58,145 | 1,99,06,65,343 |
| Less : Closing Stock | 42,43,13,542 | 41,05,26,421 |
| TOTAL | 1,70,28,44,603 | 1,58,01,38,922 |

PURCHASE OF STOCK-IN-TRADE

Note No.24

| PARTICULARS | Year ended 31st March, 2018 | | Year ended 31 st March, 2017 | |
|--------------|--------------------------------|--------|--|--------|
| | Qty(Kgs) | Amount | Qty(Kgs) | Amount |
| OE yarn | - | - | - | - |
| TOTAL | - | - | - | - |



CHANGES IN INVENTORIES OF WORK -IN- PROGRESS
Note No.25

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|--------------------------------|--|--|
| Opening work-in-progress | 24,48,99,557 | 13,85,14,283 |
| Opening Finished goods | 16,35,77,558 | 15,18,41,198 |
| | 40,84,77,115 | 29,03,55,481 |
| Closing work-in-progress | 29,57,80,513 | 24,48,99,557 |
| Closing Finished goods | 15,11,94,791 | 16,35,77,558 |
| | 44,69,75,304 | 40,84,77,115 |
| Increase in inventories | 3,84,98,189 | 11,81,21,634 |

EMPLOYEE BENEFIT EXPENSES
Note No.26

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|---|--|--|
| Salaries and Wages | 19,91,80,914 | 16,93,06,371 |
| Contribution to provident and other funds | 48,54,301 | 34,94,173 |
| Staff welfare expenses | 13,38,824 | 49,49,929 |
| Contribution towards group gratuity | 32,62,858 | 27,45,188 |
| TOTAL | 20,86,36,897 | 18,04,95,661 |

FINANCE COSTS
Note No.27

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|---|--|--|
| Interest paid to banks and others (At Amortised Cost) | 36,51,45,966 | 36,90,17,259 |
| Other Borrowing Costs | 59,64,533 | 83,89,168 |
| Total Interest Cost | 37,11,10,499 | 37,74,06,427 |
| Less: Subsidy under TUF Scheme | 6,96,40,993 | 7,42,35,008 |
| Interest subsidy from AP Government | 8,26,36,400 | 8,33,04,626 |
| TOTAL | 21,88,33,106 | 21,98,66,793 |



DEPRECIATION AND AMORTISATION

Note No.28

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|-------------------------------|--|--|
| Depreciation and Amortization | 14,19,46,320 | 13,64,89,377 |
| TOTAL | 14,19,46,320 | 13,64,89,377 |

OTHER EXPENSES

Note No.29

| PARTICULARS | Year ended 31 st March, 2018 | Year ended 31 st March, 2017 |
|---|--|--|
| Consumption of Stores and Spares | 17,92,48,222 | 19,26,54,365 |
| Processing charges paid | 26,55,720 | 2,71,555 |
| Power and Fuel (Net of power subsidy) | 34,47,29,085 | 32,82,27,082 |
| Repairs and Maintenance: Buildings | 13,58,036 | 22,01,499 |
| Machinery | 5,50,02,614 | 6,83,96,636 |
| Others | 10,70,606 | 41,080 |
| Insurance | 40,23,651 | 39,64,786 |
| Loading and Unloading charges | 3,34,77,707 | 2,69,18,797 |
| Commission on Sales | 3,07,38,838 | 2,54,69,693 |
| Rents - Office | 1,33,910 | 47,800 |
| Rates and taxes | 76,56,767 | 47,44,620 |
| Payments to auditors | | |
| - Statutory audit | 2,75,000 | 2,58,750 |
| - Tax audit and taxation matters | 50,000 | 64,500 |
| - Towards certification and other matters | - | - |
| - Cost audit | 30,000 | 34,500 |
| Directors Sitting Fee | 4,50,000 | 7,05,198 |
| Donations | 35,000 | 26,116 |
| CSR expenses | 29,36,681 | 32,74,929 |
| Miscellaneous expenses | 2,89,58,078 | 2,81,16,203 |
| Loss on sale of assets | 4,64,465 | 3,42,081 |
| Debit Balances written off | 8,180 | 10,866 |
| TOTAL | 69,33,02,560 | 68,57,71,056 |



**KALLAM SPINNING MILLS LIMITED,
NOTES FORMING PART OF THE ACCOUNTS**

NOTES FORMING PART OF THE ACCOUNTS:

(Amount in Rs.)

| 30. CIF VALUE OF IMPORTS MADE DURING THE YEAR: | Year ended 31-03-2018 | Year ended 31-03-2017 |
|---|----------------------------------|----------------------------------|
| i) Stores & Spares | 2,64,06,803 | 3,21,10,180 |
| ii) Capital goods | 1,27,92,938 | 33,32,545 |

31. COMPARISON BETWEEN CONSUMPTION OF IMPORTED AND INDIGENOUS RAW MATERIALS SPARES AND COMPONENTS DURING THE YEAR:

| | Year ended 31-03-2018 | % | Year ended 31-03-2017 | % |
|------------------------------------|----------------------------------|------------|----------------------------------|------------|
| a) Raw material: | | | | |
| Imported | 2,32,19,631 | 1.36 | 5,73,54,121 | 3.63 |
| Indigenous | 167,96,24,972 | 98.64 | 152,27,84,801 | 96.37 |
| Total | 170,28,44,603 | 100 | 158,01,38,922 | 100 |
| b) Spares & Components: | | | | |
| Imported | 2,03,07,805 | 11.33 | 2,75,13,168 | 14.28 |
| Indigenous | 15,89,40,417 | 88.67 | 16,51,41,197 | 85.72 |
| Total | 17,92,48,222 | 100 | 19,26,54,365 | 100 |

32. EXPENDITURE INCURRED IN FOREIGN CURRENCY DURING THE YEAR:

| | Year ended 31-03-2018 | Year ended 31-03-2017 |
|--------------------------------------|----------------------------------|----------------------------------|
| a) Commission On Yarn & Fabric Sales | 39,64,067 | 55,53,580 |
| b) Foreign Travel | 7,38,687 | 4,84,590 |

33. CONTINGENT LIABILITIES NOT PROVIDED FOR:

| | As at 31-03-2018 | As at 31-03-2017 |
|--|-----------------------------|-----------------------------|
| a) Estimated amounts of contracts remaining to be Executed on Capital accounts, and not provided for | 6,45,300 | 0.00 |
| b) State levies on Electricity | 37,20,543 | 99,67,810 |
| c) Income-tax | 0.00 | 15,21,758 |



**KALLAM SPINNING MILLS LIMITED,
NOTES FORMING PART OF THE ACCOUNTS**

34. Balances in personal accounts of various parties are subject to confirmation by and reconciliation with the said parties.

35. RELATED PARTY DISCLOSURES:

A) List of Related Parties:

1) Key Managerial Personnel:

1. P.Venkateswara Reddy, Managing Director
2. G.V.Krishna Reddy, Joint Managing Director
3. M.V.Subba Reddy, Whole Time Director

2) Relatives of Key managerial Personnel:

- | | |
|----------------------------------|--------------------------------|
| 1. Kallam Venkata Subbayamma | Sister of P.Venkateswara Reddy |
| 2. Poluri Siva Nagendramma | Wife of P.Venkateswara Reddy |
| 3. Movva Uma Sankara Reddy | Brother of M.V.Subba Reddy |
| 4. Poluri Govardhana Reddy | Son of P.Venkateswara Reddy |
| 5. Poluri Venugopal Reddy | Son of P.Venkateswara Reddy |
| 6. Gurram Nitin | Son of G.V.Krishna Reddy |
| 7. Movva Kavitha | Wife of M.V.Subba Reddy |
| 8. M.Srinivasa Nagarjuna Reddy | Son of M.V.Subba Reddy |
| 9. M.Murali Sairam Krishna Reddy | Son of M.V.Subba Reddy |

3) Companies controlled by Key managerial personnel/Relative of Key Managerial Personnel:

1. Kallam Agro products & Oils Private Limited, Guntur
2. Kallam Brothers Cottons Pvt Ltd, Guntur

B) Transactions with the related parties:

| (Amount in Rs.) | | | |
|-----------------------|--------------------------|--------------------------------------|---|
| Nature of Transaction | Key Managerial Personnel | Relative of Key Managerial personnel | Companies controlled by key Managerial personnel/Relative of Key Managerial personnel |



**KALLAM SPINNING MILLS LIMITED,
NOTES FORMING PART OF THE ACCOUNTS**

I. Details of Transaction:

a. Remuneration Paid:

| | |
|-----------------------------|--------------------|
| 1. P.Venkateswara Reddy, MD | 49,33,911 |
| 2. G.V.Krishna Reddy, JMD | 49,29,920 |
| 3. M.V.Subba Reddy, WTD | 10,35,417 |
| Total | 1,08,99,248 |

b. Salary paid:

| | |
|-----------------------------|----------|
| P. Govardhan Reddy | 4,99,845 |
| M. Srinivas Nagarjuna Reddy | 1,91,132 |

c. Sale of Goods and Services:

| | |
|--|--------------|
| 1. Kallam Brothers Cottons Pvt Ltd- Testing & Sale of Fabric | 2,66,396 |
| 2. Kallam Agro products and Oils Pvt. Ltd Seed Sales | 10,32,54,115 |

d. Purchases of Goods and Services:

| | |
|---|-----------|
| 1. Kallam Brothers Cottons Pvt Ltd- Lint & Waste purchase | 44,35,895 |
|---|-----------|

II. Balance as at 31-03-2018:

a) Share Capital of the Company held by:

| | |
|-----------------------------|--------------------|
| 1. P.Venkateswara Reddy, MD | 23,02,500 |
| 2. G.V.Krishna Reddy, JMD | 70,27,446 |
| 3. M.V.Subba Reddy, WTD | 8,56,250 |
| Total | 1,01,86,196 |

| | |
|--|-----------|
| 1. K.Venkata Subbayamma Sister of P.Venkateswara Reddy | 14,65,500 |
| 2. P.Siva Nagendramma, W/o P.Venkateswara Reddy | 3,75,000 |
| 3. P.Govardhan Reddy, S/o P.Venkateswara Reddy | 21,86,910 |
| 4. M.Uma Sankar Reddy, Brother of M.V.Subba Reddy | 13,35,300 |
| 5. P.Venugopal Reddy, S/o P.Venkateswara Reddy | 19,42,366 |
| 6. G.Nitin, S/o G.V.Krishna Reddy | 14,79,290 |
| 7. Movva Kavitha, W/o M.V.Subba Reddy | 1,55,000 |
| 8. M.Srinivasa Nagarjuna Reddy S/o M.V.Subba Reddy | 2,18,750 |



**KALLAM SPINNING MILLS LIMITED,
NOTES FORMING PART OF THE ACCOUNTS**

9. M.Murali Sairam Krishna Reddy S/o 1,25,000
M.V.Subba Reddy

Total 92,83,116

1. Kallam Agro Products and Oils Pvt Ltd Guntur 1,09,30,086

b) Unsecured loans from:

1. P.Venkateswara Reddy, MD 1,71,55,000
2. G.V.Krishna Reddy, JMD 85,40,000
3. M.V.Subba Reddy, WTD 38,50,000

Total 2,95,45,000

1. P.Siva Nagendramma 10,000

Total 10,000

c) Amount Due to:

1. P.Venkateswara Reddy, MD 22,61,107
2. G.V.Krishna Reddy, JMD 22,61,107
3. M.V.Subba Reddy, WTD 1,85,440

Total 47,07,654

d) Trade dues from:

1. Kallam Brothers cottons pvt Ltd., Guntur 36,992
2. Kallam Agro Products and Oils pvt Ltd., Guntur 83,37,109



**KALLAM SPINNING MILLS LIMITED,
NOTES FORMING PART OF THE ACCOUNTS**

36. Segment Information:

| | (Amount in Lacs) | |
|--|------------------|--------------|
| Particulars | Year 2017-18 | Year 2016-17 |
| Segment Revenue: | | |
| 1. Spinning | 24,782.25 | 22,266.72 |
| 2. Weaving | 18654.10 | 18,010.71 |
| 3. Dyeing | 3869.91 | 1092.83 |
| 3. Power | 116.67 | 73.95 |
| | 47,423.03 | 41,444.21 |
| Less: Inter segment Revenue | 16351.72 | 12,763.08 |
| Net Revenue from Operation | 31071.21 | 28,681.13 |
| Segment Results (Profit before Tax and Interest) | | |
| 1. Spinning | 2655.36 | 2861.23 |
| 2. Weaving | 1618.51 | 1498.99 |
| 3. Dyeing | 33.84 | 17.87 |
| 3. Power | -12.55 | -61.41 |
| | 4,295.16 | 4,316.68 |
| Less: Interest (net) | 2,188.33 | 2,198.67 |
| Net Profit Before Tax | 2,106.83 | 2,118.01 |
| Capital Employed: | | |
| (Segment Assets-Segment Liabilities) | | |
| 1. Spinning | 25460.89 | 22,986.86 |
| 2. Weaving | 15883.63 | 12324.79 |
| 3. Dyeing | 1270.65 | 852.04 |
| 4. Power | 1432.32 | 1,647.31 |
| Total | 44047.49 | 37,811.00 |
| Capital Expenditure: | | |
| 1. Spinning | 611.10 | 661.07 |
| 2. Weaving | 425.83 | 738.73 |
| 3. Power | 0.00 | 2.46 |
| 4. Dyeing | 3.86 | 1.71 |



Categories of Financial Instruments

Note: 40

The Carrying amounts and fair value of financial instruments by categories as at 31st March, 2018, 31st March, 2017 and 1st April, 2016 are as follows:

| Particulars | Carrying value | | | Fair value | | |
|---|---------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 | As at 31 st March, 2018 | As at 31 st March, 2017 | As at 1 st April, 2016 |
| Financial assets | | | | | | |
| Measured at Amortised cost | | | | | | |
| (i) Other financial assets | 4,500 | 17,390 | 17,390 | 4,500 | 17,390 | 17,390 |
| (ii) Loans and advances | 6,50,18,106 | 6,44,05,943 | 5,13,92,977 | 6,50,18,106 | 6,44,05,943 | 5,13,92,977 |
| Total assets | 6,50,22,606 | 6,44,23,333 | 5,14,10,367 | 6,50,22,606 | 6,44,23,333 | 5,14,10,367 |
| Financial liabilities | | | | | | |
| Measured at amortised cost | | | | | | |
| (i) Borrowings (including current maturities of Long term borrowings) | 2,00,97,35,563 | 2,13,79,55,659 | 2,00,48,02,813 | 2,00,97,35,563 | 2,13,79,55,659 | 2,00,48,02,813 |
| (ii) Other financial liabilities | 9,71,70,484 | 9,01,28,232 | 10,58,83,487 | 9,71,70,484 | 9,01,28,232 | 10,58,83,487 |
| Total liabilities | 2,10,69,06,047 | 2,22,80,83,891 | 2,11,06,86,300 | 2,10,69,06,047 | 2,22,80,83,891 | 2,11,06,86,300 |



Fair value hierarchy

Note: 41

The fair value of financial instruments as referred to above note have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identified assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements]

The categories used are as follows:

Level 1: Quoted prices for identified instruments in an active market.

Level 2: Directly or indirectly observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data.

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Company's financial assets are measured at the fair value at the end of each reporting period.

The Company has disclosed financial instruments such as cash and cash equivalents, other bank balances, trade receivables, trade payables and Short Term Borrowings at carrying value because their carrying amounts approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of bank borrowings, other financial assets and financial liabilities subsequently measured at amortised cost is not significant in each of the years presented.



Financial Risk Management

The Company financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company financial assets comprise mainly of cash and cash equivalents, trade and other receivables.

The Company's business activities are exposed to a variety of financial risks namely credit risk, liquidity risk and foreign currency risk. The Company's senior management has the overall responsibility for establishing and governing the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are also placed before the Board of Directors of the Company.

A. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligation. To manage this, the company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends and analysis of historical bad debts and ageing of the account receivables. Individual risk limits are set accordingly.

Receivables from customers

Concentration of credit risk with respect to trade receivables are limited, due to Company's customer base being large and diverse. All trade receivables are reviewed and assessed for default on a monthly basis.

On historical experience of collecting receivables is that credit risk is low. Hence, trade receivables are considered to be a single class of financial assets.

Other financial assets

The Company maintains exposure in cash and cash equivalents and margin money deposits with banks .

The Company's maximum exposure of credit risk as at March 31, 2018, March 31, 2017 and April 1, 2016 is the carrying value of each class of financial assets.



B. Foreign currency risk management

Foreign currency risk is the risk that the Fair value or Future cashflows of an exposure will fluctuate due to changes in foreign currency rates. Exposures can arise on account of various assets and liabilities which are denominated in currencies other than Indian rupee. The Company has not entered into any forward exchange contract to hedge against currency risk.

The Company manages currency exposures within prescribed limits. The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk.

The carrying amounts of the company's foreign currency denominated monetary items are as follows : (Amounts in Rs.)

| Particulars | As on 31.03.2018 | | As on 31.03.2017 | | As on 01.04.2016 | |
|----------------------------|------------------|-----|------------------|-----|------------------|------------|
| | \$ | CHF | \$ | CHF | \$ | € |
| Assets : | | | | | | |
| Trade Receivables | 7,70,16,192 | | 1,15,12,278 | | 2,23,84,197 | - |
| Cash and Cash Equivalents | - | | - | | - | - |
| Liabilities : | | | | | | |
| Trade and Other Payables | 6,92,656 | | 41,25,689 | | 10,03,972 | 1,98,111 |
| Net Assets / (Liabilities) | 7,63,23,536 | | -2,24,96,961 | | 2,13,80,225 | -1,98,111 |
| | | | | | | -25,71,631 |

Foreign currency sensitivity analysis

A 5% strengthening of the INR against key currencies to which the Company is exposed would have led to approximately an additional Rs. 38,09,998/- gain in the Statement of Profit and Loss (2016-17: Rs.19,23,043/- Loss). A 5% weakening of the INR against these currencies would have led to an equal but opposite effect.

C. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has availed credit limits with banks. The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended March 31, 2018, March 31, 2017 and on 01st April 2016. Cash flow from operating activities provides the funds to service the financial liabilities on a day to day basis.

The Company regularly maintains the rolling forecasts to ensure it has sufficient cash on an on-going basis to meet operational needs. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess if any, is invested in interest bearing term deposits.

The company is repaying its borrowings as per the schedule of repayment and no amount was pending for remittance beyond its due date.

All the amounts due to trade payables falls due within one year and the company is able to meet its obligations within the due dates.

In case of borrowings from banks, the maturity pattern has been given under Note no. 13.

D. Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management.

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to shareholders. The capital structure of the Company is based on Management's judgment of its strategic day-to-day needs with a focus on total equity so as to maintain Investor, creditors and market confidence.

The Management and the Board of Directors monitors the return on capital as well as the level of dividends to shareholders. The Company may take appropriate steps in order to maintain, or is necessary, adjust its capital structure.

Calculation of Earnings per Share:

| | | Note : 43 | |
|-------|---|--------------------|--------------------|
| Sl.No | Particulars | 2017-18 | 2016-17 |
| 1) | Basic and Diluted Earning per share | | |
| | No. of shares at the beginning of the year | 3,42,55,500 | 68,51,100 |
| | New shares upon conversion of Shares of Rs. 10/- each to Rs.2/-each | - | 2,74,04,400 |
| | Increase on account of Bonus Issue | 85,63,875 | - |
| | Change in equity during the year | - | - |
| | Total Weighted average number of shares at the end of the Year | 4,28,19,375 | 3,42,55,500 |
| | Total Weighted average number of shares used as denominator for calculating Basic and Diluted EPS (Post Bonus Issue in last Year) | 4,28,19,375 | 4,28,19,375 |
| | Net Profit after tax before OCI as per Statement of Profit and Loss | 15,67,29,554 | 12,78,99,685 |
| | Basic and diluted Earning per share | 3.65 | 2.99 |



**KALLAM SPINNING MILLS LIMITED,
NOTES FORMING PART OF THE ACCOUNTS**

Depreciation:

| | | |
|-------------|--------|--------|
| 1. Spinning | 618.47 | 587.34 |
| 2. Weaving | 663.77 | 640.46 |
| 3. Dyeing | 63.34 | 61.97 |
| 4. Power | 73.87 | 75.12 |

37. Dividend:

The Board of directors at its meeting held on 28.05.2018 have recommended a dividend Rs. 0.20/ share of face value of Rs. 2/- each (ie 10% dividend) for the financial year ended 31.03.2018. The above subject to approval at the ensuing Annual general meeting of the company and hence not recognised as a liability.

38. Corporate Social Responsibilities:

| | 31.03.18 | 31.03.2017 |
|--|-----------|------------|
| Amount required to spent during the year | 28,18,112 | 28,28,957 |
| Amount actually spent | 29,36,681 | 32,74,929 |
| Short Fall | NIL | NIL |

39.Foreign exchange earnings on exports during the year calculated on FOB basis Rs.89,04,12,531(Previous year Rs. 41,79,26,429.

44. General: Previous year figures have been regrouped where ever necessary.

45. Paise have been rounded off to the nearest rupee.

As per our report of even date
For **CHEVUTURI ASSOCIATES.,**
Chartered Accountants
Firm Regn no.000632S

For and on behalf of Board of Directors

RAGHUNADHA RAO.BALINENI
Partner
Membership No: 028105

P.VENKATESWARA REDDY
Managing Director

B. Raghunadha

G.V. KRISHNA REDDY
Joint Managing Director.

Place : Guntur
Date : 28.05.2018

Place : Guntur
Date : 28-05-2018



LIMITED REVIEW REPORT FOR QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

Chevuturi Associates
Chartered Accountants

INDEPENDENT AUDITORS' REVIEW REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS

Review Report to
The Board of Directors
KALLAM TEXTILES LIMITED

We have reviewed the accompanying statement of unaudited financial results of **KALLAM TEXTILES LIMITED** ('the company') for the quarter ended 30th September, 2018 (the 'Statement') being submitted by the company pursuant to the requirements of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI circular No.CIR/CFD/FAC/62/2016 dt.5th July, 2016. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors at their meeting held on 2nd November, 2018. This statement has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in the applicable Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular No.CIR/CFD/FAC/62/2016 dt.5th July, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

Place: Guntur
Date: 2.11.2018



For Chevuturi Associates
Chartered Accountants
Firm Regn. No. 000632S

B. Raghunadha Rao
Raghunadha Rao Balineni

Partner

Membership Number: 028105

KALLAM TEXTILES LIMITED
(Formerly Known as Kallam Spinning Mills Limited)
Statement of assets and Liabilities as at 30th September, 2018

| | Particulars | As at 30th Sept. 2018 (Un Audited) | As at 31st March, 2018 (Audited) |
|-------|--------------------------------------|--|--|
| | ASSETS | | |
| 1 | Non-Current Assets | | |
| (a) | Property, Plant and Equipment | 41,013 | 41,569 |
| (b) | Capital Work-in-progress | 709 | 590 |
| (c) | Financial Assets | | |
| (i) | Loans | 646 | 645 |
| (ii) | Other financial assets | - | - |
| (d) | Other Non-current Assets | 9 | 15 |
| | Total Non-Current assets | 42,376 | 42,818 |
| 2 | Current Assets | | |
| (a) | Inventories | 8,146 | 9,287 |
| (b) | Financial Assets | | |
| (i) | Trade Receivables | 2,467 | 2,278 |
| (ii) | Cash and cash equivalents | 112 | 76 |
| (iii) | Other Bank balances | 161 | 54 |
| (iv) | Loans | 8 | 5 |
| (v) | Other financial assets | - | - |
| (c) | Other Current assets | 5,163 | 4,564 |
| | Total Current assets | 16,057 | 16,264 |
| | Total Assets | 58,434 | 59,083 |
| | EQUITY AND LIABILITIES | | |
| 1 | Equity | | |
| (a) | Equity Share Capital | 856 | 856 |
| (b) | Other Equity | 20,834 | 20,376 |
| | | 21,690 | 21,232 |
| 2 | Liabilities | | |
| | Non-current liabilities | | |
| (a) | Financial Liabilities | | |
| (i) | Long-term borrowings | 16,461 | 17,561 |
| (ii) | Other financial liabilities | - | - |
| (b) | Provisions | 139 | 125 |
| (c) | Deferred Tax Liabilities (Net) | 2,999 | 2,838 |
| (d) | Other non-current liabilities | 855 | 874 |
| | Total Non-current liabilities | 20,454 | 21,398 |
| 3 | Current liabilities | | |
| (a) | Financial Liabilities | | |
| (i) | Short-term borrowings | 10,941 | 11,606 |
| (ii) | Trade payables | 1,490 | 839 |
| (iii) | Other financial liabilities | 3,519 | 3,508 |
| (b) | Other current liabilities | 199 | 182 |
| (c) | Provisions | 6 | 6 |
| (d) | Current tax Liabilities (Net) | 135 | 312 |
| | Total Current liabilities | 16,290 | 16,453 |
| | Total Liabilities | 36,744 | 37,851 |
| | Total Equity and Liabilities | 58,434 | 59,083 |





KALLAM TEXTILES LIMITED
(Formerly Known as Kallam Spinning Mills Limited)

CIN : L18100AP1992PLC013860 & GSTIN: 37AAACK9363M1ZY

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

Ph: 0863-2344010, 16 Fax: 0091 - 883 - 2344000

E-mail: corp@ksml.in & accsp@ksml.in



STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER, 2018

(Rs. in Lakhs, except per share data)

| S.NO | PARTICULARS | QUARTER ENDED | | | Half Year Ended | | YEAR ENDED |
|------|--|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| | | 30.09.2018 | 30.06.2018 | 30.09.2017 | 30.09.2018 | 30.09.2017 | 31.03.2018 |
| | | UnAudited | UnAudited | UnAudited | UnAudited | UnAudited | Audited |
| 1 | Income | | | | | | |
| | (a) Revenue from Operations | 7597.67 | 7024.48 | 6526.40 | 14622.15 | 13954.03 | 31071.21 |
| | (b) Other Operating Income | 40.24 | 34.17 | 61.96 | 74.41 | 83.14 | 193.05 |
| | Total Revenue from operations | 7637.91 | 7058.65 | 6588.36 | 14696.56 | 14037.17 | 31264.26 |
| 2 | Other Income | 30.49 | 38.52 | 35.51 | 69.01 | 54.90 | 113.23 |
| | Total Income (1+2) | 7668.40 | 7097.17 | 6623.87 | 14765.57 | 14092.07 | 31377.49 |
| | Expenses | | | | | | |
| | a) Cost of Material Consumed | 4090.19 | 4250.94 | 4350.75 | 8341.13 | 8446.73 | 17028.45 |
| | b) Purchase of Stock-in-trade | 212.63 | 0.00 | 0.00 | 212.63 | 0.00 | 0.00 |
| | c) Changes in inventories of Finished goods, Work-In-Progress and Stock-in-trade | -238.16 | -720.42 | -892.99 | -958.58 | -1023.52 | -384.86 |
| | d) Employee benefits expenses | 526.93 | 528.80 | 609.01 | 1055.53 | 1022.04 | 2086.37 |
| | e) Depreciation and amortisation expenses | 378.44 | 388.82 | 364.12 | 767.26 | 706.88 | 1419.46 |
| | f) Finance costs (Refer note no.2) | 553.08 | 454.67 | 510.18 | 1007.75 | 1035.38 | 2188.33 |
| | g) Other expenses | 1743.43 | 1674.42 | 1577.94 | 3417.85 | 3320.02 | 6933.02 |
| | Total expenses | 7266.54 | 6577.03 | 6519.01 | 13843.57 | 13507.53 | 29270.65 |
| 4 | Profit before Tax and exceptional items (1+2-3) | 401.86 | 520.14 | 104.86 | 922.00 | 584.54 | 2106.84 |
| | Add/Less: Exceptional items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Profit before tax and after exceptional items | 401.86 | 520.14 | 104.86 | 922.00 | 584.54 | 2106.84 |
| 5 | Tax expenses | | | | | | |
| | a) Current Tax | 85.00 | 115.00 | 0.00 | 200.00 | 124.29 | 480.26 |
| | b) Deferred Tax (Net of MAT credit entitlement) | 81.56 | 98.22 | 68.66 | 179.79 | 112.00 | 79.28 |
| 6 | Net Profit for the period after tax (4-5) | 235.30 | 306.92 | 36.20 | 542.21 | 348.25 | 1567.30 |
| 7 | Other comprehensive income (Net of tax expense) | | | | | | |
| | a) Remeasurement of land at fair value | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2844.39 |
| | b) Revaluation of Buildings (Net of Deferred Tax) | 9.60 | 9.60 | 0.00 | 19.20 | 0.00 | 2193.62 |
| | c) Remeasurement of defined employee benefit p | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.27 |
| | Total comprehensive income | 9.60 | 9.60 | 0.00 | 19.20 | 0.00 | 5047.48 |
| 8 | Total comprehensive income for the year | 244.90 | 316.52 | 36.20 | 561.41 | 348.25 | 6614.78 |
| 9 | Paid - up Equity Share Capital (Face Value of the Share ₹ 2/-) | 856.38 | 856.38 | 856.38 | 856.38 | 856.38 | 856.38 |
| 10 | Reserves (Excluding Revaluation reserves as per Balance Sheet) | | | | | | 9256.09 |
| 11 | Earning per equity Share (Face value ₹ 2/- each) - Basic & Diluted (Adjusted EPS on enhanced equity for all periods considering bonus issue) | 0.55 | 0.72 | 0.06 | 1.27 | 0.81 | 3.66 |



Segment Results for the Quarter and Half Year ended 30th September, 2018

| S.No. | Particulars | Quarter ended | | | Half Year Ended | | Year Ended |
|-------|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| | | 30.09.2018 unaudited | 30.06.2018 Unaudited | 30.09.2017 unaudited | 30.09.2018 unaudited | 30.09.2017 unaudited | 31.03.2018 Audited |
| 1 | Segment Revenue: | | | | | | |
| | a) Spinning | 5796.66 | 5900.25 | 6001.78 | 11696.91 | 11969.66 | 24834.56 |
| | b) Weaving | 4960.17 | 4014.77 | 3977.59 | 8974.94 | 8612.80 | 18794.94 |
| | c) Dyeing | 1615.12 | 1572.63 | 618.24 | 3187.74 | 1238.36 | 3869.91 |
| | d) Power | 39.12 | 25.91 | 2.55 | 65.04 | 11.91 | 116.57 |
| | Total | 12411.07 | 11513.56 | 10600.16 | 23924.63 | 21832.73 | 47615.98 |
| | Less: Inter Segment Revenue | 4773.16 | 4454.91 | 4011.80 | 9228.07 | 7795.56 | 16351.72 |
| | Net sales /Income from operations | 7637.91 | 7058.65 | 6588.36 | 14696.56 | 14037.17 | 31264.26 |
| 2 | Segment Results Profit: | | | | | | |
| | Before tax and interest from Each segment | | | | | | |
| | a) Spinning | 587.81 | 642.30 | 455.58 | 1230.11 | 1137.54 | 2655.37 |
| | b) Weaving | 353.58 | 329.81 | 183.03 | 683.39 | 512.15 | 1618.51 |
| | c) Dyeing | 18.00 | 11.23 | -2.42 | 29.23 | 6.09 | 33.84 |
| | d) Power | -4.45 | -8.53 | -21.15 | -12.98 | -35.86 | -12.55 |
| | Total | 954.94 | 974.81 | 615.04 | 1,929.75 | 1,619.92 | 4,295.17 |
| | Less : Finance costs | 553.08 | 454.67 | 510.18 | 1,007.75 | 1,035.38 | 2,188.33 |
| | Total Profit Before Tax | 401.86 | 520.14 | 104.86 | 922.00 | 584.54 | 2,106.84 |
| 3 | Capital Employed (Segment Assets - Segment Liabilities) | | | | | | |
| | a) Spinning | 24172.47 | 25908.01 | 22883.66 | 24172.47 | 22883.66 | 24043.89 |
| | b) Weaving | 15583.50 | 15746.94 | 12142.86 | 15583.50 | 12142.86 | 15883.63 |
| | c) Dyeing | 1170.77 | 1257.53 | 819.33 | 1170.77 | 819.33 | 1270.65 |
| | d) Power | 1217.21 | 1398.48 | 1485.58 | 1217.21 | 1485.56 | 1432.32 |
| | Total | 42143.95 | 44310.96 | 37331.43 | 42143.95 | 37331.41 | 42630.49 |
| | Notes: | | | | | | |

- The above Financial Results were reviewed and recommended by the Audit Committee and approved by the Board of Directors at their respective meeting held on 02nd November 2018. The statutory auditors have carried out a limited review of the financial results for the half year ended September 30, 2018.
- The finance costs for the Half Year ended 30.09.2018 is net after adjusting subsidy received under TUF scheme and interest subsidy claimed from AP government under IDP scheme 2015-20 aggregating to Rs.3.59 crores (Previous Quarter ended 30.06.2018 Rs.3.28 crores).
- The results are as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- The figures for the previous periods have been regrouped to conform to the current periods classification.

Place : Chowdavaram

Date : 02.11.2018



For Kallam Textiles Ltd

P.Venkateswara Reddy

(Managing Director)

DIN: 00018677

UNAUDITED FINANCIAL RESULTS FOR QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018:

Chevuturi Associates
Chartered Accountants

INDEPENDENT AUDITORS' REVIEW REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS

Review Report to
The Board of Directors
KALLAM TEXTILES LIMITED

We have reviewed the accompanying statement of unaudited financial results of **KALLAM TEXTILES LIMITED** ('the company') for the quarter ended 31st December, 2018 (the 'Statement') being submitted by the company pursuant to the requirements of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI circular No.CIR/CFD/FAC/62/2016 dt.5th July, 2016. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors at their meeting held on 11th February, 2019. This statement has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in the applicable Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular No.CIR/CFD/FAC/62/2016 dt.5th July, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

Place: Camp: Guntur
Date: 11.2.2019



For Chevuturi Associates
Chartered Accountants
Firm Regn. No. 000632S
B. Raghunadha Rao
Raghunadha Rao Balineni
Partner
Membership Number:028105



KALLAM TEXTILES LIMITED

(Formerly Known as Kallam Spinning Mills Limited)

CIN : L18100AP1992PLC013860 & GST No.37AAACK9363M1ZY
Chowdavaram, GUNTUR - 522 019, A.P., INDIA.
Ph: 0863-2344010,18 Fax: 0091 - 863 - 2344000
E-mail: corp@ksml.in & accsp@ksml.in



STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS PERIOD ENDED 31ST DECEMBER, 2018

| S.NO | PARTICULARS | (Rs. In Lakhs, except per share data) | | | | | |
|------|--|---------------------------------------|----------------|----------------|-------------------|-----------------|-----------------|
| | | QUARTER ENDED | | | Nine Months Ended | | YEAR ENDED |
| | | 31.12.2018 | 30.09.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 | 31.03.2018 |
| | | UnAudited | UnAudited | UnAudited | UnAudited | UnAudited | Audited |
| 1 | Income | | | | | | |
| | (a) Revenue from Operations | 7934.98 | 7597.67 | 8684.60 | 22557.13 | 22638.63 | 31071.21 |
| | (b) Other Operating Income | 21.30 | 40.24 | 71.01 | 95.72 | 154.23 | 193.05 |
| | Total Revenue from operations | 7956.28 | 7637.91 | 8755.61 | 22652.85 | 22792.86 | 31264.26 |
| 2 | Other Income | 49.27 | 30.49 | 53.33 | 118.29 | 108.13 | 113.23 |
| | Total Income (1+2) | 8005.55 | 7668.40 | 8808.94 | 22771.14 | 22900.99 | 31377.49 |
| | Expenses | | | | | | |
| | a) Cost of Material Consumed | 4627.75 | 4090.19 | 4434.29 | 12968.88 | 12881.03 | 17028.45 |
| | b) Purchase of Stock-in-trade | 12.35 | 212.63 | 0.00 | 224.99 | 0.00 | 0.00 |
| | c) Changes in inventories of Finished goods, Work-in-Progress and Stock-in-trade | -33.45 | -238.16 | 534.70 | -992.03 | -488.83 | -384.98 |
| | d) Employee benefits expenses | 509.45 | 528.93 | 547.98 | 1564.98 | 1570.00 | 2086.37 |
| | e) Depreciation and amortisation expenses | 417.36 | 378.44 | 356.71 | 1184.61 | 1063.59 | 1419.46 |
| | f) Finance costs (Refer note no.2) | 582.24 | 553.08 | 509.89 | 1589.99 | 1545.27 | 2188.33 |
| | g) Other expenses | 1736.92 | 1743.43 | 1712.95 | 5154.78 | 5032.94 | 6933.02 |
| | Total expenses | 7852.62 | 7266.54 | 8096.50 | 21696.20 | 21604.00 | 29270.65 |
| 4 | Profit before Tax and exceptional items (1+2-3) | 152.93 | 401.86 | 712.44 | 1074.94 | 1296.99 | 2106.84 |
| | Add/Less: Exceptional Items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Profit before tax and after exceptional items | 152.93 | 401.86 | 712.44 | 1074.94 | 1296.99 | 2106.84 |
| 5 | Tax expenses | | | | | | |
| | a) Current Tax | 32.00 | 85.00 | 0.00 | 232.00 | 0.27 | 460.26 |
| | b) Deferred Tax (Net of MAT credit entitlement) | 37.99 | 81.56 | 200.80 | 217.79 | 436.82 | 79.28 |
| 6 | Net Profit for the period after tax (4-5) | 82.94 | 235.30 | 511.64 | 625.15 | 859.90 | 1567.30 |
| 7 | Other comprehensive Income (Net of tax expense) | | | | | | |
| | a) Remeasurement of land at fair value | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2844.39 |
| | b) Revaluation of Buildings (Net of Deferred Tax) | 9.61 | 9.60 | 0.00 | 28.83 | 0.00 | 2193.82 |
| | c) Remeasurement of defined employee benefit plan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.27 |
| | Total comprehensive income | 9.61 | 9.60 | 0.00 | 28.83 | 0.00 | 5047.48 |
| 8 | Total comprehensive income for the year | 92.55 | 244.90 | 511.64 | 653.98 | 859.90 | 6614.78 |
| 9 | Paid - up Equity Share Capital (Face Value of the Share ₹ 2/-) | 856.38 | 856.38 | 856.38 | 856.38 | 856.38 | 856.38 |
| 10 | Reserves (Excluding Revaluation reserves as per Balance Sheet) | | | | | | 9256.09 |
| 11 | Earning per equity Share (Face value ₹ 2/- each) - Basic & Diluted (Adjusted EPS on enhanced equity for all periods considering bonus issue) | 0.19 | 0.58 | 1.19 | 1.46 | 2.01 | 3.66 |



Segment Results for the Quarter and Nine Months period ended 31st December, 2018

| S.No. | Particulars | Quarter ended | | | Nine Months Ended | | Year Ended |
|-------|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| | | 31.12.2018 unaudited | 30.09.2018 Unaudited | 31.12.2017 unaudited | 31.12.2018 unaudited | 31.12.2017 unaudited | 31.03.2018 Audited |
| 1 | Segment Revenue: | | | | | | |
| | a) Spinning | 6358.45 | 5796.66 | 6368.65 | 18055.36 | 18338.39 | 24834.56 |
| | b) Weaving | 4614.87 | 4960.17 | 5280.74 | 13589.81 | 13893.54 | 16794.94 |
| | c) Dyeing | 918.58 | 1615.12 | 1028.89 | 4106.33 | 2267.26 | 3869.91 |
| | d) Power | 103.87 | 39.12 | 42.50 | 168.90 | 54.41 | 116.57 |
| | Total | 11995.77 | 12411.07 | 12720.78 | 35920.40 | 34553.60 | 47615.98 |
| | Less: Inter Segment Revenue | 4039.49 | 4773.16 | 3965.17 | 13267.55 | 11760.74 | 16351.72 |
| | Net sales /Income from operations | 7956.28 | 7637.91 | 8755.61 | 22652.85 | 22792.86 | 31264.26 |
| 2 | Segment Results Profit: | | | | | | |
| | Before tax and interest from Each segment | | | | | | |
| | a) Spinning | 426.05 | 587.81 | 654.90 | 1656.17 | 1795.76 | 2655.37 |
| | b) Weaving | 255.79 | 353.58 | 555.32 | 939.17 | 1067.48 | 1618.51 |
| | c) Dyeing | 13.26 | 18.00 | 6.81 | 42.49 | 12.92 | 33.84 |
| | d) Power | 40.07 | -4.45 | 5.30 | 27.10 | -33.90 | -12.55 |
| | Total | 735.17 | 954.94 | 1,222.33 | 2,664.93 | 2,842.26 | 4,295.17 |
| | Less : Finance costs | 582.24 | 553.08 | 509.89 | 1,589.99 | 1,545.27 | 2,188.33 |
| | Total Profit Before Tax | 152.93 | 401.86 | 712.44 | 1,074.94 | 1,296.99 | 2,106.84 |
| 3 | Capital Employed (Segment Assets - Segment Liabilities) | | | | | | |
| | a) Spinning | 23724.99 | 24172.47 | 23165.94 | 23724.99 | 23165.94 | 24043.89 |
| | b) Weaving | 15169.27 | 15583.50 | 12139.37 | 15169.27 | 12139.37 | 15883.63 |
| | c) Dyeing | 1122.38 | 1170.77 | 795.83 | 1122.38 | 795.83 | 1270.65 |
| | d) Power | 1246.88 | 1217.21 | 1543.74 | 1246.88 | 1543.74 | 1432.32 |
| | Total | 41263.52 | 42143.95 | 37644.88 | 41263.52 | 37644.88 | 42630.49 |
| | Notes: | | | | | | |

- The above Financial Results were reviewed and recommended by the Audit Committee and approved by the Board of Directors at their respective meeting held on 11th February' 2019. The statutory auditors have carried out a limited review of the financial results for the nine months December 31, 2018.
- The finance costs for the Nine Months ended 31.12.2018 is net after adjusting subsidy received under TUF scheme and interest subsidy claimed from AP government under IDP scheme 2015-20 aggregating to Rs.3.12 crores (Previous Quarter ended 30.09.2018 Rs.3.59 crores).
- The results are as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- The figures for the previous periods have been regrouped to conform to the current periods classification.

Place : Chowdavaram

Date : 11.02.2019

For Kallam Textiles Ltd

P.Venkateswara Reddy

(Managing Director)

DIN: 00018677



ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

The following tables present certain accounting and other ratios derived from our Company's audited financial statements for the year ending March 31, 2018 and March 31, 2017 included in the financial statements on page 86 of the Draft letter of Offer.

ACCOUNTING RATIOS

| | Particulars | For the year ended March, 31 | |
|---|------------------------------------|------------------------------|----------|
| | | 2018 | 2017 |
| 1 | Return on Net worth (%) | 15.59 | 14.81 |
| 2 | Earnings per Share (in Rs.) | | |
| | Basic | 3.66 | 2.99 |
| | Diluted | 3.66 | 2.99 |
| 3 | Net asset Value per share (in Rs.) | 23.62 | 25.16 |
| 4 | EBITDA (in Rs. Lakhs) | 5,714.62 | 5,681.56 |

Return on Net worth (%):

(Net Profit or (loss) after Tax/Net worth at the end of the year) x 100

(Net profit includes OCI but excludes surplus on revaluation of assets net of deferred tax)

Earnings per share Basic & Diluted:

Net profit or (loss) as attributable for equity shareholders/Weighted average number of equity shares (Nos.)

Net asset Value per share:

Net Worth/No. of ordinary Shares

Net worth:

Equity Share Capital + Other Equity (Excl. surplus on revaluation of assets net of deferred tax)

EBITDA:

Earnings before interest, taxes, Depreciation and Amortization

For CHEVUTURI ASSOCIATES
Chartered Accountants
Firm Regn No: 000632S
(RAGHUNADHA RAO BALINENI)
Partner
ICAI memb no: 28105

CAPITALISATION STATEMENT

The capitalization statement of our company as at March 31, 2018, as at September 30, 2018 and as adjusted post issue is as under:

Summary Statement of Capitalisation

| (Amount in Rs. Lakhs) | | | |
|--|-------------------------|-----------------------------|------------------------------|
| Particulars | As at March 31, 2018 | As on September 30, 2018 | As adjusted for the Issue |
| Borrowings: | | | |
| Long term borrowings (inc Current maturity) | 20,097.35 | 18,974.45 | - |
| Short-term borrowings (inc Bill Discounting) | 11,605.40 | 10,940.85 | - |
| Total (A) | 31,702.75 | 29,915.30 | - |
| Shareholders' funds: | | | |
| Equity share capital | 856.38 | 856.38 | - |
| Reserves and Surplus (Excluding Revaluation Surplus) | 9,256.09 | 9,695.05 | - |
| Total (B) | 10,112.47 | 10,551.43 | - |
| Long term Debt / Equity ratio (A) / (B) | 1.99 | 1.80 | - |

For CHEVUTURI ASSOCIATES
Chartered Accountants
Firm Regn No: 000632S
(RAGHUNADHA RAO BALINENI)
Partner
ICAI memb no: 28105

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our significant credit facilities as on January 31, 2019:

| (Amount in Rs. lakhs) | | | | | | |
|-----------------------|--|-------------------|-----------------------------|-------------------------------------|------------------|--------------------|
| Name of the Lender | Nature of the Loan | Amount Sanctioned | Amount availed/ outstanding | Date of Agreement / Sanction letter | Rate Of Interest | Terms of Repayment |
| TERM LOAN | | | | | | |
| Andhra Bank | Term Loan | 480.00 | 364.99 | 03.10.2009 | 11.50% | Quarterly |
| | Term Loan | 1350.00 | 1255.42 | 03.09.2011 | 10.75% | Quarterly |
| | Term Loan | 600.00 | 562.15 | 16.04.2013 | 10.25% | Quarterly |
| | Term Loan | 1300.00 | 1225.69 | 06.09.2014 | 10.75% | Quarterly |
| | Term Loan | 980.00 | 971.69 | 20.01.2016 | 10.50% | Quarterly |
| | Corporate Term Loan | 1000.00 | 680.00 | 21.10.2016 | 11.50% | Monthly |
| | Term Loan | 720.00 | 476.72 | 20.07.2017 | 10.30% | Quarterly |
| | Term Loan | 893.00 | 419.21 | 03.10.2009 | 11.50% | Half Yearly |
| | Total | 7323.00 | 5955.87 | | | |
| | Security – Term Loans from Andhra Bank are secured on parri passu basis by way of first charge on all the movable and immovable assets of the spinning division (all units at the Chowdavaram, Guntur District) and Power plants at Nelakondapalli and Bhairavanipalli of Khammam District, Telangana. | | | | | |
| Indian Bank | Term Loan | 995.00 | 101.26 | 07.11.2008 | 12.70% | Quarterly |
| | Term Loan | 1350.00 | 1164.80 | 06.12.2010 | 10.50% | Quarterly |
| | Term Loan | 10692.00 | 7838.11 | 10.08.2011 | 10.00% | Quarterly |
| | Term Loan | 960.00 | 897.57 | 30.10.2013 | 10.00% | Quarterly |
| | Term Loan | 990.00 | 963.13 | 23.05.2015 | 10.00% | Quarterly |
| | Corporate Term Loan | 600.00 | 444.21 | 19.11.2016 | 11.10% | Monthly |
| | Total | 15587.00 | 11409.08 | | | |
| | Security - Term loans from Indian Bank are secured on pari passu basis by way of first charge on all the movable and immovable assets of spinning division (all units at Chowdavaram, Guntur Dist.) and weaving division at Kunkupadu Village, Addanki Mandal, Prakasam District. | | | | | |
| Bank of Baroda | Term Loan | 990.00 | 805.00 | 27.02.2012 | 10.95% | Quarterly |
| | Total | 990.00 | 805.00 | | | |
| | Security - Secured by way of first charge on fixed assets of Dyeing Unit at Kunkupadu Village, Addanki Mandal, Prakasam District. | | | | | |
| IREDA | Term Loan | 45.33 | 25.50 | 20.03.2017 | 10.00% | Quarterly |

| | | | | | | |
|--|--|-----------------------------------|------------------------------|------------|--------|-----------|
| | NCEF Component | 19.43 | 10.93 | 20.03.2017 | 2.00% | Quarterly |
| | Total | 64.76 | 36.43 | | | |
| Security - Secured by first charge on all the movable and immovable assets of our Company's power division of 0.8 MW small hydro project at 16th & 17th branch canal at Nelakondapalli Village & Mandal, Khammam Dist., Telangana | | | | | | |
| FUND BASED – Security – i) All the inventories are offered as security in respect of working capital loans availed by our Company. ii) Working Capital Loan from Andhra Bank is secured by way of exclusive charge on current assets of spinning division of all units at Chowdavaram, Guntur. iii) Working Capital loan from Indian Bank is secured by way of Hypothecation of stocks of cotton, stock in process, Finished Goods, Stores and Spares, Book Debts, Goods in Transit .This loan is also secured by way of Extension of EM/ Second and exclusive charge by way of EM of Land admeasuring Acre 25.72 at Weaving Division of the Company at Kunkupadu and Hypothecation of Plant & Machinery, Spares and Other assets Acquired (Existing and Future). iv) Working Capital Loan from Bank of Baroda is secured by way of Hypothecation of Stocks and Book debts. | | | | | | |
| Andhra Bank | OCC/PC/PCF C (FDBP/FUB D/AACB/DU BD) FLC/ILC/CA PEX-DA/DP Basis/ Buyers Credit | 7700.00 (1750.00) (2000.00) | 7988.99 (504.33) (Nil) | 20.07.2017 | 9.50% | |
| Indian Bank | OCC/PC/BG | 6000.00 | 5891.63 | 09.02.2018 | 9.00% | |
| Bank of Baroda | OCC | 500.00 | 496.75 | 19.03.2018 | 11.15% | |
| | Total | 14200.00 | 14,377.37 | | | |
| NON FUND BASED | | | | | | |
| Andhra Bank | B.G | 100.00 | 20.65 | 20.07.2017 | | |
| | Total | 100.00 | - | - | | |

(Amount in Rs. lakhs)

| Name of the Lender | Nature of the Loan | Amount Sanctioned | Amount availed/outs tanding | Date of Agreement / Sanction letter | Rate Of Interest | Terms of Repayment |
|-------------------------|--------------------|-------------------|-----------------------------|-------------------------------------|--|--------------------|
| BILL DISCOUNTING | | | | | | |
| Andhra Bank | FUBD/DUB D | 1000.00 | 508.44 | 20.07.2017 | Upto 180 days - 8.65% Above 180 Days – as per HO Guidelines | |
| Indian Bank | FUBD/DUB D | 2000.00 | 763.90 | 09.02.2018 | 8.55% | |

| | | | | | | |
|---|----------------|---------|---------|------------|----|----------------------------|
| | Total | 3000.00 | 1272.34 | | | |
| UNSECURED LOAN (From Promoters/Promoter Group) | | | | | | |
| Poluri Venkateshwar a Reddy | Unsecured Loan | NA | 171.55 | 08.12.2017 | NA | 15 days from demand notice |
| Gurram Venkata Krishna Reddy | Unsecured Loan | NA | 85.40 | 28.06.2017 | NA | 15 days from demand notice |
| Movva Venkata Subba Reddy | Unsecured Loan | NA | 38.50 | 03.04.2017 | NA | 15 days from demand notice |
| N Rajendra Prasad | Unsecured Loan | NA | 15.00 | 05.08.2017 | NA | 15 days from demand notice |
| N Prabhakara Rao | Unsecured Loan | NA | 10.00 | 04.08.2017 | NA | 15 days from demand notice |
| Poluri Sivanagendra mma | Unsecured Loan | NA | 0.10 | 08.12.2017 | NA | 15 days from demand notice |
| | Total | NA | 320.55 | | | |

STOCK MARKET DATA

The Equity shares of our Company are presently listed and traded on BSE. The Rights Equity Shares will be listed on the BSE pursuant to the Issue. The share trading data for the equity shares of our Company is as under:

Stock Market Data for BSE

The Board of our Company has approved the Issue at their meeting held on September 29, 2018. The closing market price of the equity shares of our Company on the first business day after the Board approved the Issue i.e. on October 01, 2018 was ₹ 21.35 per equity share on the BSE.

The high and low prices and associated volumes of securities traded during last 3 years recorded on BSE is as follows:

| Calendar Year | High (₹) | Date of High | Volume on date of high (no. of shares) | Low (₹) | Date of Low | Volume on date of low (no. of shares) | Weighted Average Price (₹) |
|---------------|----------|--------------|--|---------|-------------|---------------------------------------|----------------------------|
| 2018 | 33.25 | 08.03.2018 | 53,951 | 16.70 | 30.10.2018 | 27,382 | 27.35 |
| 2017* | 135.40 | 27.01.2017 | 43,264 | 19.55 | 05.12.2017 | 13,131 | 31.38 |
| 2016 | 139.90 | 01.11.2016 | 23,728 | 51.00 | 24.02.2016 | 11 | 96.96 |

*During the Calendar Year 2017, the following Corporate Actions have taken place, which have also impacted the price of our Equity Shares. However, the impact of such Corporate Actions cannot be quantified separately.

(i) On February 02, 2017, the face value of the Equity Shares of our Company was split from Rs. 10 each to face value of Rs. 2 each.

(ii) On October 14, 2017, our Company made an Issue of 85,63,875 Equity Shares of Rs. 2 each as fully paid up bonus shares out of free reserves in the ratio of 1 Equity Shares for every 4 Equity Shares.

The high and low price, and associated volume of securities traded during the last 6 months on BSE is as follows:

| Period | High (₹) | Date of High | Volume on date of high (no. of shares) | Low (₹) | Date of Low | Volume on date of low (no. of shares) | Weighted Average Price (₹) |
|----------------|----------|--------------|--|---------|-------------|---------------------------------------|----------------------------|
| February 2019 | 18.80 | 11.02.2019 | 5,697 | 14.05 | 21.02.2019 | 5,233 | 15.89 |
| January 2019 | 19.45 | 08.01.2019 | 17,961 | 16.45 | 31.01.2019 | 405 | 17.92 |
| December 2018 | 20.75 | 03.12.2018 | 9,524 | 17.65 | 28.12.2018 | 8,442 | 18.76 |
| November 2018 | 23.45 | 07.11.2018 | 20,057 | 19.30 | 05.11.2018 | 26,921 | 20.28 |
| October 2018 | 23.45 | 01.10.2018 | 20,409 | 16.70 | 30.10.2018 | 27,382 | 19.91 |
| September 2018 | 27.70 | 03.09.2018 | 14,299 | 20.05 | 26.09.2018 | 29,850 | 22.54 |

Latest Stock Market Data for the four weeks preceding the date of this Draft Letter of Offer is as follows:

| Week Starting From | Week ending on | High | Low | Week's Closing Price (in ₹) | Total Traded quantity during the period |
|--------------------|----------------|------|-----|-----------------------------|---|
|--------------------|----------------|------|-----|-----------------------------|---|

| | | Amount (in ₹) | Date | Amount (in ₹) | Date | | |
|------------|------------|------------------|------------|------------------|------------|-------|--------|
| 18.03.2019 | 22.03.2019 | 17.15 | 22.03.2019 | 16.45 | 22.03.2019 | 16.65 | 77,619 |
| 11.03.2019 | 15.03.2019 | 18.50 | 14.03.2019 | 16.00 | 14.03.2019 | 17.25 | 12,116 |
| 04.03.2019 | 08.03.2019 | 18.00 | 07.03.2019 | 16.35 | 08.03.2019 | 17.05 | 9,949 |
| 25.02.2019 | 01.03.2019 | 16.95 | 01.03.2019 | 15.00 | 27.02.2019 | 16.90 | 13,024 |

The Closing market price of the Equity shares as on one day prior to the date of this Draft Letter of Offer, i.e, on March 26, 2019 was Rs. 15.80.

The Issue Price of Rs. [•] per Rights Equity Share has been arrived at in consultation between our Company and the Lead Manager.

For the purpose of this chapter:

- A Year is a calendar year
- Average price is the weighted average share price of the Equity Shares traded during the respective period
- High price is the maximum of the daily high prices and Low price is the minimum of the daily low prices of the Equity Shares of our Company for the year, or the month, as the case may be
- In case of two days with the same high / low / closing price, the date with higher volume has been considered
- Source: www.bseindia.com

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Our Company and our Promoters or Directors, from time to time, have been and continues to be subject of legal proceedings, arising in the ordinary course of its businesses. Except as disclosed below, there are no outstanding litigations involving our Company and our Promoters or Directors, including suits, criminal or civil prosecutions and taxation related proceedings that would have a material adverse effect on the operations and the financial position of our Company. In this regard, please note the following:

Except as disclosed below, there is no outstanding litigation against our Company and our Promoters or Directors involving issues of moral turpitude, criminal liability, material violations of statutory regulations or economic offences and no such litigation had arisen against our Company in the preceding ten years. Our Company has no outstanding defaults in relation to, dues payable to holders of any debentures and interest thereon, and in respect of deposits and interest thereon, defaults in repayment of loans from any bank or financial institution and interest thereon as on February 28, 2019. Further, except as disclosed below there are no outstanding litigations which may have any impact on the future revenues of our Company, involving financial liability, to the extent quantifiable, exceeding Rs. 300 Lakhs.

All terms defined in a particular litigation are for that particular litigation only.

LITIGATIONS INVOLVING OUR COMPANY

I. LITIGATIONS AGAINST OUR COMPANY

A) DETAILS OF PENDING CIVIL AND CRIMINAL LITIGATIONS, INCLUDING CASES UNDER NEGOTIABLE INSTRUMENT ACT, 1881

| S. No. | Name of the Parties | Case Number/ Court/ Authority | Brief Facts of the Case | Amount Involved (In ₹) | Present Status |
|------------------------|--|---|--|------------------------------|--|
| 1. Criminal Case | M/s. Visram Financial Services Private Limited Vs. Kallam Textiles Ltd (formerly Kallam Spinning Mills Limited) & 3 Executive Directors and Company Secretary | Criminal case CC 278/2017 in the court of Special Judge Economic Offence Nampallay, Hyderabad | This is a case filed by M/s. Visram Financial Services Private Limited U/s 124(7) of the Companies Act, 2013 against our Company and our executive Directors Mr. P Venkateswara Reddy, G V Krishna Reddy, Mr Movva Venkata Subba Reddy and then Company Secretary alleging that the complainant is the Power of Attorney Holder of 14 individual shareholders of Kallam Spinning Mills Limited (our former name) and that Company denied the payment of unpaid dividend to the POA of the Shareholders and committed offence punishable under Section 124(7) of the Companies Act 2013. Our Company has not acted upon the request of the Complainant duly directing the Complainant to cause | 41,280 | The case is pending for disposal before the honourable court. The complainant having realized that he has no right to file the case has proposed to withdraw the same. |

| | | | | | |
|---------------------|--|--|---|--|--|
| | | | <p>production of Original Power of Attorney and confirmation from the principal about the fact that, the power of attorney is in force and also to furnish necessary information about the complainant etc so as the enable the complainant to receive the amount in its name and the case is pending disposal before the honorable court. The Complainant has not been able to produce the original Power of Attorney which is still in force.</p> <p>Further all the four have also filed petition before the Honorable High court to quash the proceeding of lower court and the same is pending disposal.</p> | | |
| 2. Civil Case | <p>M/s Money Market Services India Pvt. Ltd.</p> <p>V/s</p> <p>Kallam Textiles Ltd</p> | O.S 41 of 2018 in the Court of Additional City Civil Court, Secunderabad | <p>The Suit is filed by M/s Money Market Services India Pvt. Ltd. against our Company and Others for a declaration that the plaintiff is entitled to shares set out in schedule A-1 & 2 of the plaint and to pass consequent order of Mandatory injunction against Defendant- 1 i.e., Kallam Spinning Mills Limited, not to transfer any of the Share certificates in respect of shares set out in 1 to 9 of Schedule A 1 owned by Defendant- 46 and 54 and to issue duplicate share certificate in favour of plaintiff etc.</p> <p>Our contention is that the Suit is not Maintainable and the plaintiff is put to strict proof about his right to claim relief as prayed in the suit.</p> | Not Applicable. However, 4128 equity shares of our Company are involved in the case. | The case stand posted for filing the written Statement |

B) DETAILS OF CASES AGAINST OUR COMPANY ARISEN OR PENDING IN PROCEEDINGS RELATING TO ECONOMIC OFFENCES (E.G. INCOME TAX ACT, EXCISE /VAT/GST CASES)

Nil

C) LABOUR CASES

Nil

D) CRIMINAL CASE AGAINST OUR DIRECTORS & PROMOTERS

Our three Executive Directors, who are also our Promoters, are party in the Criminal case filed against our Company and them as per details given at paragraph 1 of I (A) above.

II. LITIGATIONS BY OUR COMPANY

A) DETAILS OF PENDING CIVIL AND CRIMINAL LITIGATIONS, INCLUDING CASES UNDER NEGOTIABLE INSTRUMENT ACT, 1881

| S. No. | Name of the Parties | Case Number/ Court/ Authority | Brief Facts of the Case | Amount Involved (In ₹) | Present Status |
|----------------------------|---|---|---|-------------------------------|---|
| 1. Criminal Case | Kallam Textiles Limited Vs Shri Jai Gurudev Textiles Agencies, Proprietor Mr. Sanjay Pandey, New Delhi | CC 305/2018 CC 306/2018 CC 307/2018 CC 309/2018 IV Add. J F C M (Judicial First Class Magistrate) Court, GUNTUR | Our Company supplied Gray Fabric to Shri Jai Gurudev Textiles Agencies represented by proprietor Mr. Sanjay Pandey. Towards payment of the sale consideration, the customer has issued post-dated cheques which were dishonored by banker of the customer on account of "insufficient of funds." When presented for Collection by the Complainants through the banker. Consequently after following due procedure we filed above four cases before the 4 th Addl. JFCM, Guntur under section 138 of N.I. Act which were pending disposal. | 9,75,919 | CC 305/2018 CC 306/2018 CC 307/2018 Are posted for return of Notice to 27.03.2019 In CC 309/2018 the court has Non Bailable Warrant against accused for their failure to attend the court after receipt of the summons. |
| 2. Civil Case | Small Hydro Power Developers Association (for which Kallam Textiles Ltd. is one of the member) V/s A.P. Transco, presently known as T S Transco | Civil Appeal No. 1376-1385 of 2013 CA 10448/2014 in Supreme Court | Based upon the undertaking given by A.P. Transco to purchase the Power generated at Hydro Electric Power Projects @ Rs. 2.25 / Unit with escalation of 5% every year with 1994-95 as base year and to be revised 1 st April at every year up to 2003-2004, our Company has commissioned Power projects at Three places in the state. Instead of abiding by the undertaking A.P. Transco committed breach of contract and reduced the tariff with effect from 2004-2005. Questioning the validity of the same the Association filed writ petition before the Honorable High Court of Andhra Pradesh. | About 50,00,000 | The rate of interest payable is subject matter which is pending before Supreme Court. |

| | | | | | |
|--|--|--|--|--|--|
| | | | <p>The High Court passed interim orders in W.P.M.P No. 16621 of 2004 directing the A.P. Transco to implement the revised tariff subject to the result of the final orders in writ petition. However, the Hon'able Court further directed that in addition to the rates payable under the revised tariff, the A.P. Transco shall also pay 50% of the differential amount between old and revised tariff for the actuals.</p> <p>Against the said orders passed by the High Court. A.P. Transco preferred appeal to Hon'able Supreme Court. The Hon'able Supreme Court disposed the case holding that neither the High Court nor the Supreme Court were having the jurisdiction to entertain the case, in view of the availability of the alternative remedy available before the Appellate Tribunal of the Electricity (APTEL), New Delhi which were constituted for disposal of case of like nature. As per the direction of the Supreme Court, the cases were transferred to the Tribunal.</p> <p>The Hon'able Appellate Tribunal partly allowed the appeal preferred by the Association. The Tribunal fixed the parameters and directed the A.P. Electricity regulatory Commission to fix tariff to be payable to Non-Conventional Energy developers for the Period from 2004 to 2009 and further directed to pay the difference of the amount together with interest @ 12% p.a with quarterly rests.</p> <p>Accordingly, the A.P. Electricity Regulatory Commission fixed a Tariff and A.P.Transco paid the differential amount between</p> | | |
|--|--|--|--|--|--|

| | | | | | |
|--|--|--|---|--|--|
| | | | <p>the old and revised tariff. Accordingly, the amount to be paid alongwith interest was calculated around Rs. 110 Lakhs out of which the Principal was paid by AP Transco.</p> <p>However A.P. Transco preferred appeal before the Supreme Court questioning the validity of granting of interest @ 12% p.a with quarterly rests and the same is pending disposal before the Hon'able Supreme Court.</p> | | |
|--|--|--|---|--|--|

B) DETAILS OF CASES FILED BY OUR COMPANY ARISEN OR PENDING IN PROCEEDINGS RELATING TO ECONOMIC OFFENCES

The details of such cases are as follows:

1. INCOME TAX - Amount involved Rs. 95,10,885

| Sl. No. | Name of the authority where matter is pending | Case number/ Assessment year (A.Y.) | Brief Facts of the Case | Amount Involved (in Rs.) | Present Status |
|---------|--|--|--|--------------------------|--|
| 1. | <p>Kallam Textiles Limited</p> <p>Vs</p> <p>Commissioner of Income Tax, Guntur</p> | ITA No. 152/V/18, Visakhapatnam Tribunal | <p>Our Company filed returns for Assessment Year 2013-14 admitting the total income of Rs 4,10,18,000. The assessment order was passed on March 21, 2016 Under the A.O-143(3) of the IT Act admitting the income of Rs. 4,10,18,260 after claiming deduction of Rs 31,56,722 in respect of power division. The assessment order dated 21.03.2016 was passed by the competent authority arriving at the total income of Rs. 4,16,08,350. The Income Tax officials raised query and questioned the validity of the order passed U/s-143(3) of IT Act 1961.</p> <p>Taking into considerations of the Audit objections, the appellate authority (Pr. Commissioner) passed order dated 23.03.2018 against which we preferred appeal before Income Tax Appellate Tribunal which is Pending Disposal.</p> | 95,10,885 | Appeal is pending before Honorable ITAT, Visakhapatnam |

2. COMMERCIAL TAX – Amount Involved Rs. 2,68,326

| Sl. No. | Name of the authority where matter is pending | Case number/ Assessment year (A.Y.) | Brief Facts of the Case | Amount Involved (in Rs.) | Present Status |
|---------|---|--|--|--------------------------|------------------------------|
| 1&2 | Kallam Textiles Limited Vs Assistant Commissioner, State Tax , Guntur | Appeal No. 40/2018-19/GNT And Appeal No. 41/2018-19/GNT | <p>The Commercial Tax Department Levied the tax on the cement brought from other states during the period 2014-15 and 2015-16 and also for period of 2016-17.</p> <p>Our Company is contesting the matter on the ground that our Company is carrying on the business of manufacture of the yarn for which installation of machinery is required. For installation of machinery, the cement is required. As such the cement, machinery and other raw material such as raw cotton etc shall be treated as input for the purpose of manufacture of other goods.</p> | 39,780 & 2,28,546 | Both the appeals are pending |

III. LITIGATIONS INVOLVING OUR PROMOTERS

Except as mentioned above, there are no other litigations involving our Promoters.

IV. LITIGATIONS INVOLVING OUR GROUP COMPANIES

At present, there are no pending Litigations involving our Group Companies having material adverse effect on our Company.

OUTSTANDING DUES TO CREDITORS

As on December 31, 2018 our Company has 469 creditors with total outstanding dues amount of Rs. 1,663.06 Lakhs. However, there are no creditors including small and medium enterprises with dues exceeding Rs. 300 Lakhs.

OTHER DISCLOSURES

Except as disclosed above, our Promoters, Directors of our Promoter, and our Directors are not declared as wilful defaulters by RBI/ government authorities and there are no violations of securities laws committed by them in the past or pending against them. Our Company, Promoters, and Directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI and no penalty has been imposed at any time by any of the regulators in India or abroad. Further, except as above no regulatory action has been initiated / taken against our company, our Promoters or Directors by any regulatory bodies.

Further, Our Rights Issue Committee of the Board in its meeting on September 29, 2018 also adopted a '**Materiality Policy for our Company**' in relation to outstanding litigations/ legal proceedings. This policy states that legal proceedings which may have impact on the future revenues of our Company will be treated as material if these involve financial liability to the extent quantifiable exceeding Rs. 300 Lakhs.

MATERIAL DEVELOPMENT AFTER THE DATE OF THE AUDITED FINANCIAL STATEMENTS AS ON MARCH 31, 2018

In the opinion of our Board, there have not arisen since the date of the last audited financial statements, i.e, March 31, 2018, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our assets or our ability to pay our material liabilities within the next twelve months.

GOVERNMENT AND OTHER APPROVALS

Our Company has obtained all material consents, licenses, permissions, registrations and approvals, from various governmental, statutory and regulatory authorities in India, which are necessary for undertaking our current business activities and operations. Some of the approvals may be required to be renewed periodically in the ordinary course and applications for renewal of such approvals are submitted in accordance with applicable requirements and procedures.

The main objects clause of the Memorandum of Association of our Company and the objects incidental thereto, enable our Company to carry out its present business activities.

I. Approvals for the Issue

- The Board of our Company has, pursuant to resolutions passed at its meeting held on September 29, 2018 authorized the Rights Issue.

Stated below are the details of the approvals applied for as on the date of this Draft Letter of Offer, but not yet received:

II. Pending Government & Regulatory approvals

As on date, our Company has obtained all material consents, licenses, permissions, registrations and approvals, from various governmental, statutory and regulatory authorities in India, which are necessary for undertaking our current business activities and operations. As on the date of this Draft Letter of Offer, there are no material pending Government and Regulatory approvals to be obtained by our Company and no pending renewals of material licenses or approvals upon expiry, in relation to the activities undertaken by our Company.

OTHER REGULATORY AND STATUTORY INFORMATION

Authority for the Issue

The Issue has been authorized by our Board by a resolution passed at its meeting held on September 29, 2018 pursuant to Section 62 of the Companies Act, 2013.

The Issue Price of ₹ [•] per Rights Equity Share and the Rights Entitlement of [•] Rights Equity Share for every [•] fully paid-up Equity Shares held on the Record Date, i.e. [•] has been determined by the Board in its meeting held on [•]. The Issue Price has been arrived at in consultation with the Lead Manager, prior to determination of the Record Date.

Our Company has received in-principle approval from the BSE in accordance with Regulation 28 of the SEBI LODR Regulations, 2015 for listing of the Rights Equity Shares to be allotted in the Issue pursuant to its letter [•] dated [•].

Prohibition by RBI, SEBI or other governmental authorities

Our Company, our Promoters, our Directors, and members of our Promoter Group have not been or are not prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other regulatory or governmental authority.

The companies with which our Promoters, or our Directors or the persons in control of our Company are or were associated as promoter or directors have not been debarred from accessing the capital market under any order or direction passed by SEBI or any other regulatory or governmental authority.

Neither our Promoter nor our Directors are declared as Fugitive Economic Offenders.

None of our Company, our Promoters or our Directors, are or have been classified as a wilful defaulter.

None of our Directors are associated with the securities market in any manner.

Confirmation under Companies (Significant Beneficial Ownership) Rules, 2018

Our Company, Promoters and members of our Promoter Group are in compliance and undertake to comply with the requirements of the Companies (Significant Beneficial Ownership) Rules, 2018, as amended (“SBO Rules”), to the extent applicable, as on the date of the Draft Letter of Offer.

Under the Companies (Significant Beneficial Ownership) Rules, 2018, certain persons who are ‘significant beneficial owners’ (“SBO”), are required to intimate their beneficial holdings to the Company in Form no. BEN-1 within 90 days from February 8, 2019 (the date of notification of the Companies (Significant Beneficial Owners) Amendment Rules, 2019). Upon receipt of a declaration by an SBO, the company is required to, within 30 (thirty) days of receiving such declaration, file a return in Form No. BEN-2 with the relevant registrar of companies in respect of each such declaration received by the reporting company. Further, each company is required to maintain a register of SBOs in Form No. BEN-3 which shall be available for inspection to the shareholders the company, is also required to give notice in Form No. BEN-4 to all its members (who are not individuals) who hold more than 10% of the shares asking the members to, inter alia, disclose information of the respective SBO of such member.

Eligibility for the Issue

The Equity Shares of our Company are presently listed on the BSE. This issue is being undertaken in terms of Chapter III of the SEBI ICDR Regulations

Our Company is in compliance with Regulation 62(1)(a) of the SEBI ICDR Regulations, our Company undertakes to make an application to the BSE for listing of the Rights Equity Shares to be issued pursuant to this Issue. BSE is the Designated Stock Exchange for the Issue.

Compliance with Part B of Schedule VI of SEBI Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI to the SEBI ICDR Regulations as explained below:

- (a) Our Company has been filing periodic reports, statements and information in compliance with the Listing Agreements and the SEBI Listing Regulations, to the extent applicable for the last three years immediately preceding the date of filing of this Draft Letter of Offer with SEBI;
- (b) The reports, statements and information referred to in sub-clause (a) above are available on the website of BSE, which is the recognised stock exchanges with nationwide trading terminals.
- (c) Our Company has an investor grievance-handling mechanism which includes meeting of the Share Transfer Committee and Stakeholders Relationship Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

Our Company satisfies the conditions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations, and is not covered under the conditions specified in Clause (3) of Part B of Schedule VI of SEBI ICDR Regulations,

Disclaimer clauses from our Company and the Lead Manager

Our company and the lead manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer/Letter of Offer or in any advertisement or any other material issued by or at the instance of our company and that anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the issue will be deemed to have been represented to our Company and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Rights Equity Shares of our Company, and are relying on independent advice / evaluation as to their ability and quantum of investment in this issue.

Caution

Our Company and the Lead Manager shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with BSE.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Draft Letter of Offer. You must not rely on any unauthorized information or representations. This Draft Letter of Offer is an offer to sell only the Rights Equity Shares and rights to purchase the Rights Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Draft Letter of Offer is current only as of its date.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Guntur, Andhra Pradesh only.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of the Issue will be BSE.

Disclaimer Clause of the BSE

As required, a copy of this draft letter of offer has been submitted to BSE (the designated stock exchange). The disclaimer clause as intimated by the BSE to us, post scrutiny of this Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the stock exchange.

Filing

As the Issue Size is less than Rs. 10 Crores, the Draft Letter of Offer has not been filed with SEBI. However, the Draft Letter of Offer has been filed with BSE Limited for their observations and in principle approval. The Letter of Offer will simultaneously be filed with SEBI for its information as per the provisions of the SEBI ICDR Regulations.

Listing

The existing Equity Shares are listed on the BSE. The Equity Shares to be issued through the Letter of Offer are proposed to be listed on the BSE. We have received in-principle approval from the BSE vide its letter [●] dated [●] in respect of the Equity Shares being offered in terms of the Issue. The application for obtaining permission for listing and trading of the Equity Shares will be made to the BSE, the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the securities is not granted by the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all monies received from applicants in pursuance of the Draft Letter of Offer.

We will issue and dispatch Allotment advice / share certificates / demat credit and / or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date.

In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Consents

Consents in writing of the Promoter, Directors, Compliance Officer, Lead Manager to the Issue, Legal Counsel, Registrar to the Issue, Bankers to the Company, and Statutory Auditors to act in their respective capacities have been obtained, and consent of Banker to the Issue / Refund Bank to act in their respective capacity will be obtained before filing the Letter of offer with BSE and such consents have not been withdrawn up to the date of the Draft Letter of Offer.

Expert opinion

Except for (i) the reports of the Statutory Auditors on the audited Financial Information and Limited Review Report, and (ii) the Statement of Tax Benefits available to our Company and its Shareholders included in this Draft Letter of Offer, we have not obtained any expert opinions.

Issue related expenses

The expenses of the Issue payable by our Company include fee and reimbursement to the Lead Manager, Legal Advisors to the issue, Registrar to the Issue, Printing and distribution expenses, publicity, listing fee, stamp duty and other expenses and will be met out of the Issue proceeds. For further details, see “Objects of the Issue” beginning on page 45.

Public or rights issues by our Company during the last five years

Our Company has not made any public or Rights issue in last 5 years.

Previous issues of securities otherwise than for cash

Except as disclosed in “*Capital Structure*” on page 34, our Company has not made any issue of securities for consideration otherwise than cash.

Commission or brokerage in previous issue of Equity Shares

No sum is payable as commission or brokerage for any of our previous issue(s) of Equity Shares.

Previous capital issue during the previous three years by Group Companies and Subsidiaries of our Company

None of our Group Companies have made any public or rights issue during the last three years. Further, we do not have any Subsidiary Company.

Outstanding debentures, bonds, redeemable preference shares or other instruments

Our Company does not have any outstanding debentures, bonds, redeemable preference shares or other instruments as of the date of this Draft Letter of Offer.

Investor Grievances and Redressal System

We have adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Regulations.

Our Company’s investor grievances arising out of the Issue will be handled by Bigshare Services Pvt Ltd, the Registrar to the Issue. The Registrar to the Issue will have a separate team of Personnel handling only post – Issue correspondence. All grievances relating to the Issue may be addressed to the Registrar or the SCSB in case of ASBA Applicants giving

full details such as folio no., name and address, contact telephone/cell numbers, e-mail id of the first Applicant, number and type of Equity Shares applied for, CAF serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished. The average time taken by the Registrar for attending to routine grievances will be seven to 10 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavor of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the investor grievances in a time bound manner.

Bigshare Services Private Limited

SEBI Regn. No.: INR000001385

1st Floor, Bharat Tin Works Building,
Opp. Vasant Oasis, Makwana Road, Marol,
Andheri East, Mumbai – 400 059

Tel.: +91 22 6263 8200

Fax: +91 22 6263 8299

E-mail: rightsissue@bigshareonline.com

Investor Grievance e-mail id: investor@bigshareonline.com

Website: www.bigshareonline.com

Contact Person: Ashish Bhope

Investors may contact the Compliance Officer at the below mentioned address and/ or Registrar to the Issue at the above mentioned address in case of any pre-Issue/ post -Issue related problems such as non receipt of allotment advice / share certificates / demat credit / refund orders etc.

Mr. Nandan Bisoi

Compliance Officer & Company Secretary

Kallam Textiles Limited

N.H 5, Chowdavaram,
Guntur, Andhra Pradesh – 522 019

Tel. No.: + 91 863 2344016

Fax No.: + 91 863 2344000

E-mail: corp@ksml.in

Our Board has constituted the Stakeholders Relationship Committee. This committee currently comprises of 3 members, namely Mr. Ajeya Kallam, Mr. Gurram Venkata Krishna Reddy and Mr. Movva Venkata Subba Reddy. Our Stakeholders Relationship Committee oversees the reports received from the registrar and transfer agent and facilitates the prompt and effective resolution of complaints from our shareholders and investors. Its broad terms of reference include:

- Redressal of Equity Shareholder and Investor complaints including, but not limited to non-receipt of share certificates, transfer of Equity Shares and issue of duplicate share certificates, non-receipt of balance sheet, non-receipt of declared dividends, etc. and
- Monitoring transfers, transmissions, dematerialization, rematerialization, splitting and consolidation of shares issued by our Company.

Status of Shareholders Complaints

(a) No. of shareholders complaints outstanding as on December 31, 2018: Nil

(b) Status of the pending complaints: Not applicable

Change in auditors during last three years

In the AGM held on September 29, 2017 shareholders have approved the appointment of M/S Chevuturi Associates., Chartered Accountants as the Statutory Auditor for five years.

Capitalisation of reserves or profits

Our Company has not capitalised reserves or profits during last five years except that the reserves were capitalized for issuance of Bonus shares for Rs. 1,71,27,750 in FY 2017-18.

Revaluation of assets

Our Company has not revalued its assets during last five years. However, our company has adopted IND AS from April 1, 2017. Accordingly assets have been recognized at fair value with effect from April 1, 2016 (transition date) in accordance with option given under IND AS 101 and impact of the same has been considered as a part of retained earnings.

Minimum Subscription

If our company does not receive the minimum subscription of ninety percent of the Issue, our Company shall refund the entire subscription amount within fifteen days from the date of closure of the issue. In the event that there is a delay of making refunds by more than the prescribed time after our Company become liable to pay the subscription amount, our Company shall pay interest for the delayed period at rates prescribed under the Companies Act, 2013.

OFFERING INFORMATION

This section is for the information of the ASBA Investors and Non-ASBA Investors proposing to subscribe to the Issue through the ASBA process and non-ASBA process, respectively. Our Company and the Lead Manager is not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the ASBA process or non-ASBA process, as the case may be, are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form is available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. In case, Allotment in the Issue occurs subsequent to May 10, 2019, the Terms of the Issue will be modified to this extent in the Letter of Offer.

The Equity Shares proposed to be issued are subject to the terms and conditions contained in the Letter of Offer, the Abridged Letter of Offer, the CAF enclosed with the Letter of Offer, the Memorandum and Articles of Association, the provisions of the Companies Act, FEMA, the SEBI Regulations, any other regulations, guidelines, notifications and regulations for issue of capital and for listing of securities issued by SEBI, RBI and/ or other statutory authorities and bodies from time to time, and the terms and conditions as stipulated in the Allotment advice or letters of Allotment or share certificate and rules as may be applicable and introduced from time to time. All rights/ obligations of Equity Shareholders in relation to Applications and refunds pertaining to the Issue shall apply to Renouncee(s) as well.

ASBA Facility

Please note that, in accordance with Regulation 76 of the SEBI ICDR Regulations and subject to the conditions prescribed under SEBI circular SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009 and SEBI circular CIR/CFD/DIL/1/ 2011 dated April 29, 2011, all Eligible Equity Shareholders who (a) hold Equity Shares in dematerialized form, (b) have not renounced their Rights Entitlement in part or in full, and (c) are not Renouncees, shall participate in the Issue only through the ASBA process.. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding shares Equity Shares in physical form are not eligible ASBA investors and must only apply for the Rights Equity Shares through the non ASBA process irrespective of the application value or category of applicant. ASBA Investors should note that the ASBA process involves application procedures that may be different from the procedure applicable to non ASBA process. ASBA Investors should carefully read the provisions applicable to such applications before making their application through the ASBA process. For details, see “Procedure for Application through the Applications Supported by Blocked Amount (“ASBA”) Process” on page 168 of the Letter of Offer.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues/rights issues and clear demarcated funds should be available in such account for ASBA applications.

Renouncees

All rights/obligations of the Eligible Equity Shareholders in relation to application and refunds pertaining to the Issue shall apply to the Renouncee(s) as well.

Authority for the Issue

The Issue has been authorized by our Board by a resolution passed at its meeting held on September 29, 2018 pursuant to Section 62 of the Companies Act, 2013.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Eligible Equity Shareholders of our Company whose names appear, as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form, and on the register of members of our Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e., [●], fixed in consultation with the Designated Stock Exchange.

Ranking of Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association. The Equity Shares allotted in the Issue shall rank *pari passu* with the existing Equity Shares in all respects, including payment of dividends.

Mode of Payment of Dividend

We shall pay dividends (in the event of declaration of such dividends) to our equity shareholders as per the provisions of the Companies Act and our Articles of Association.

Our Company will dispatch the Letter of Offer and CAF (the “Offering Materials”) to the Eligible Equity Shareholders who have provided an address in India for service of documents. The Offering Materials will not be distributed to addresses outside India on account of restrictions that apply to circulation of such materials in various overseas jurisdictions. In terms of the provisions of the Companies Act, 2013 our Company will serve documents at the addresses, including email addresses which have been provided by the members. Though our Company has requested all the Shareholders to provide their updated addresses for the purpose of distribution of Offering Materials, still despite all efforts, some Eligible Equity Shareholders may neither receive the original CAF nor may be in a position to obtain the duplicate CAF. Such Shareholders are being advised that they may make an Application to subscribe to the Issue on plain paper.

Any person who acquires Rights Entitlements or the Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

PRINCIPAL TERMS OF THE EQUITY SHARES ISSUED UNDER THE ISSUE**Face Value**

Each Equity Share shall have the face value of ₹ 2 each.

Issue Price

Each Equity Share is being offered at a price of ₹ [●] (including a premium of ₹ [●] per Equity Share). The Issue Price has been arrived at by us in consultation with the Lead Manager.

Rights Entitlement Ratio

The Equity Shares are being offered on a rights basis to the existing equity shareholders of our Company in the ratio of [●] Equity Share for every [●] Equity Shares held as on the Record Date.

As your name appears as a beneficial owner in respect of Equity Shares held in the electronic form or appears in the register of members as an equity shareholder of our Company as on the Record Date, you are entitled to the number of Equity Shares as set out in Part A of the CAF enclosed with the Letter of Offer.

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “Offering Information - Application on Plain Paper” on page 167 and 170 respectively.

Terms of payment

The entire amount of ₹ [●] per Equity Share is payable on application. Where an applicant has applied for additional Equity Shares and is allotted lesser number of Equity Shares than applied for, the excess Application Money paid shall be refunded. Our Company shall refund the excess Application Money within the prescribed time. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Fractional Entitlements

For Equity Shares being offered on a rights basis under the Issue in the ratio of [●] Equity Shares for every [●] Equity Shares held as on the Record Date. For the Equity Shares being offered on rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is equal to or less than [●] Equity Shares or is not in multiples of [●], the fractional entitlement less than 0.5 of such Eligible Equity Shareholders shall be ignored and more than 0.5 of such Eligible Equity Shareholders shall be rounded off to the next integer for computation of the Rights Entitlement. However, Eligible Equity Shareholders whose fractional entitlements are being ignored earlier will be given preference

in the Allotment of one additional Equity Share each, if such Eligible Equity Shareholders have applied for additional Equity Shares over and above their Rights Entitlement, if any.

An illustration stating the rights entitlement for number of Equity Shares is set out below:

Those Eligible Equity Shareholders having fractional entitlement of less than 0.5 Equity Share will be entitled to zero Equity Shares under the Issue shall be dispatched a CAF with zero entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares. However, they cannot renounce the same in favors of any third parties. CAF with zero entitlement will be non-negotiable/ non-renounceable.

Arrangement for Odd Lot Equity Shares

Our Equity Shares are traded in dematerialised form only and therefore the marketable lot is one Equity Share. Accordingly, our Company is not required to make any arrangements for the disposal of odd lot Equity Shares arising out of the Issue. Our Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Listing and trading of Rights Equity Shares proposed to be issued

Our existing Equity Shares are currently listed and traded on BSE (Scrip Code: 530201) under the ISIN – INE629F01025. The fully paid-up Rights Equity Shares proposed to be issued pursuant to the Issue shall, in terms of SEBI Circular No. CIR/MRD/DP/21/2012 dated August 2, 2012, be Allotted under a temporary ISIN shall be frozen till the time final listing and trading approval is granted by the Stock Exchange. Upon receipt of such listing and trading approval, the Rights Equity Shares proposed to be issued pursuant to the Issue shall be debited from such temporary ISIN and credited in the existing ISIN and thereafter be available for trading.

The listing and trading of the Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the listing and trading schedule. Upon Allotment, the Equity Shares shall be traded on Stock Exchanges (BSE) in the demat segment only.

The Rights Equity Shares allotted pursuant to this Issue will be listed as soon as possible and all steps for completion of the necessary formalities for listing and commencement of trading of the Rights Equity Shares shall be taken within seven Working Days of finalization of Basis of Allotment. We have made an application for “in-principle” approval for listing of the Equity Shares to the BSE and have received such approval from the BSE pursuant to the letter number [●] dated [●].

Our Company will apply to the BSE for final approval for the listing and trading of the Rights Equity Shares. No assurance can be given regarding the active or sustained trading in the Rights Equity Shares or that the price at which the Rights Equity Shares offered under the Issue will trade after listing on the Stock Exchanges.

Rights of the Equity Shareholder

Subject to applicable laws, Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

GENERAL TERMS OF THE ISSUE

Market lot

The Equity Shares of our Company is tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is one Equity Share.

Joint-Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles of Association. In case of joint holders, the CAF would be required to be signed by all the joint holders to be considered as valid for allotment of Equity Shares offered in the Issue. In case such Eligible Shareholders who are joint holders wish to renounce their Rights Entitlement, all such Eligible Shareholders who are joint holders would be required to sign Part B of the CAF. In absence of signatures of all joint holders, the CAF would be liable for rejection.

Nomination facility

In terms of Section 72 of the Companies Act, 2013, nomination facility is available in case of Equity Shares. An applicant can nominate any person, by filling the relevant details in the CAF in the space provided for this purpose.

A sole Eligible Equity Shareholder or first Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered and Corporate Office or such other person at such addresses as may be notified by our Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Eligible Equity Shareholder(s) has already registered the nomination with our Company, no further nomination needs to be made for Equity Shares to be allotted in the Issue under the same folio. However, new nominations, if any, by the Eligible Equity Shareholder(s) shall operate in supersession of the previous nomination, if any.

In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in the Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant wants to change the nomination, they are requested to inform their respective Depository Participant.

Notices

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English National Daily and one Hindi National Daily with wide circulation and one Telugu language daily newspaper with wide circulation (Telugu being the regional language at the place where our Registered Office is situated) and/ or will be sent by ordinary post or registered post or speed post to the registered address of the Equity Shareholders in India as updated with the Depositories/ registered with the Registrar and Transfer Agent from time to time. However, the distribution of the Letter of Offer, Abridged Letter of Offer and the issue of Rights Equity Shares on a rights basis, including pursuant to the Issue, to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

Subscription by the Promoter/Promoter Group

One of our Promoter, Mr. Poluri Venkateswara Reddy, in his capacity as a Promoter and as representative of the Promoter Group, vide his letter dated March 16, 2019 has given an undertaking that he alongwith the Promoter Group, and/or through one or more investors will subscribe to the total entitlement of the entire Promoter Group. The same is proposed to be ensured by way of subscription and application for additional shares and/or by renouncing their Rights Entitlement in part.

In such an event, the shareholding of Promoter and Promoter Group in the Company may accordingly stand modified. Further, they reserve the right either through themselves or through investors to additionally subscribe for any unsubscribed portion in the Issue. Such subscription to additional Equity shares and the unsubscribed portion of the Issue, if any shall be in accordance with Regulation 10(4) of SEBI (Substantial Acquisition of Shares & Takeovers)

Regulations, 2011. Their entitlement to subscribe to the Issue would be restricted to ensure that the public shareholding in the Company after the Issue does not fall below the permissible minimum level as specified in the applicable laws.

PROCEDURE FOR APPLICATION

The CAF for Rights Equity Shares offered as a part of the Issue would be printed for all Eligible Equity Shareholders and shall be sent only to their registered address provided in India. In case the original CAFs are not received by the Eligible Equity Shareholders or is misplaced by the Eligible Equity Shareholders, the Eligible Equity Shareholders may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID, Client ID and their full name and Indian address. In case the signature of the Eligible Equity Shareholder(s) does not match with the specimen registered with us or the DP, the application is liable to be rejected.

Please note that neither our Company, nor the Lead Manager nor the Registrar shall be responsible for delay in the receipt of the CAF/ duplicate CAF attributable to postal delays or if the CAF/ duplicate CAF are misplaced in the transit. Eligible Shareholders should note that those who are making the application in such duplicate CAF should not utilize the original CAF for any purpose, including renunciation, even if the original CAF is received or found subsequently. If any Eligible Shareholder violates any of these requirements, he/she shall face the risk of rejection of both applications.

Please note that, in accordance with Regulation 76 of the SEBI ICDR Regulations all Eligible Equity Shareholders who (a) hold Equity Shares in dematerialized form, (b) have not renounced their Rights Entitlement in part or in full, and (c) are not Renouncees, shall participate in the Issue only through the ASBA process.. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding shares Equity Shares in physical form are not eligible ASBA investors and must only apply for the Rights Equity Shares through the non ASBA process irrespective of the application value or category of applicant.

Offer to Non Resident Eligible Shareholders/Investors

In terms of Regulation 6 of Notification No. FEMA 20(R)/2017-RB dated November 7, 2017, the RBI has given general permission to Indian companies to issue equity shares on rights basis to non-resident shareholders including additional rights Equity Shares, subject to certain conditions laid down therein. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by the RBI, non-residents may, inter alia, (i) subscribe for additional shares over and above their rights entitlement; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Rights Equity Shares shall be inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of Application Money, allotment of Rights Equity Shares and issue of letter of allotment. **The Abridged Letter of Offer and CAF shall be dispatched to non-resident Eligible Shareholders at their Indian address only.** If an NR or NRI Investors has specific approval from RBI, in connection with his shareholding, he should enclose a copy of such approval with the Application Form. The Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Rights Equity Shares. The Rights Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original shares against which Rights Equity Shares are issued on rights basis. CAFs will be made available for eligible NRIs at our Registered Office and with the Registrar to the Issue.

In case of change of status of holders i.e. from Resident to Non-Resident, a new demat account must be opened.

Details of separate collecting centres for non-resident applications shall be printed on the CAF.

Please also note that by virtue of the circular No. 14 dated September 16, 2003 issued by the RBI, erstwhile Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of Investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Eligible Shareholder being an erstwhile OCB is required to obtain prior approval from RBI for applying to the Issue.

Abridged Letter of Offer and Composite Application Form (CAF)

The Registrar will dispatch the Abridged Letter of Offer and the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date by registered post / speed post / by courier service to their Indian address and/or by electronic transmission. The CAF will clearly indicate the number of Rights Equity Shares that the Eligible Equity

Shareholder is entitled to. Eligible Equity Shareholders who have neither received the original CAF nor are in a position to obtain the duplicate CAF may participate in the Issue by making plain paper Applications.

The Eligible Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the Application in the said bank account maintained with the same SCSB.

Please note that no more than five Applications (including CAF and plain paper) can be submitted per bank account in the Issue. ASBA Investors are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on Application as stated in the CAF will be blocked by the SCSB.

The CAF consists of four parts:

- Part A: Form for accepting the Rights Equity Shares offered as a part of this Issue, in full or in part, and for applying for additional Rights Equity Shares;
- Part B: Form for renunciation of Rights Equity Shares;
- Part C: Form for application of Rights Equity Shares by Renouncee(s);
- Part D: Form for request for split Application forms.

Procedure for Application through Non-ASBA Process:

Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations and subject to the conditions prescribed under the ASBA Circulars, all Eligible Equity Shareholders who (a) hold Equity Shares in dematerialized form, (b) have not renounced their Rights Entitlement in part or in full, and (c) are not Renouncees, shall use the ASBA process to make an application in the Issue. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and may apply for Rights Equity Shares only through the non-ASBA process, irrespective of the application amounts/applicant category.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form is available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. In case, Allotment in the Issue occurs subsequent to May 10, 2019, the Terms of the Issue will be modified to this extent in the Letter of Offer.

Option available to the Eligible Equity Shareholders

The CAFs will clearly indicate the number of Rights Equity Shares that the Shareholder is entitled to. An Eligible Equity Shareholder can:

- Apply for his Rights Entitlement of Rights Equity Shares in full;
- Apply for his Rights Entitlement of Rights Equity Shares in part (without renouncing the remaining part);
- Apply for his Rights Entitlement of Rights Equity Shares in part and renounce the remaining part of the Rights Equity Shares;
- Apply for his Rights Entitlement in full and apply for additional Rights Equity Shares;
- Renounce his Rights Entitlement in full.

Acceptance of the Issue

You may accept the offer to participate and apply for the Rights Equity Shares, either in full or in part without renouncing the balance by filling Part A of the respective CAFs and submit the same along with the application money payable to the collection branches of the Banker to the Issue as mentioned on the reverse of the CAFs before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board in this regard. Investors at Centres not covered by the branches of the Banker to the Issue can send their CAFs together with the cheque drawn at par on a local bank at Mumbai or demand draft payable at Mumbai to the Registrar to the Issue by registered post/ speed post so as to reach the Registrar to the Issue prior to the Issue Closing Date. Please note that neither our Company nor the Lead Manager nor the Registrar to the Issue shall be responsible for delay in the receipt of the CAF attributable to postal delays or if the CAF is misplaced in transit. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Additional Rights Equity Shares

You are eligible to apply for additional Rights Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Rights Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and allotment shall be made at the sole discretion of our Board, subject to sectoral caps and prescribed limits as per applicable laws and in consultation if necessary with the Designated Stock Exchange.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF. Renouncee(s) applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares by indicating the details of additional Rights Equity Shares applied in place provided for additional Rights Equity Shares in Part C of CAF. In case of NRI applicants, as per terms of Regulation 6 of Notification No. FEMA 20 12000-RB dated May 3, 2000, as amended from time to time, only the existing Non-Resident shareholders may subscribe for additional equity shares over and above the equity shares offered on rights basis by our Company.

Where the number of additional Rights Equity Shares applied for exceeds the number of Rights Equity Shares available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Rights Equity Shares offered to you either in full or in part in favour of any other person or persons. Non-ASBA investors who are Renouncees cannot further renounce their entitlement. Your attention is drawn to the fact that we shall not Allot and/ or register the Rights Equity Shares in favour of the following Renouncees (i) more than three persons (including joint holders), (ii) partnership firm(s) or their nominee(s), (iii) minors (except applications by minors having valid demat accounts as per the demographic details provided by the depositories), (iv) HUF, or (v) any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act, 1882 or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares, as the case may be).

Additionally, existing Eligible Equity Shareholders may not renounce in favour of persons or entities in the U.S., or to, or for the account or benefit of a "U.S. Person" (as defined in Regulation S), or who would otherwise be prohibited from being offered or subscribing for Rights Equity Shares or Rights Entitlement under applicable securities laws.

In terms of FED Master Direction Number 11/2017-18 dated January 04, 2018 (updated as on April 06, 2018) issued by RBI, a person resident in India and a person resident outside India may subscribe for additional shares over and above the shares offered on rights basis by the company and also renounce the shares offered either in full or part thereof in favour of a person named by them. However, such facility is not available to Investors who have been allotted shares of the Company as Overseas Corporate Bodies (OCBs).

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this Issue has been made. If used, this will render the application invalid. Submission of the CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for us of the fact of renouncement to the person(s) applying for Rights Equity Shares in Part 'C' of the CAF for the purposes of Allotment of such Rights Equity Shares. The Renouncees applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Rights Equity Shares in favour of any other person. In terms of Regulation 6 of Notification No. FEMA 20 12000-RB dated May 3, 2000, as amended from time to time, only the existing Non-Resident shareholders may subscribe for additional equity shares over and above the equity shares offered on rights basis by our Company.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the application from the Renouncees without assigning any reason thereof.

Procedure for renunciation

The following procedure applies to renunciation by the Eligible Equity Shareholders of their Rights Entitlement.

To renounce all the Rights Equity Shares offered to an Equity Shareholder in favour of one Renouncee

If you wish to renounce the Rights Entitlement indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renouncees, all joint Renouncees must sign Part 'C' of the CAF.

To renounce in part/ or renounce the whole to more than one person(s)

If you wish to either (i) accept this offer in part and renounce the balance, or (ii) renounce the entire Rights Entitlement under this Issue in favour of two or more Renouncees, the CAF must be first split into requisite number of SAFs. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs as mentioned herein. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Rights Equity Shares, does not match with the specimen registered with us/ Depositories, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Banker to the Issue or to any of the collection branches of the Bankers to the Issue as mentioned in the reverse of the CAF on or before the Issue Closing Date along with the application money in full. The Renouncee cannot further renounce.

Change and/ or introduction of additional holders

If you wish to apply for the Rights Equity Shares jointly with any other person(s), not more than three (including you), who is/ are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning any reason thereof.

Instructions for Options

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise any of the following options with regard to the Rights Equity Shares offered, using the CAF:

| S. No | Option Available | Action Required |
|--------------|---|---|
| (i) | Accept whole or part of your Rights Entitlement without renouncing the balance. | Fill in and sign Part A (All joint holders must sign in the same sequence) |
| (ii) | Accept your Rights Entitlement in full and apply for additional Rights Equity Shares | Fill in and sign Part A including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Equity Shares (All joint holders must sign in the same sequence) |
| (iii) | Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s) OR Renounce your Rights Entitlement of all the Rights Equity Shares offered to you to more than one Renouncee | Fill in and sign Part D (all joint holders must sign in the same sequence) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once. On receipt of the SAF take action as indicated below. <ul style="list-style-type: none"> • For the Equity Shares you wish to accept, if any, fill in and sign Part A. • For the Rights Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncee. • Each of the Renouncee should fill in and sign Part C for the Equity Shares accepted by them. |

| | | |
|------|---|--|
| (iv) | Renounce your Rights Entitlement in full to one person (Joint Renouncees are considered as one) | Fill in and sign Part B (all joint holders must sign in the same sequence) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (All joint Renouncees must sign) |
| (v) | Introduce a joint holder or change the sequence of joint holders | This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C. |

In case of Rights Equity Shares held in physical form, the applicants must apply through Non-ASBA process and such applicants must provide information in the CAF as to their respective bank account numbers, name of the bank, to enable the Registrar to print the said details on the refund order. Failure to comply with this may lead to rejection of application. In case of Rights Equity Shares held in demat form, bank account details furnished by the Depositories will be printed on the refund order.

All applicants holding shares in physical form are requested to note that in accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form is available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. In case, Allotment in the Issue occurs subsequent to May 10, 2019, the Terms of the Issue will be modified to this extent in the Letter of Offer.

Further, pursuant to the SEBI Listing (Fourth Amendment) Regulations, 2018 dated June 08, 2018 and SEBI press release PR No.: 51/2018 dated December 03, 2018, transfer of securities shall not be processed unless securities are held in dematerialized form with a depository, except in case of transmission or transposition of securities.

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholder to whom this Letter of Offer has been addressed. If used, this will render the application invalid.
- Request for SAF should be made for a minimum of one Equity Share or, in either case, in multiples thereof, and one SAF for the balance corresponding Rights Equity Shares, if any.
- Request by the Eligible Equity Shareholder for the SAFs should reach the Registrar on or before [•].
- Only the Eligible Equity Shareholder to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
- SAFs will be sent to the Eligible Equity Shareholder(s) by post at the Applicant's sole risk.
- Eligible Equity Shareholders may not renounce in favour of persons or entities in the restricted jurisdictions including the U.S. or to or for the account or benefit of a "U.S. Person" (as defined in Regulation S), or who would otherwise be prohibited from being offered or subscribing for Rights Equity Shares or Rights Entitlement under applicable securities laws.
- Submission of the CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for us of the person(s) applying for Rights Equity Shares in Part 'C' of the CAF.
- While applying for or renouncing their Rights Entitlement, joint Equity Shareholders must sign the CAF in the same order as per specimen signatures recorded with us or the Depositories.
- *Non-resident Eligible Equity Shareholders:* Application(s) received from Non-Resident/ NRIs, or persons of Indian origin residing abroad for allotment of Rights Equity Shares allotted as a part of this Issue shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Rights Equity Shares, subsequent issue and allotment of Rights Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.
- Applicants must write their CAF number at the back of the cheque / demand draft.
- The RBI has mandated that CTS 2010 compliant cheques can only be presented in clearing hence the CAFs accompanied by non-CTS cheques could get rejected.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Eligible Equity Shareholder, the Registrar to the Issue will issue a duplicate CAF on the request of the Eligible Equity Shareholder who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue at least 7 days prior to the Issue Closing Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Eligible Equity Shareholder violates such requirements, he/ she shall face the risk of rejection of either original CAF or both the applications.

Neither the Registrar nor the Lead Manager or our Company, shall be responsible for postal delays or loss of duplicate CAFs in transit, if any.

Application on Plain Paper (Non - ASBA)

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with account payee cheque drawn on a bank payable at par, pay order/demand draft (after deducting banking and postal charges) payable at Mumbai which should be drawn in favour of "**Kallam Textiles Limited – Rights Issue - R**" in case of resident shareholders and non-resident shareholders applying on non-repatriable basis and in favour of "**Kallam Textiles Limited – Rights Issue – NR**" in case of non-resident shareholders applying on repatriable basis and send the same by registered post directly to the Registrar to the Issue so as to reach Registrar to the Issue on or before the Issue Closing Date. The envelope should be super scribed "**Kallam Textiles Limited – Rights Issue - R**" in case of resident shareholders and Non-resident shareholders applying on non-repatriable basis, and "**Kallam Textiles Limited – Rights Issue – NR**" in case of non-resident shareholders applying on repatriable basis.

- The application on plain paper, duly signed by the applicant(s) including joint holders, in the same order as per specimen recorded with us or the Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:
- Name of Issuer, being Kallam Textiles Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Rights Equity Shares held as on Record Date;
- Number of Rights Equity Shares entitled to;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;
- Total number of Rights Equity Shares applied for;
- Total amount paid at the rate of Rs. [●] per Rights Equity Share;
- Particulars of cheque/ demand draft;
- Savings/ current account number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order. In case of Rights Equity Shares allotted in demat form, the bank account details will be obtained from the information available with the Depositories;
- Except for applications on behalf of the Central or State Government and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue; Documentary evidence for exemption to be provided by the applicants;
- Share certificate numbers and distinctive numbers of Rights Equity Shares, if held in physical form;
- If the payment is made by a draft purchased from NRE/ FCNR/ NRO account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account;
- Signature of the Applicant to appear in the same sequence and order as they appear in our records / Depositories; and
- Additionally, all such applicants are deemed to have accepted the following:

"I am/we are entitled to subscribe for and acquire the Rights Equity Shares under the laws of all relevant jurisdictions that apply to me/us and I/we have fully observed such laws and complied with all necessary formalities to enable me/us to subscribe for the Rights Equity Shares.

I was/we were outside the United States (within the meaning of Regulation S) under the Securities Act, at the time the offer of the Rights Equity Shares was made to me/us and I was/we were outside the United States when my/our buy order for the Rights Equity Shares was originated.

I/we did not purchase the Rights Equity Shares as a result of any “directed selling efforts” (as defined in Regulation S).

The Rights Equity Shares have not been and will not be registered under the Securities Act or the securities law of any state of the United States and I/we will not offer or sell the Rights Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

If I/we acquired any of the Rights Equity Shares as fiduciary or agent for one or more investor accounts, I/we have sole investment discretion with respect to each such account and I/we have full power to make the foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

I/we shall indemnify and hold Kallam Textiles Limited harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. I/we agree that the indemnity set forth in this paragraph shall survive the resale of the Rights Equity Shares.

I/we acknowledge that Kallam Textiles Limited and others will rely upon the truth and accuracy of the foregoing representations, warranties and acknowledgements.”

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Eligible Equity Shareholder violates such requirements, he/ she shall face the risk of rejection of both the applications. We shall refund such application amount to the Eligible Equity Shareholder without any interest thereon and no liability shall arise on part of our Company, Lead Manager and our Directors. In cases where multiple CAFs are submitted, including cases where an investor submits CAFs along with a plain paper application, such applications shall be liable to be rejected.

Last date for Application

The last date for submission of the duly filled in CAF is [●]. Our Board may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by our Board or any authorized committee thereof, the invitation to offer contained in this Letter of Offer shall be deemed to have been declined and our Board or any authorized committee thereof shall be at liberty to dispose of the Rights Equity Shares hereby offered.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (“ASBA”) PROCESS

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. The Lead Manager and we are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

The Lead Manager, we, our Directors, Affiliates, Associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public/rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in their own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, in accordance with the applicable regulations.

Self-Certified Syndicate Banks

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> and/or such other website(s) as may be prescribed by the SEBI or Stock Exchange(s) from time to time. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

Eligible Equity Shareholders who are eligible to apply under the ASBA Process

The option of applying for Rights Equity Shares through the ASBA Process is available only to the Eligible Equity Shareholders on the Record Date.

To qualify as ASBA Applicants, Eligible Equity Shareholders:

- are required to hold Rights Equity Shares in dematerialized form as on the Record Date and apply for: (i) their Rights Entitlement; or (ii) their Rights Entitlement and Rights Equity Shares in addition to their Rights Entitlement in dematerialized form;
- should not have renounced their Right Entitlement in full or in part;
- should not have split the CAF and further renounced it;
- should not be Renouncees;
- should apply through blocking of funds in bank accounts maintained with SCSBs; and
- are eligible under applicable securities laws to subscribe for the Rights Entitlement and the Rights Equity Shares in the Issue.

CAF

The Registrar will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Eligible Equity Shareholders who must apply through the ASBA will have to select for this ASBA payment mechanism in Part A of the CAF and provide necessary details.

Eligible Equity Shareholders applying through the ASBA Process are required to submit their applications by selecting the ASBA option in Part A of the CAF. Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Equity Shareholder shall submit the CAF to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the ASBA Account.

Acceptance of the offer under the ASBA process

ASBA Investors may accept the Issue and apply for the Rights Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA option in Part A of the CAF and submit the same to the Designated Branch of the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board or any committee thereof in this regard.

More than one ASBA Investor may apply using the same ASBA Account, provided that SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account as provided for under the SEBI Circular dated December 30, 2009.

Mode of payment under the ASBA process

The Eligible Equity Shareholder applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar. Upon receipt of instructions from the Registrar to the Issue pursuant to the finalization of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer amount to the extent of Rights Equity Shares allotted in the Rights Issue as per the Registrar's instruction from the ASBA Account. This amount will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by our Company for the purpose of the Issue. The balance amount remaining after the finalisation of the Basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar and the Lead Manager to the respective SCSB.

The Eligible Equity Shareholders applying under the ASBA Process would be required to give instructions to the respective SCSBs to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account, details of which have been provided by the Equity Shareholder in the CAF, does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, we would have a right to reject the application only on technical grounds.

Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Eligible Equity Shareholders is presented below. You may exercise any of the following options with regard to the Rights Equity Shares, using the respective CAFs received from Registrar:

| | Option Available | Action Required |
|----|--|--|
| 1. | Accept whole or part of your Rights Entitlement without renouncing the balance | Fill in and sign Part A of the CAF (All joint holders must sign in the same sequence) |
| 2. | Accept your Rights Entitlement in full and apply for additional Rights Equity Shares | Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Equity Shares (All joint holders must sign in the same sequence) |

The Eligible Equity Shareholders applying under the ASBA Process will need to select the ASBA process option in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the designated branch of the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAF would be treated as if the Eligible Equity Shareholder has selected to apply through the ASBA process option.

Renunciation under the ASBA Process

ASBA Investors can neither be Renouncees, nor can they renounce their Rights Entitlement.

Application on Plain Paper under the ASBA process

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper. The Equity Shareholder shall submit the plain paper application to the Designated Branch of SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. Applications on plain paper from any address outside India will not be accepted.

The envelope should be super scribed "***Kallam Textiles Limited – Rights Issue- R***" or "***Kallam Textiles Limited – Rights Issue- NR***", as the case may be. The application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order as per the specimen recorded with us or the Depositories, must reach the office of the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Kallam Textiles Limited;
- Name and address of the Equity Shareholder including joint holders;
- DP and Client ID no.;
- Number of Rights Equity Shares held as on Record Date in dematerialized form only;
- Number of Rights Equity Shares entitled to;
- Number of Rights Equity Shares applied for;
- Number of additional Rights Equity Shares applied for, if any;
- Total number of Rights Equity Shares applied for;
- Total amount to be paid at the rate of ₹[●] per Rights Equity Share;
- Details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB;
- In case of non-resident investors making an application from an Indian address, details of the NRE/ FCNR/ NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
- Except for applications on behalf of the Central or State Government and the officials appointed by the courts (subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity), PAN of the Investor and for each Investor in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
- Authorization to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account
- Signature of the Shareholders to appear in the same sequence and order as they appear in our records or depositories records;
- Any approval obtained from the RBI, as may be applicable, and
- Additionally, all such applicants are deemed to have accepted the following:

"I am/we are entitled to subscribe for and acquire the Rights Equity Shares under the laws of all relevant jurisdictions that apply to me/us and I/we have fully observed such laws and complied with all necessary formalities to enable me/us to subscribe for the Rights Equity Shares.

I was/we were outside the United States (within the meaning of Regulation S) under the Securities Act, at the time the offer of the Rights Equity Shares was made to me/us and I was/we were outside the United States when my/our buy order for the Rights Equity Shares was originated.

I/we did not purchase the Rights Equity Shares as a result of any "directed selling efforts" (as defined in Regulation S).

I/ we understand that the Rights Equity Shares have not been and will not be registered under the Securities Act or the securities law of any state of the United States and I/we will not offer or sell the Rights Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

If I/we acquired any of the Rights Equity Shares as fiduciary or agent for one or more investor accounts, I/we have sole investment discretion with respect to each such account and I/we have full power to make the foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

I/we shall indemnify and hold Kallam Textiles Limited harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. I/we agree that the indemnity set forth in this paragraph shall survive the resale of the Rights Equity Shares.

I/we acknowledge that Kallam Textiles Limited and others will rely upon the truth and accuracy of the foregoing representations, warranties and acknowledgements."

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of both the applications. We shall refund such application amount to the Investor without any interest thereon.

Option to receive Rights Equity Shares in Dematerialized Form

ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE RIGHTS EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

General instructions for Eligible Equity Shareholders applying under the ASBA Process

- 1) Please read the instructions printed on the CAF carefully.
- 2) Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer and the Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English. No correction of name, folio/DP client id etc., should be made in the printed CAF sent.
- 3) ASBA Applicants are required to select this mechanism in Part A of the CAF and provide necessary details, including details of the ASBA Account, authorizing the SCSB to block an amount equal to the Application Money in the ASBA Account mentioned in the CAF, and including the signature of the ASBA Account holder if the ASBA Account holder is different from the Applicant.
- 4) The CAF/plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose ASBA Account/ bank account details are provided in the CAF and not to the Banker to the Issue/ Collecting Banks (assuming that such Collecting Bank is not a SCSB), to us or Registrar or Lead Manager to the Issue.
- 5) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/ her PAN allotted under the IT Act, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government and the officials appointed by the courts, **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- 6) All payments will be made by blocking the amount in the ASBA Account. Payments through any other mode is not acceptable.
- 7) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with us and/ or Depositories.
- 8) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the depository/ us. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- 9) All communication in connection with application for the Rights Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/ sole applicant Equity Shareholder, folio numbers and CAF number.
- 10) Only the person or persons to whom the Rights Equity Shares have been offered and not renouncee(s) shall be eligible to participate under the ASBA process.
- 11) Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Rights Equity Shares under applicable securities laws are eligible to participate.
- 12) Only the Eligible Equity Shareholders holding shares in demat are eligible to participate through ASBA process.
- 13) Eligible Equity Shareholders who have renounced their entitlement in part/ full are not entitled to apply using ASBA process.

- 14) Please note that subject to SCSBs complying with the requirements of SEBI circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.
- 15) In case of non - receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under the heading "*Application on Plain Paper*".
- 16) Eligible Equity Shareholders are required to ensure that the number of Rights Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

Do's:

- 1) Ensure compliance with eligibility conditions mentioned above.
- 2) Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in.
- 3) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Rights Equity Shares will be allotted in the dematerialized form only.
- 4) Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
- 5) Ensure that there are sufficient funds (equal to {number of Rights Equity Shares as the case may be applied for} X {Issue Price of Rights Equity Shares, as the case may be}) available in the ASBA Account mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
- 6) Ensure that you have authorized the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the ASBA Account, of which details are provided in the CAF and have signed the same.
- 7) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the CAF / plain paper application.
- 8) Ensure that the Demographic Details such as address and bank account details are updated.
- 9) Ensure that the account holder in whose bank account the funds are to be blocked has signed authorising such funds to be blocked.
- 10) Apply under ASBA process only if you comply with the definition of an ASBA Investor.

Don't's:

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- Do not apply on duplicate CAF after you have submitted a CAF or the plain paper application to a Designated Branch of the SCSB.
- Do not pay the amount payable on application in cash, by money order, by pay order or by postal order.
- Do not send your physical CAFs to the Lead Manager/ Registrar/ Collecting Banks (assuming that such Collecting Bank is not a SCSB)/ to a branch of the SCSB which is not a Designated Branch of the SCSB/ Company; instead submit the same to a Designated Branch of the SCSB only.
- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- Do not apply if the ASBA account has already been used for five Eligible Equity Shareholders.
- Do not apply through the ASBA Process if you are not an ASBA Investor.
- Do not instruct the SCSBs to release the funds blocked under the ASBA Process.

Grounds for Technical Rejections under the ASBA Process

In addition to the grounds listed under "Grounds for Technical Rejections for non-ASBA Investors" on page 181, applications under the ASBA Process are liable to be rejected on the following grounds:

- Application on a SAF
- Application for allotment of Rights Entitlements or additional Rights Equity Shares which are in physical form.
- DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- Submission of an ASBA application on plain paper to a person other than the Designated Branch of a SCSB.
- Sending CAF to a Lead Manager/ Registrar/ Collecting Bank (assuming that such Collecting Bank is not a SCSB)/ to a branch of a SCSB which is not a Designated Branch of the SCSB/ Company.
- Insufficient funds being available with the SCSB for blocking the amount.
- Funds in the bank account with the SCSB whose details have been mentioned in the CAF / Plain Paper Application having been frozen pursuant to regulatory order.

- ASBA Account holder not signing the CAF or declaration mentioned therein.
- CAFs which have evidence of being executed in/ dispatched from a restricted jurisdiction or executed by or for the account or benefit of a U.S. Person (as defined in Regulation S).
- Renouncees applying under the ASBA Process.
- Submission of more than five CAFs per ASBA Account.
- Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.
- Submitting the GIR number instead of the PAN.
- An investor, who is not complying with any or all of the conditions for being an ASBA Investor, applies under the ASBA process.
- Applications by persons not competent to contract under the Contract Act, 1872, as amended, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.
- Failure to mention an Indian address in the Application. Application with foreign address shall be liable to be rejected.
- If an Investor is (a) debarred by SEBI and/or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor to subscribe to their Rights Entitlement.
- ASBA Bids by SCSBs applying through the ASBA process on own account, other than through an ASBA Account in its own name with any other SCSB.

Depository account and bank details for Eligible Equity Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR RIGHTS EQUITY SHARES IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE RIGHTS EQUITY SHARES ARE HELD BY THE EQUITY SHAREHOLDER ON THE RECORD DATE. ALL ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF / PLAIN PAPER APPLICATIONS, AS THE CASE MAY BE.

Eligible Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Eligible Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF / plain paper applications, as the case may be, the Registrar to the Issue will obtain from the Depository demographic details of these Eligible Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Eligible Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Eligible Equity Shareholders including mailing of the letters intimating unblocking of their respective ASBA Accounts. The Demographic Details given by the Eligible Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Eligible Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Eligible Equity Shareholders applying under the ASBA Process would be deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

The Allotment advice / letters intimating unblocking of ASBA Account or refund (if any) would be mailed at the address of the Investor applying under the ASBA process as per the Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Equity Shares are not allotted to such Investor. Investors applying under the ASBA process may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Investor in the CAF would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Eligible Equity Shareholders (including the order of names of joint holders), (b) the DP ID, and (c) the beneficiary account number, then such applications are liable to be rejected.

Issue Schedule

| | |
|---|-----|
| Issue Opening Date: | [●] |
| Last date for receiving requests for Split Application Forms (SAFs): | [●] |
| Issue Closing Date: | [●] |

The Board may however decide to extend the Issue period, as it may determine from time to time, but not exceeding 30 days from the Issue Opening Date.

Basis of Allotment

Subject to the provisions contained in this Letter of Offer, Abridged Letter of Offer, CAF, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to allot the Rights Equity Shares in the following order of priority:

- i. Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- ii. Investors whose fractional entitlements are being ignored and Eligible Equity Shareholders with Zero entitlement would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Share. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (i) above. If number of Equity Shares required for Allotment under this head are more than number of Equity Shares available after Allotment under (i) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange, as a part of Issue and will not be a preferential allotment.
- iii. Allotment to the Eligible Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an unsubscribed portion after making full Allotment in (i) and (ii) above. The Allotment of such Equity Shares will be at the sole discretion of our Board/Committee in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.
- iv. Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (i), (ii) and (iii) above. The Allotment of such Equity Shares will be at the sole discretion of our Board/ Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.
- v. Allotment to any other person that the Board as it may deem fit provided there is surplus available after making Allotment under (i), (ii), (iii) and (iv) above, and the decision of the Board in this regard shall be final and binding.

One of our Promoter, Mr. Poluri Venkateswara Reddy, in his capacity as a Promoter and as representative of the Promoter Group, vide his letter dated March 16, 2019 has given an undertaking that he alongwith the Promoter Group, and/or through one or more investors will subscribe to the total entitlement of the entire Promoter Group. The same is proposed to be ensured by way of subscription and application for additional shares and/or by renouncing their Rights Entitlement in part.

In such an event, the shareholding of Promoter and Promoter Group in the Company may accordingly stand modified. Further, they reserve the right either through themselves or through investors to additionally subscribe for any unsubscribed portion in the Issue. Such subscription to additional Equity shares and the unsubscribed portion of the Issue, if any shall be in accordance with Regulation 10(4) of SEBI (Substantial Acquisition of Shares & Takeovers)

Regulations, 2011. Their entitlement to subscribe to the Issue would be restricted to ensure that the public shareholding in the Company after the Issue does not fall below the permissible minimum level as specified in the applicable laws.

After taking into account Allotment to be made under (i) to (iv) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- 1) The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for the Issue, for each successful ASBA Investors;
- 2) The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
- 3) The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

Underwriting

The issue is not to be underwritten.

Allotment Advices/ Refund Orders

Our Company will issue and dispatch allotment advice/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within 15 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

Investors residing at centres where clearing houses are managed by the Reserve Bank of India ("RBI"), payment of refund would be done through NACH except where Investors have not provided the details required to send electronic refunds.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Rights Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and our Company issues letter of allotment, the corresponding Rights Equity Share certificates will be kept ready within two months from the date of Allotment thereof under section 56 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the Rights Equity Share certificates.

The letter of allotment/ refund order would be sent by registered post/ speed post to the sole/ first Investor's registered address in India or the Indian address provided by the Eligible Equity Shareholders from time to time. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/ first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Our Company shall ensure at par facility is provided for encashment of refund orders or pay orders at the places where applications are accepted.

As regards allotment/refund to Non-residents, the following further conditions shall apply:

In the case of Non-resident Shareholders or Investors who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the applicable laws and other approvals, in case of Non-resident Shareholders or Investors who remit their application money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. Our Company will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into US Dollars. The Share Certificate(s) will be sent by registered post / speed post to the address in India of the Non-Resident Shareholders or Investors.

The Letter of Offer/ Abridged Letter of Offer and the CAF shall be dispatched to only such Non-resident Shareholders who have a registered address in India or have provided an Indian address.

Payment of Refund

Mode of making refunds

The payment of refund, if any, including in the event of oversubscription, would be done through any of the following modes:

- 1 NACH – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by the RBI, where such facility has been made available. This would be subject to availability of complete bank account details including MICR code wherever applicable from the depository. The payment of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by the RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.
- 2 National Electronic Fund Transfer (“NEFT”) - Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
- 3 Direct Credit - Investors having bank accounts with the Banker to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
- 4 RTGS - If the refund amount exceeds ₹2,00,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
- 5 For all other Investors the refund orders will be dispatched through Speed Post/ Registered Post where the amount to be refunded is Rs. 1,500 or more. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par. In other cases the refund may be made under certificate of posting (subject to Postal rules).
- 6 Credit of refunds to Investors in any other electronic manner, permissible under the banking laws, which are in force, and is permitted by SEBI from time to time.

Refund payment to Non- resident

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at Mumbai, refunds will be made in the Indian rupees based on the U.S. dollars equivalent which ought to be refunded. Indian rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and our Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques were drawn and details of which were provided in the CAF.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank

account particulars, where available, will be printed on the refund orders/ refund warrants which can then be deposited only in the account specified. We will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice/ Share Certificates/ Demat Credit

Allotment advice/ Share Certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within the timeline prescribed under applicable law. In case our Company issues Allotment advice, the respective Share Certificates will be dispatched within one month from the date of the Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for Share Certificates.

Investors shall be allotted the Equity Shares in dematerialized (electronic) form at the option of the Investor.

We have signed tripartite agreements both with NSDL and CDSL and the Registrar to the Issue which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

The Allottees will receive their Rights Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with the depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Investor's depository account.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in our records. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in our records). In case of Investors having various folios with different joint holders, the Investors will have to open separate accounts for such holdings. Those Eligible Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.
- For Eligible Equity Shareholders already holding Equity Shares in dematerialized form as on the Record Date, the beneficiary account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue will be made in dematerialized form even if the original Equity Shares are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Eligible Equity Shareholders and the names are in the same order as in our records.
- The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in CAF should be the same as registered with the Investor's depository participant.
- If incomplete / incorrect beneficiary account details are given in the CAF, the applications are liable to be rejected.
- The Rights Equity Shares allotted to applicants, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to the applicant the confirmation of the credit of such Equity Shares to the applicant's depository account. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

- Non-transferable allotment advice/refund orders will be directly sent to the Investors by the Registrar.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Eligible Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

General instructions for non-ASBA Investors

- Please read the instructions printed on the CAF carefully.
- Eligible Equity Shareholders who have renounced their entitlement (in full or in part), Renouncees and Applicants holding Equity Shares in physical form and/or subscribing in the Issue for Allotment in physical form may participate in the Issue only through the non-ASBA process. Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations and subject to the conditions prescribed under the ASBA Circulars, all Eligible Equity Shareholders who (a) hold Equity Shares in dematerialized form, (b) have not renounced their Rights Entitlement in part or in full, and (c) are not Renouncees, shall use the ASBA process to make an application in the Issue..
- Application should be made on the printed CAF, provided by us except as mentioned under the head “Application on Plain Paper” should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer or Abridged Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father’s/ husband’s name must be filled in block letters.
- Eligible Equity Shareholders participating in the Issue other than through ASBA are required to fill Part A of the CAF and submit the CAF along with Application Money before close of banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board in this regard. The CAF together with the cheque/ demand draft should be sent to the Banker to the Issue/ Collecting Bank or to the Registrar to the Issue and not to us or Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Banker to the Issue have been authorized by us for collecting applications, will have to make payment by demand draft payable at Mumbai of an amount net of bank and postal charges and send their CAFs to the Registrar to the Issue by registered post/speed post. If any portion of the CAF is/ are detached or separated, such application is liable to be rejected. **CAF’s received after banking hours on closure day will be liable for rejection.**

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected. Applications accompanied by cash, postal order or stockinvest are liable to be rejected.

- Except for applications on behalf of the Central and State Government and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/ her PAN allotted under the Income Tax Act, irrespective of the amount of the application. CAFs without PAN will be considered incomplete and are liable to be rejected.
- Investors, holding Equity Shares in physical form, must apply through Non-ASBA process, such applicants are advised that it is mandatory to provide information as to their savings/current account number, the nine digit MICR number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- All payment should be made by cheque / demand draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.

- (viii) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with us/ Depositories.
- (ix) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and certified true a copy of the Memorandum and Articles of Association and/ or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with us, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Banker to the Issue.
- (x) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with us or the Depositories. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (xi) Application(s) received from NRs/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA, including regulations relating to QFI's, in the matter of refund of application money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/ NRIs in the U.S. or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- (xii) All communication in connection with application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/ sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of Eligible Equity Shareholders, after the date of Allotment, should be sent to our Registrar and Transfer Agent, in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
- (xiii) SAFs cannot be re-split.
- (xiv) Only the Equity Shareholder(s) and not Renouncee(s) shall be entitled to obtain SAFs.
- (xv) Investors must write their CAF number at the back of the cheque/ demand draft.
- (xvi) Only one mode of payment per application should be used. The payment must be by cheque/ demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (xvii) A separate cheque/ draft must accompany each CAF. Outstation cheques/ demand drafts or post-dated cheques and postal/ money orders will not be accepted and applications accompanied by such outstation cheques/ outstation demand drafts/ money orders or postal orders will be rejected.
- (xviii) No receipt will be issued for application money received. The Banker to the Issue/ Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (xix) The distribution of this Letter of Offer and issue of Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in such jurisdictions are instructed to disregard this Letter of Offer and not to attempt to subscribe for Equity Shares.

- (xx) Investors are requested to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

Don'ts for non-ASBA Investors:

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction;
- Do not apply on duplicate CAF after you have submitted a CAF to a collection branch of the Banker to the Issue;
- Do not pay the amount payable on application in cash, by money order or by postal order;
- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground;
- Do not submit Application accompanied with Stock invest;

Grounds for Technical Rejections for non-ASBA Investors

Investors are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Submission of CAFs to the SCSBs;
- Submission of plain paper Applications to any person other than the Registrar to the Issue;
- Age of Investor(s) not given (in case of Renouncees);
- Except for CAFs on behalf of the Central or State Government and the officials appointed by the courts, PAN not given for application of any value;
- In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted;
- If the signature of the Equity Shareholder does not match with the one given on the CAF and for Renouncee(s) if the signature does not match with the records available with their Depositories (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- CAFs are not submitted by the Investors within the time prescribed as per the CAF and this Letter of Offer;
- CAFs not duly signed by the sole/ joint Investors;
- CAFs/ SAFs by OCBs not accompanied by a copy of an RBI approval to apply in this Issue;
- CAFs accompanied by Stockinvest/ outstation cheques/ post-dated cheques/ money order/ postal order/ outstation demand draft;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- CAFs that do not include the certifications set out in the CAF to the effect that the subscriber is not a "U.S. Person" (as defined in Regulation S) and does not have a registered address (and is not otherwise located) in the U.S. or other restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/ dispatched from restricted jurisdictions;
- CAFs by ineligible non-residents (including on account of restriction or prohibition under applicable local laws) and where the registered address in India has not been provided;
- CAFs where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;
- In case the GIR number is submitted instead of the PAN;
- CAFs submitted by Renouncees where Part B of the CAF is incomplete or is unsigned. In case of joint holding, all joint holders must sign Part 'B' of the CAF;
- Applications by persons not competent to contract under the Contract Act, 1872, as amended, except bids by minors having valid demat accounts as per the demographic details provided by the Depositories.
- Applications by Renouncees who are persons not competent to contract under the Indian Contract Act, 1872, except minors having valid demat accounts / documents;
- Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application; and

- Applications from Investors eligible to apply through ASBA process, applying in the Issue for Rights Shares, through Non-ASBA process.
- Failure to mention an Indian address in the Application. Application with foreign address shall be liable to be rejected.
- If an Investor is debarred by SEBI and if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor to subscribe to their Rights Entitlement.
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Please read this Letter of Offer or Abridged Letter of Offer and the instructions contained therein and in the CAF carefully, before filling the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in this Letter of Offer or the CAF.

Investment by FIIs, FPIs and QFIs

SEBI, On January 07, 2014, notified the SEBI FPI Regulations pursuant to which FIIs, its sub-accounts and QFIs categories of investors were merged to form a new category called 'Foreign Portfolio Investors'. Prior to the notification of the SEBI FPI Regulations, portfolio investments by FIIs and sub-accounts were governed by SEBI under the FII Regulations and portfolio investments by QFIs were governed by various circulars issued by SEBI from time to time (QFI Circulars). Pursuant to the notification of the SEBI FPI Regulations, the FII Regulations were repealed and the QFI Circulars were rescinded.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an Investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of our Company's post-Issue Equity Share Capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up Equity Share Capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid up Equity Share Capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board followed by a special resolution passed by the Eligible Equity Shareholders of our Company.

FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

The existing individual and aggregate investment limits for Eligible QFIs in an Indian company are 5% and 10% of the paid-up capital of an Indian company, respectively. In terms of the FEMA Regulations, a QFI shall not be eligible to invest as a QFI upon obtaining registration as an FPI. However, all investments made by a QFI in accordance with the regulations, prior to registration as an FPI shall continue to be valid and taken into account for computation of the aggregate limit.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended. Applications will not be accepted from NRIs in restricted jurisdictions.

NRI Applicants may please note that only such Applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the reserved category. The NRI Applicants who intend to make payment through NRO accounts shall use the Application Form meant for resident Indians and shall not use the Application Forms meant for reserved category.

In terms of FED Master Direction Number 11/2017-18 dated January 04, 2018 (updated as on April 06, 2018) issued by RBI, a person resident in India and a person resident outside India may subscribe for additional shares over and above the shares offered on rights basis by the company and also renounce the shares offered either in full or part thereof in favour of a person named by them. However, such facility is not available to Investors who have been allotted shares of the Company as Overseas Corporate Bodies (OCBs).

In terms of Regulation 6 of Notification No. FEMA 20(R)/ 2017-RB dated November 07, 2017, as amended from time to time, only the existing non resident shareholders may subscribe for additional equity shares over and above the equity shares offered on Rights Basis by our Company.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Procedure for Applications by AIFs, FVCIs and VCFs

The SEBI (Venture Capital Funds) Regulations, 1996, as amended (“SEBI VCF Regulations”) and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended (“SEBI FVCI Regulations”) prescribe, amongst other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI (Alternative Investments Funds) Regulations, 2012 (“SEBI AIF Regulations”) prescribe, amongst other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue.

Venture capital funds registered as Category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations.

Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.

Mode of payment for Resident Eligible Equity Shareholders/ Investors other than ASBA applicant

- All cheques/ drafts accompanying the CAF should be drawn in favour of “Kallam Textiles Limited – Rights Issue - R” crossed ‘A/c Payee only’ and should be submitted along with the CAF to the Banker to the Issue or to the Registrar to the Issue;
- Investors residing at places other than places where the bank collection centres have been opened by us for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges favouring the Banker to the Issue, crossed ‘A/c Payee only’ and marked “Kallam Textiles Limited – Rights Issue - R” payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. We, the Lead Manager or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Applications through mails should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Company or the Lead Manager. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Eligible Equity Shareholders/ Investors

As regards the application by non-resident Eligible Equity Shareholders/ Investors, the following conditions shall apply:

- Applications will not be accepted from non-resident from any jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- All non-resident investors should draw the cheques/ demand drafts for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Banker to the Issue/ collection centres or to the Registrar to the Issue.
- Non-resident investors applying from places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges, and marked “Kallam Textiles Limited – Rights Issue - NR” payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.
- Payment by non-residents must be made by demand draft payable at Mumbai /cheque payable drawn on a bank account maintained at Mumbai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- (i) By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate);
- (ii) By local cheque / bank drafts remitted through normal banking channels or out of funds held in Non-Resident External Account (NRE) or FCNR Account maintained with banks authorized to deal in foreign currency in India, along with documentary evidence in support of remittance;
- (iii) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Mumbai.
- (iv) FPIs registered with SEBI must remit funds from special non-resident rupee deposit account;
- (v) Non-resident investors applying with repatriation benefits should draw cheques/ drafts in favour of 'Kallam Textiles Limited – Rights Issue - NR' and must be crossed 'account payee only' for the full application amount;
- (vi) Investors may note that where payment is made by drafts purchased from NRE/ FCNR accounts, as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Application without repatriation benefits

- (i) As far as non-residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
- (ii) All cheques/ drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of 'Kallam Textiles Limited – Rights Issue – R' and must be crossed 'account payee only' for the full application amount. The CAFs duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- (iii) Investors may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts, as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.
- (iv) New demat account shall be opened for holders who have had a change in status from resident Indian to NRI. Any application from a demat account which does not reflect the accurate status of the Applicant are liable to be rejected.

Notes:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to the I.T. Act.
- In case Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Impersonation

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of section 38 of the Companies Act which is reproduced below:

“Any person who:

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or
- (c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under section 447”.

Section 447 of the Companies Act provides for punishment for fraud which inter alia states punishment of imprisonment for a term which shall not be less than six month but which may extend to ten years and shall be liable to a fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by us. However, the Banker to the Issue/ Registrar to the Issue/ Designated Branch of the SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Our Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Rights Equity Shares allotted, will be refunded to the Investor within the timelines prescribed under applicable law. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law. For further instructions, please read the CAF carefully.

Utilisation of Issue Proceeds

The Board of Directors declares that:

- (a) All monies received out of the Issue shall be transferred to a separate bank account referred to in the Companies Act, 2013;
- (b) Details of all monies utilized out of the Issue shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised till the time any of the Issue Proceeds remained unutilised;
- (c) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in our balance sheet indicating the form in which such unutilized monies have been invested; and
- (d) We may utilize the funds collected in the Issue only after finalisation of the Basis of Allotment.

Our undertakings

We undertake the following:

1. The complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed will be taken within seven working days of finalization of basis of allotment.
3. The funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. The allotment of Equity Shares and dispatch of refund orders / share certificate and demat credit is completed within 15 days from the Issue Closing Date.
6. The demat credit / refund orders to the non-resident Indians shall be dispatched within the specified time.
7. No further issue of securities affecting equity capital of our Company shall be made till the securities issued/offered through the Draft Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.

8. Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalising the Basis of Allotment.
9. At any given time there shall be only one denomination of Equity Shares.
10. We accept full responsibility for the accuracy of information given in the Draft Letter of Offer and confirm that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in the Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
11. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
12. We shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Minimum Subscription

If our company does not receive the minimum subscription of ninety percent of the Issue, our Company shall refund the entire subscription amount within fifteen days from the date of closure of the issue. In the event that there is a delay of making refunds by more than the prescribed time after our Company become liable to pay the subscription amount, our Company shall pay interest for the delayed period at rates prescribed under the Companies Act, 2013.

Important

- Please read the Letter of Offer carefully before taking any action. The instructions contained in the CAF are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.
- It is to be specifically noted that the Issue of Equity Shares is subject to the risk factors mentioned in the section titled “Risk Factors” on page 12 of the Letter of Offer.
- All enquiries in connection with the Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and super-scribed “Kallam Textiles Limited - Rights Issue” on the envelope) to the Registrar to the Issue at the following address:

Bigshare Services Private Limited

SEBI Regn. No.: INR000001385

1st Floor, Bharat Tin Works Building,

Opp. Vasant Oasis, Makwana Road, Marol,

Andheri East, Mumbai – 400 059

Tel.: +91 22 6263 8200

Fax: +91 22 6263 8299

E-mail: rightsissue@bigshareonline.com

Investor Grievance e-mail id: investor@bigshareonline.com

Website: www.bigshareonline.com

Contact Person: Ashish Bhope

The Issue will be kept open for a minimum of 15 days unless extended, in which case it will be kept open for a maximum of 30 days.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of the Draft Letter of Offer), which are or may be deemed material have been entered or are to be entered into by our Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company situated at N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019, from 10.00 AM to 02.00 p.m. from the date of the Draft Letter of Offer until the date of closure of the Rights Issue.

A. Material Contracts

1. Issue Agreement dated March 22, 2019 entered between our Company and the Lead Manager
2. Agreement dated March 22, 2019 entered between our Company and the Registrar to the Issue
3. Banker to the Issue Agreement dated [●] between our Company, the Lead Manager, the Registrar to the Issue and Banker to the Issue.

B. Documents available for inspection

1. Certificate of Incorporation of our Company dated February 18, 1992.
2. Memorandum and Articles of Association of our Company.
3. Tripartite agreements dated April 21, 2006 and March 20, 2006 entered into with NSDL and CDSL respectively.
4. Copy of the Resolution passed by the Directors in their meeting dated September 29, 2018 approving the Issue.
5. Consents of the Promoters, Directors, Compliance Officer, Lead Manager to the Issue, Legal Counsel, Registrar to the Issue, Bankers to our Company, Statutory Auditors to include their names in the Draft Letter of Offer to act in their respective capacities.
6. Copy of resolution appointing the Managing Director.
7. Annual Reports for the financial years ended March 31, 2014, March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018.
8. Audited Financial Statements for last three financial years ending March 31, 2018, March 31, 2017 and March 31, 2016.
9. Limited Review report for Quarter and Six months ended September 30, 2018.
10. Unaudited Financial Results for the quarter and nine months ended December 31, 2018.
11. Statement of Tax Benefits dated November 24, 2018 received from the Statutory Auditors of our Company.
12. A Certificate from M/s Chevuturi Associates (Firm Reg. No. 000632S), Chartered Accountants dated March 15, 2019 for deployment of funds towards objects of the issue.
13. Initial Public Offering Prospectus dated 10.01.1995 of our Company.
14. In-principle listing approval for this Issue dated [●] from BSE.

Any of the contracts or documents mentioned in the Draft Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

No statement made in the Draft Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government of India, Reserve Bank of India and any other competent authority in this behalf, have been duly complied with. We further certify that all statements made in the Draft Letter of Offer are true and correct.

On behalf of Right Issue Committee of the Board of Kallam Textiles Limited

Sd/-
G V Krishna Reddy
Joint Managing Director

Sd/-
Swargam Pulla Rao
Director

Sd/-
V. Bhargavi
Director

Sd/-
M V Subba Reddy
Chief Financial Officer

Sd/-
Nandan Bisoi
Company Secretary

Place: Guntur
Date: March 27, 2019