

FORM : A

Pursuant to Clause 31(a) of the Listing Agreement

1.	Name of the Company	Kallam Spinning Mills Limited
2.	Annual financial statements for the year ended	31 st March, 2015
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable

For Kallam Spinning Mills Limited



P.Venkateswara Reddy
Managing Director/CEO

For Kallam Spinning Mills Limited



M.V. Subba Reddy
Chief Financial Officer

For Kallam Spinning Mills Limited



S.Pulla Rao
Chairman, Audit Committee



For **BRAHMAYYA & Co.**
Chartered Accountants
Firm Regn. No.000513S

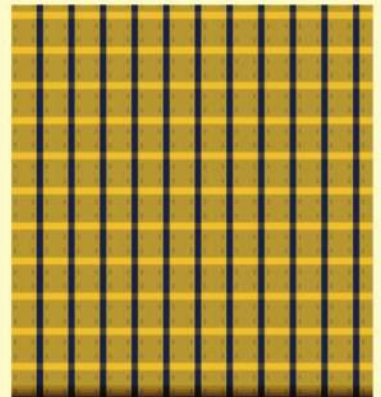
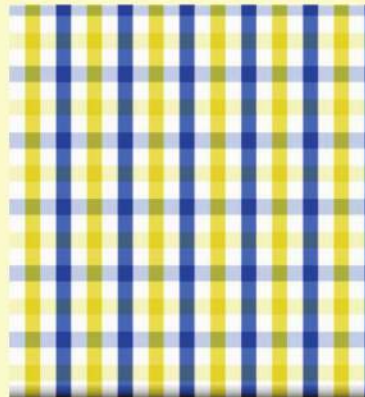
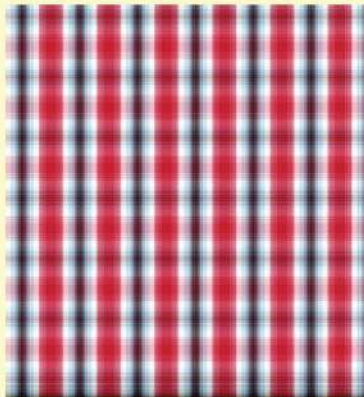
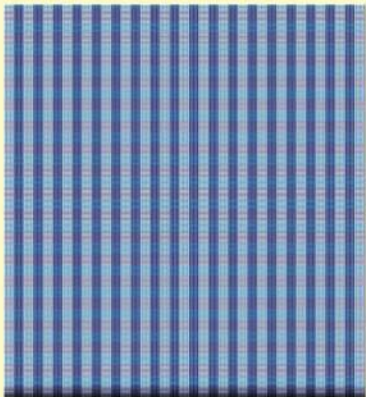
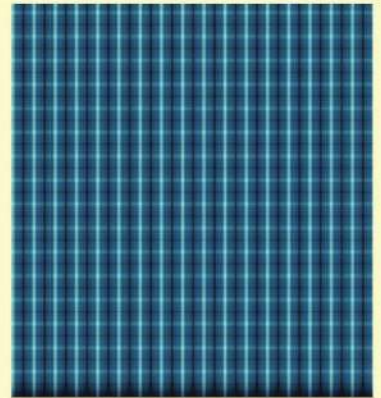
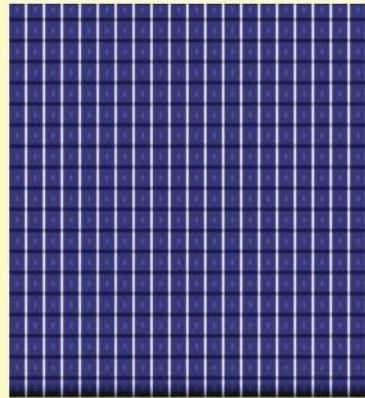
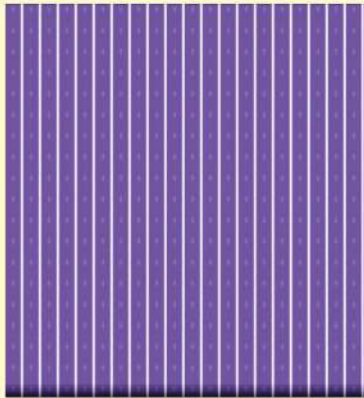
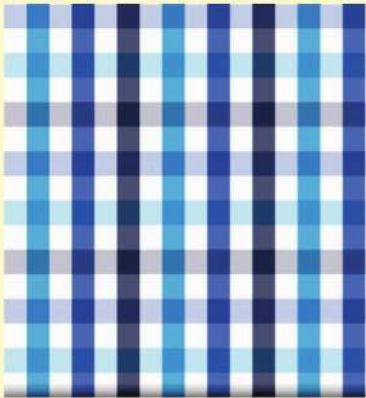

(**K. RAJAJ**)
Statutory Auditors of the company
ICAI Memb.No.202309

Statutory Auditors of the company



23rd Annual Report - 2014-15

Excelling with Spinning, Yarn Dyeing and Weaving



KALLAM SPINNING MILLS LIMITED

NH-5, Chowdavaram, Guntur-522019, A.P., INDIA.

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COMPANY INFORMATION

Board of Directors : **Sri P.Venkateswara Reddy**, Chairman of the Board of Directors and Managing Director
Sri G.V. Krishna Reddy, Joint Managing Director
Sri M.V. Subba Reddy, Whole Time Director
Sri V.S.N Murthy, Nominee Director of IREDA
Sri M.R. Naik, Independent Director
Sri A. Krishna Murthy, Independent Director
Sri S. Pulla Rao, Independent Director
Smt V.Bhargavi, Independent Director

Listed With : **Bombay Stock Exchange Limited**

Bankers : **Andhra Bank**, Main Branch, Kothapet, Guntur-522001.
Indian Bank, Main Branch, Naaz Centre, Guntur-522001
Bank of Baroda, Guntur Branch, Near Hindu College, Guntur-522001

Statutory Auditors : **M/s. Brahmayya & Co.**, Chartered Accountants,
10-3-21, Sambasivapet, Guntur-522001

Cost Auditor : **P.Srinivas**, Cost Accountant
97/2 RT Vijaya Nagar Colony,
Besides Masab Tank, Hyderabad-500 057

Secretarial Auditors : **K.Srinivasa Rao & Co.**,
Company Secretaries,
Guntur – 522002

Registered office of the Company : N.H.5, Chowdavaram, Guntur-522019
Phones: 0863-2344010, 2344016
Fax: 0863-2344000
E-mail: corp@ksml.in

Registrars & Share Transfer Agents : **Big share Services Pvt. Ltd.**,
306, 3rd Floor, Right Wing, Amrutha Ville,
Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda,
Hyderabad – 500 082. Ph No.040-23374967, Fax No.040-23370295.
E-mail : bsshyd@bigshareonline.com

TEAM WORK



(From Left to Right)

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

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

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

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

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

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

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

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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty-Third Annual General Meeting of the members of KALLAM SPINNING MILLS LTD will be held on Saturday, 26th September, 2015 at 3.00 P.M. at the Registered Office of the Company at NH-5, Chowdavaram, Guntur-522 019, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended March 31, 2015 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year 2014-15.
3. To appoint a Director in place of Sri P. Venkateswara Reddy (DIN- 00018677) who retires by rotation and being eligible, offers himself for re-appointment.
4. Ratification of the appointment of M/s. Brahmayya & Co. Statutory Auditors (F.Reg.No.000513S) and to fix their remuneration for the financial year ending 31st March, 2016.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution: (The Cost Auditor's Remuneration)

"RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under, the remuneration payable to P. Srinivas, Cost Accountant (Membership No. 21170), appointed by the Board of Directors as Cost Auditor to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016, amounting to Rs. 30,000/- (Rupees Thirty Thousand only) as also the payment of service tax as applicable and re-imbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby ratified and confirmed."

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: (Appointment of Sri. P.Venkateswara Reddy (DIN: 00018677) as a Managing Director)

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), consent of the members of the company be and is hereby accorded to the appointment of Sri. P.Venkateswara Reddy (DIN: 00018677) as a Managing Director of the Company, for a period of 3 (Three) years with effect from 29th June, 2015 to 28th June, 2018, on such remuneration, terms and conditions as may be agreed between the Board of Directors and Sri P. Venkateswara Reddy".

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: (Appointment of Sri. G.V.Krishna Reddy (DIN: 00018713) as a Joint Managing Director).

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), consent of the members of the company be and is hereby accorded to the appointment of Sri. G.V.Krishna Reddy (DIN: 00018713) as a Joint Managing Director of the Company, for a period of 3 (Three) years with effect from 29th June, 2015 to 28th June, 2018, on such remuneration and terms and conditions as may be agreed between the Board of Directors and Sri G.V. Krishna Reddy".

Place : Chowdavaram
Date : 14-08-2015

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

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, and vote on a poll, instead of himself / herself and such proxy need not be Member. The proxy form is enclosed which should be deposited at the Registered Office of the Company duly completed and signed, not later than 48 hours before the commencement of the Meeting.
2. Members are requested to bring their attendance slip along with the copy of Annual Reports at the meeting.
3. The Explanatory Statement pursuant to under section 102 of the Companies Act, 2013, in respect of special business is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2015 to 26th September, 2015 (both days inclusive).
5. The accounts, the reports and all other documents required under the law to be annexed thereto will be available for inspection during working hours at the Registered Office of the Company on any working day prior to the date of the Annual General Meeting.
6. Dividend recommended by Directors, if approved by the members at the Annual General Meeting will be paid on or after 1st October, 2015 to those members whose names appear on the register of members as on 18th September, 2015. In respect of shares held in electronic form the dividend will be payable on the basis of beneficial ownership as at the close of 18th September, 2015 as per the details furnished by National Securities Depository limited/Central Depository service (India) Limited for the purpose as on that date.
7. Members desiring to seek any information on the Annual Accounts to be explained at the meeting are requested to send their queries in writing to the Company at the Registered Office of the Company so as to reach at least 7 days before the date of the meeting to provide the required information.
8. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Transfer Agent at: Bigshare Services Private Limited, 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082 at the earliest not later than 18-09-2015.
 - Any change in their address/mandate/Bank details; and
 - Particular of their Bank Account, in case the same has not been sent earlier.
9. Members holding shares in the electronic form are advised to inform change in address/bank mandate directly to their respective Depository Participants. The address/bank mandate as furnished to the Company by the receptive Depositories viz. NSDL and CDSL will be printed on the dividend warrant.
10. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. In view thereof, members who have not furnished PAN are requested to furnish the same as under :
 - Members holding shares in Physical form are submit their PAN details to the Registrar and Transfer Agents
 - Members holding shares in Electronic form are submit their PAN details to their Depository Participants with whom they are maintaining their demat accounts.
11. Shareholders should note that as per statutory provisions, if the dividend amount remains unpaid/unclaimed for period of 7 years from the due date, the said unpaid/unclaimed amount will be transferred to Investor Education & Protection Fund (IEPF) set up by Central Government. As such unpaid / unclaimed amount in Dividend Accounts for the F.Y 2007-2008 has been transferred to IEPF. Shareholders who have not received / claimed the said dividend are requested to claim the same before due date. Members who have not encashed their dividend warrants are requested to write to the Registrars & Share Transfer Agents.

12. As a part of "green initiative in the corporate governance", the ministry of corporate affairs vide its circular no's.17/2011 and 1/2011 dated 21.04.2011 respectively, has permitted the companies to serve the documents, namely, notice of the general meeting, balance sheet, profit and loss account, auditors' report, directors' report, etc. to the members through E-mail. The shareholders holding shares in physical form are requested to register their E-mail address with the Registrar and share transfer agents (Big Share Services Pvt. Ltd.,) by sending duly signed requested letter quoting their Registered folio no., name, address and E-mail ID to be registered in the **E-MAIL REGISTRATION FORM**, which is attached in this Report in **Page No: 88** and in case of shares held in demat form, the shareholders may register their E-mail addresses with their DPs (Depository Participants).

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NO. 5

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of Mr. P. Srinivas, Cost Accountant (Membership No. 21170), Hyderabad, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016. In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is required to be ratified by the Members of the Company. Accordingly, consent of the Members is sought to ratify the remuneration payable to the Cost Auditors.

None of the Directors or Key Managerial Personnel and their relatives, are concerned or interested (financially or otherwise) in this Resolution.

The Board commends the Ordinary Resolution set out at Item No. 5 for the approval of Members.

ITEM NO. 6

Pursuant to Section 269 and other applicable provisions of Companies Act, 1956 read with Schedule XIII to the said act, the shareholders at their 20th Annual General Meeting held on 22nd September, 2012 appointed Sri P. Venkateswara Reddy as a Managing Director for a period of Three years with effect from 29th June, 2012. The Term of his appointment would come to an end on 28th June, 2015. It is necessary to Re-appointment him for another period of Three years. Hence the Board at their meeting held on 30-05-2015 decides to Re-appoint him as a Managing Director for another period of Three years on the recommendations of the Remuneration Committee.

Pursuant to Section 196, 197, 203 and other applicable provisions, if any, of Companies Act, 2013 read with Schedule V to the said act and Subject to the approval of the shareholders in Annual General Meeting, Sri P.Venkateswara Reddy be proposed to re-appoint as a Managing Director of the Company for a period of Three years with effect from and including 29th June, 2015 on such remuneration as per the details given below:

I. REMUNERATION:

- a) Salary** : Rs. 2,00,000/- p.m
- b) Commission** : Commission is payable at 1% on profits computed under section 198 of the Companies Act, 2013.
- c) Perquisites** : Unfurnished accommodation facility at Guntur city.
- d) Car** : The Company shall provide a car.
- e) Telephone** : The Company shall provide a telephone at residence and further agrees to provide one mobile phone.
- f) Health and Accidental insurance premium:** The Company agrees to bear the Health Insurance premium for self and family for a value of Rs 10 Lakhs per person.
Accidental Insurance premium will be paid for self covering a risk of Rs One Crore and beneficiary being the Spouse.
- g) The 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.**
- h) The Company also agrees to reimburse, with the approval of the Board, the additional Medical expenses, if any, incurred in excess of the expenses not covered by point (g).**
- i) Club Fees:** The Company agrees to pay annual subscription to a club/Health centre/Gym. Life time membership/Lumpsum deposit will not be covered in the above.
- j) 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 or at the rate as may be notified by the government from time to time.**
- k) Reimbursement of leave travel concession with in india or abroad for self and family once in a year subject to a maximum of one month salary.**

II. MINIMUM REMUNERATION :

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. P. Venkateswara Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, incentive, remuneration, benefits, perquisites and allowances as specified above.

ITEM NO. 7

Pursuant to Section 269 and other applicable provisions of Companies Act, 1956 read with Schedule XIII to the said act, the shareholders at their 20th Annual General Meeting held on 22nd September, 2012 appointed Sri G.V. Krishna Reddy as a Joint Managing Director for a period of Three years with effect from 29th June, 2012. The Term of his appointment would come to an end on 28th June, 2015. It is necessary to Re-appointment him for another period of Three years. Hence the Board at their meeting held on 30-05-2015 decides to Re-appoint him as a Joint Managing Director for another period of Three years on the recommendations of the Remuneration Committee.

Pursuant to Section 196, 197, 203 and other applicable provisions, if any, of Companies Act, 2013 read with Schedule V to the said act and Subject to the approval of the shareholders in Annual General Meeting, Sri G.V. Krishna Reddy be proposed to re-appoint as a Joint Managing Director of the Company for a period of Three years with effect from and including 29th June, 2015 on such remuneration as per the details given below:

I. REMUNERATION:

- a) **Salary** : Rs. 2,00,000/- p.m
- b) **Commission** : Commission is payable at 1% on profits computed under section 198 of the Companies Act, 2013.
- c) **Perquisites** : Unfurnished accommodation facility at Guntur city.
- d) **Car** : The Company shall provide a car.
- e) **Telephone** : The Company shall provide a telephone at residence and further agrees to provide one mobile phone.
- f) **Health and Accidental insurance premium:** The Company agrees to bear the Health Insurance premium for self and family for a value of Rs 10 Lakhs per person.
Accidental Insurance premium will be paid for self covering a risk of Rs One Crore and beneficiary being the Spouse.
- g) The 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.
- h) The Company also agrees to reimburse, with the approval of the Board, the additional Medical expenses, if any, incurred in excess of the expenses not covered by point (g).
- i) **Club Fees:** The Company agrees to pay annual subscription to a club/Health centre/Gym. Life time membership/Lumpsum deposit will not be covered in the above.
- j) **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 or at the rate as may be notified by the government from time to time.
- k) **Reimbursement of leave travel concession** with in india or abroad for self and family once in a year subject to a maximum of one month salary.

II. MINIMUM REMUNERATION :

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. G.V Krishna Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, incentive, remuneration, benefits, perquisites and allowances as specified above.

Place : Chowdavaram
Date : 14.08.2015

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



e-voting instructions

Pursuant to the Provisions of Section 108 of the Companies Act, 2013 and Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 23rd Annual General Meeting to be held on Saturday, 26th September, 2015, at 03.00 PM IST. The Company has engaged the services of Central Depository Services Limited (CDSL) to provide the E-Voting facility.

The instructions for Shareholders voting electronically are as under :-

The E-Voting Event Number and period of E-voting are set out below :

EVSN (E-VOTING SEQUENCE NUMBER) : 150804010
 COMMENCEMENT OF E-VOTING : 23rd September 2015 at 9.00 A.M
 END OF E-VOTING : 25th September 2015 at 5.00 P.M

STEPS & INSTRUCTIONS FOR E-VOTING :

THE INSTRUCTIONS FOR SHAREHOLDERS VOTING ELECTRONICALLY ARE AS UNDER:

- (i) The voting period begins on 23rd September, 2015 at 09.00 A.M and ends on 25th September, 2015 at 05.00 P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 18th September, 2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to **www.evotingindia.com** and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- viii) After entering these details appropriately, click on "SUBMIT" tab.
- ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential..
- x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk. evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.
- (xx) M/s. K. Srinivasa Rao & Co., Company Secretaries, Guntur (Entity ID : 34721) has been appointed as the Scrutinizer to Scrutinize the e-voting process in a fair and transparent manner.



DIRECTOR'S REPORT

TO THE MEMBERS OF THE KALLAM SPINNING MILLS LIMITED,

Your directors have pleasure in presenting the Twenty-Third Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March 2015.

I. FINANCIAL SUMMARY OF THE COMPANY :

The financial summary for the year ended 31st March 2015 are summarized below :

S.No.	Particulars	2014-2015 (Rs.in lacs)	2013-2014 (Rs.in lacs)
01	Revenue from operations	24,413.47	21,464.04
02	Other income	713.34	472.95
03	Increase/(Decrease) in stock	7.57	396.53
04	Operating Expenditure	21,020.90	17,967.06
05	Profit before Interest, Depreciation & Tax	4,113.48	4,366.45
06	Depreciation	993.05	780.62
07	Interest	2,317.17	1,474.25
08	Profit before tax	803.26	2,111.58
09	Provision for income tax		
	i) Current year Tax	162.00	451.00
	ii) Deferred Tax	304.13	193.67
10	Profit after tax	945.39	1,466.90
11	Earning per share	13.80	21.41
TRANSFERS & APPROPRIATIONS FROM THE PROFIT ARE AS DETAILED BELOW :			
12	Net Profit after tax	945.39	1,466.90
13	Balance brought forward from previous year	5,080.25	3,746.53
14	Profit for appropriations	6,025.65	5,213.43
APPROPRIATIONS			
15	Transfer to General Reserve	0	37.00
16	Proposed Equity Dividend	68.51	81.21
17	Tax on Proposed Equity Dividend	13.95	13.97
18	Balance carried forward	5,943.18	5,080.25

The Turnover of the company for the period under review increase to Rs.24413.47 Lakhs as compared to Rs. 21464.04 Lakhs registering a growth of 13.74 percent on annualized basis. The profit before interest and taxes of the company has increased by 12.98% on annualized basis from Rs 3585.83 lakhs in previous year to Rs.3120.43 lakhs in the period under review.

II. DIVIDEND :

In view of the company's profitable performance, your directors are pleased to recommend for approval of Shareholders a Final Dividend of 10% on 68,51,100 Equity shares of the company in respect of the financial year 2014-2015.

The paid up capital of the company remained unchanged at Rs 685.11 Lakhs. Earnings per share was Rs 13.80.

III. EXTRACT OF THE ANNUAL RETURN AS PER MGT-9 :

The details forming part of the extract of the Annual Return in form MGT-9 as required under Section 92 of the Companies Act, 2013 is included in this Report as Annexure - I and forms an integral part of this Report.

IV. NUMBER OF MEETINGS HELD OF THE BOARD:

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

V. DIRECTOR'S RESPONSIBILITY STATEMENT:

To the best of our knowledge and belief and according to the information and explanations obtained by us, your Directors make the following statements and terms of Section 134(3)(c) of the Companies Act, 2013:

- that in the preparation of the annual financial statements for the year ended March 31, 2015, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- for the financial year ended March 31, 2015, such accounting policies as mentioned in the Notes to the financial statements have been applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company and of the Profit and Loss of the Company for the year ended March 31, 2015.
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual financial statements have been prepared on a going concern basis.
- that the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively : and
- that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

VI. A STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS:

During the year under review, one meeting of Independent Directors was held on 12th February, 2015 in compliance with the requirements of Schedule IV of the Companies Act, 2013.

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

VII. DIRECTORS:

During the year, Pursuant to the Provisions of Section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and also as per Clause 49(II)(A)(1) of the Listing Agreement with Bombay Stock Exchange, the Company, with the approval of shareholders at AGM, has appointed Smt V.Bhargavi, a Qualified Chartered Accountant, as a woman director of the company on 27th September, 2014.

Pursuant to Section 269 and other applicable provisions of Companies Act, 1956 read with Schedule XIII to the said act, the shareholders at their 20th Annual General Meeting held on 22nd September, 2012 appointed Sri P. Venkateswara Reddy as a Managing Director and Sri G.V. Krishna Reddy as a Joint Managing Director of the Company for a period of Three years with effect from 29th June, 2012. The Term of their appointment would come to an end on 28th June, 2015. It is necessary to Re-appointment them for another period of Three years. Hence the Board at their meeting held on 30-05-2015 decides to Re-appoint Sri P. Venkateswara Reddy as a Managing Director and Sri G.V. Krishna Reddy as a Joint Managing Director of the Company for another period of Three years on the recommendations of the Nomination and Remuneration Committee.

Pursuant to Section 196, 197, 203 and other applicable provisions, if any, of Companies Act, 2013 read with Schedule V to the said act and Subject to the approval of the shareholders in Annual General Meeting, Sri P. Venkateswara Reddy and Sri G.V. Krishna Reddy be proposed to re-appoint as a Managing Director and Joint Managing Director of the Company for a period of Three years with effect from and including 29th June, 2015.

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Sri P. Venkateswara Reddy, Director retires by rotation at the forth coming Annual General Meeting and being eligible offers himself for re-appointment.

VIII. POLICY ON APPOINTMENT, NOMINATION AND REMUNERATION OF DIRECTORS :

The Board has on the recommendation of the Nomination & Remuneration Committee, formulated criteria for determining Qualifications, Positive Attributes and Independence of a Director as also a Policy for remuneration of Directors, Key managerial Personnel and senior management. The details of criteria laid down and the Remuneration Policy are given in the Corporate Governance Report (Annexure II to the Director's Report).

IX. EVALUATION OF BOARD, COMMITTEES AND DIRECTORS:

Pursuant to the Provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board evaluated its own performance and the working of its Committees viz Audit Committee, Nomination and Remuneration Committee, finance Committee and Stakeholders Relationship Committee and Independent Directors (without participation of concern Directors). Independent Directors at their meeting without the participation of the Non-independent Directors and Management evaluated the Board's performance and other Non-independent Directors.

X. REPORT ON CORPORATE GOVERNANCE:

Your Directors are pleased to inform that your Company has implemented all the stipulations prescribed under clause 49 of listing agreement with the stock exchange(s). The Statutory Auditors of the Company have examined the requirements of the Corporate Governance with reference to Clause 49 of the Listing Agreement and have certified the compliance, as required under Clause 49 of the Listing Agreement and the Certificate from Statutory Auditors confirming compliance forms an integral part of this report as Annexure – II and Auditor's Certificate on Corporate Governance report also form part of this report as Annexure – III

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

The Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 for the year ended March 31, 2015 is given here below and forms part of the Director's Report (Annexure – IV)

XII. RISK MANAGEMENT:

During the year, According to the Clause 49(VI) of the Listing Agreement the company had laid down a framework for evaluating the elements of business risk. The risk management framework defines the risk management approach of the Company and also includes the periodical review of such risks. The board periodically discusses the significant business risks identified by the management and the mitigation measures to address such risks.

Some of the risks that the Company is exposed to are :

(1) QUALITY RISK :

Quality of yarns and Fabric manufactured is the single most important factor that will take a company forward in its success story. Your company has been aware of the said importance from its inception and the progress that it has made through the years was mainly because of the strict adherence to the quality of its yarns and Fabric which has resulted in the company reaping the best possible price for its yarns and Fabric, both in the internal and international markets.

(2) COMMODITY PRICE RISKS :

The Company is exposed to the risk of price fluctuation of raw materials as well as finished goods. The Company proactively manages these risks through forward booking, inventory management and proactive vendor development practices. The Company's reputation for quality , product differentiation and service, coupled with the existence of powerful brand image with robust marketing network mitigates the impact of price risk on finished goods and with the addition of weaving unit, the value added chain had increased and decreasing the influence of raw material.

(3) HUMAN RESOURCES RISKS :

Retaining the existing talent personnel and attracting new talent are major risks. The Company has initiated various measures including rolling out strategic talent management system, training and integration of learning and development activities.

(4) FINANCIAL RISK :

The Company's Policy is to actively manage its foreign exchange risk within the framework.

Given the Interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigation strategy to minimize interest risks.

(5) INDUSTRY RISK :

The main twin risks in this industry, especially in the cotton yarn spinning sector, procurement prices for cotton for its quality and the yarn realisation vis a vis the cotton cost. Raw material prices, as is common with every industry, are conditioned by their supply position in the market. The addition of weaving had contributed absorbing some of the yarns produced in the spinning unit. Mainly the combed and combed compact yarns are absorbed by weaving unit.

In the case of marketing of yarn, the price realization depends on the demand from garment manufacturers and power loom sector. In recent times the competition from the emerging economies in the neighbouring countries such as Sri Lanka, China and Pakistan with their comfortable status engendered by the preferential treatment in USA and EU markets poses a real challenge to the textile yarn spinning units in our country.

XIII. DEPOSITS:

During the year under review, our Company did not accept any deposits within the meaning of provisions of Chapter V Acceptance of Deposits by Companies of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014. As per the provisions of the Companies Act, 2013 any amount received from relatives of Director(s) is not an exempt deposit. So, during the year, unsecured loans took from relatives of Promoter(s)/Director(s) were repaid on 30-03-2015.

XIV. INTERNAL CONTROL SYSTEM AND COMPLIANCE FRAMEWORK:

The Company has an Internal Control System, commensurate with size, scale and complexity of its operations. The internal financial controls are adequate and are operating effectively so as to ensure orderly and efficient conduct of business operations.

The Internal Control System of the Company has been designed to provide for :

- Accurate recording of transactions with internal checks and prompt reporting.
- Adherence to applicable Accounting Standards and Policies.
- Compliance with applicable statutes, policies and management policies and procedures.
- Effective use of resources and safeguarding of assets.

The Company has appointed M/s. Mallikarjuna Rao & Co., as Internal Auditors of the Company. The Audit Committee in consultation with the Internal Auditors formulates the Scope, functioning , periodicity and methodology for conducting the internal audit. The internal auditors carryout audit, covering inter alia, monitoring and evaluating the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations and submit their periodical internal audit reports to the Audit Committee, process owners undertake necessary actions in their respective areas. The internal auditors have expressed that the internal control system in the Company is effective. The Board has also put in place requisite legal compliance framework to ensure compliance of all the applicable laws and that such systems are adequate and operating effectively.

XV. FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS :

According to the terms of Clause 49(I)(D)(3d) and Clause 49(II)(B)(7) of the Listing Agreement with the Stock Exchange :

- a) The Company conducted the Familiarisation Program for Independent Directors about their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., through various programmes.
- b) All the independent directors are issued a formal letter of appointment through which they are made aware of their role and duties at the time of appointment.
- c) The details of such familiarisation programme/policy were disclosed on the Company's website www.ksml.in

XVI. PERFORMANCE REVIEW:

Company financial performance during the year under review. Consolidated sales scaled up by 13.74% over the previous year. Profit before interest, depreciation and tax (EBITDA) went down by 5.79%, whereas Profit after tax was lower by 35.55% over the previous year.

There is no change in the nature of business of the Company.

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this report.

No significant or material orders passed or have been passed against the Company by the regulators, courts or tribunals, which impacts the going concern status and Company's operations in future.

XVII. WHISTLE MECHANISM:

The Company has set up vigil mechanism viz. Whistle Blower Policy to enable the employees and Directors to report genuine concerns and irregularities, if any in the Company, noticed by them. The Whistle Blower policy has been posted on the Website of the Company (www.ksml.in)

XVIII. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013:

There were no Loans, Guarantees, Investments and securities given/made/provided by the Company during the year.

XIX. AUDITORS:

M/s. Brahmayya & Co. Chartered Accountants (Firm Reg. No.: 000513S) were appointed as Statutory Auditors of your Company at the last Annual General Meeting held on 27th September, 2014 for a term of Three consecutive years. As per the provisions of Section 139 of the Companies Act, 2013, the appointment of Auditors is required to be ratified by Members at every Annual General Meeting. The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

XX. COST AUDITOR :

Pursuant to the Provisions of the Section 148 of the Companies Act, 2013, The Board had appointed Mr. P. Srinivas, (M.No.: 21170) Cost Accountant as a Cost Auditor for the financial year 2014-15 to carry out the cost audit of Company's records in respect of Textiles.

XXI. SECRETARIAL AUDIT :

Pursuant to provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, your Company engaged the services of M/s. K. Srinivasa Rao & Co, Company Secretaries in Practice, Guntur to conduct the Secretarial Audit of the Company for the financial year ended March 31, 2015. There was a qualification, reservation or adverse remark given by Secretarial Auditors of the Company. The detailed reports on the Secretarial Standards and Secretarial Audit in Form MR- 3 are appended as an Annexure V to this Report.

XXII. RELATED PARTY TRANSACTIONS:

All related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company which may have a potential conflict with the interest of the Company at large and thus disclosure in Form AOC-2 is not required and the Details of Transactions with the Related parties were mentioned in point 31 of the Notes forming part of the Accounts.

In line with the requirements of the Companies Act, 2013 and Equity Listing Agreement, your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at www.ksml.in. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

XXIII. MANAGEMENT DISCUSSION AND ANALYSIS :

A detailed Management Discussion and Analysis forms part of this annual report, which is attached to this Report in Annexure- VI.

XXIV. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS OF THE COMPANY:

There were no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company.

XXV. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES :

The information required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report in Annexure -VII. The above information is not being sent along with this Report to the Members of the Company as per the provision of Section 136 of the Companies Act, 2013. Members who are interested in obtaining these particulars may write to the Managing Director at the Registered Office of the Company. The aforesaid Annexure is also available for inspection by Members at the Registered Office of the Company, 21 days before the 23rd Annual General Meeting and up to the date of the Annual General Meeting during the business hours on working days.

There were no employees in the Company as per Rule 5(2) of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

XXVI. RESIGNATION OF DIRECTOR:

The Chairman of the Board of Directors of the Company Sri K.Haranadha Reddy, who is also a Non Independent and Non – Executive Director of the Company, was submitted his resignation to the Board on the Board Meeting held on 12th February, 2015.

The Board has accepted his resignation and relieved him as a Director of the Company with effect from the Same Board Meeting where he submitted his resignation and Board placed on record its sincere appreciation of services rendered by him as a director and also a chairman of Board of Directors of the company during his tenure.

Pursuant to Clause 30 of the Listing Agreement, We informed the same to Bombay Stock Exchange, where the shares of the company were listed and also as per Section 168 of the Companies Act, 2013 the Board of directors also took the note of his resignation and intimate to the Registrar of Companies.

XXVII. HUMAN RESOURCES:

Your Company firmly believes that employees are the most valuable assets and key players of business success and sustained growth. Various employee benefits, recreational and team building programs are conducted to enhance employee skills, motivation as also to foster team spirit. Company also conducts in-house training programs to develop leadership as well as technical/functional capabilities in order to meet future talent requirements. Industrial relations were cordial throughout the year.

XXVIII. CORPORATE SOCIAL RESPONSIBILITY (CSR):

Pursuant to the provisions of section 135 of the Act, read with CSR Rules, the Company has constituted CSR committee and formulated CSR policy. your Company at the Board Meeting held on 27th May, 2014 approved a Policy on CSR and the Policy was hosted on the website of the Company viz www.ksml.in

The Report on CSR activities as required under Companies (Corporate Social Responsibility Policy) Rules, 2014 is set out as Annexure VIII to this Report.

XXIX. PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE:

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('Act') and Rules made there under, your Company has constituted Internal Complaints Committees (ICC). The Company has designated the external independent member as a Chairperson for each of the Committees which was beyond the requirements of law. No complaints were received in this regard during the year.

XXX. FUTURE OUTLOOK:

The Company is projecting Rs. 300 crores turnover during the financial year 2015-16. The Weaving and Dyeing units are expected to add bottomline to the Comapany.

XXXI. REGISTRAR'S AND SHARE TRANSFER AGENTS:

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

XXXII. TRANSFER OF UNPAID AND UNCLAIMED AMOUNT TO IEPF:

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

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

Year	Date of Declaration of Dividend	Due date for transfer to IEPF
2007-08	20-09-2008	25-10-2015
2008-09	19-09-2009	24-10-2016
2009-10	18-09-2010	23-10-2017
2010-11	27-08-2011	01-10-2018
2013-14	27-09-2014	01-11-2021

XXXIII. APPRECIATIONS AND ACKNOWLEDGEMENTS:

Your Directors place on record their earnest appreciation for the unstinted commitment, dedication, hard work and significant contribution made by employees in ensuring sustained growth of the Company. The Directors also take this opportunity to thank all Investors, Clients, Vendors, Banks, Government and Regulatory Authorities and Stock Exchanges, for their continued support.

Place: Chowdavaram

Date: 14-08-2015.

For and on behalf of the Board of Directors

P. Venkateswara Reddy

Managing Director.



ANNEXURE I TO THE DIRECTOR'S REPORT

FORM NO. MGT - 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:		
i	CIN	L18100AP1992PLC013860
ii	Registration Date	18/02/1992
iii	Name of the Company	KALLAM SPINNING MILLS LIMITED
iv	Category/Sub-category of the Company	Company Limited by Shares/Indian Non Government Company
v	"Address of the Registered office & contact details"	NH-5, CHOWDAVARAM, GUNTUR-522019 Ph.No. 0863-2344016
vi	Whether listed company	YES
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	Big Share Services Pvt.Ltd., 306, 3rd Floor, Right wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad-500082. Ph No. 040-23374967

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY			
(All the business activities contributing 10% or more of the total turnover of the company shall be stated)			
SL No	Name & Description of main products/services	"NIC Code of the Product /service"	"% to total turnover of the company"
1	Manufacturing of Cotton Yarn	13111	68.39
2	Manufacturing of Cotton Fabric	13121	31.26

III. PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES					
SL No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Nil				
2	Nil				
3					





IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS % OF TOTAL EQUITY)									
(i) CATEGORY-WISE SHAREHOLDING									
Category-wise Shareholding	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian	-	-	-	-	-	-	-	-	-
a) Individual/HUF	24,34,111	-	24,34,111	35.5288	24,33,884	-	24,33,884	35.5254	(0.0034)
" b) Central Govt.or State Govt. "	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	8,73,982	-	8,73,982	12.7568	8,74,057	-	8,74,057	12.7580	0.0012
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL: (A) (1)	33,08,093	-	33,08,093	48.2856	33,07,941	-	33,07,941	48.2834	(0.0022)
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	-	-	-	-	-	-
" Total Shareholding of Promoter (A)= (A)(1)+(A)(2) "	33,08,093	-	33,08,093	48.2856	33,07,941	-	33,07,941	48.2834	(0.0022)
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	10,000	10,000	0.146	-	10,000	10,000	0.146	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
C) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
" h) Foreign Venture Capital Funds "	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	-	10,000	10,000	0.146	-	10,000	10,000	0.146	-
(2) Non Institutions									
a) Bodies corporates	1,30,643	17,900	1,48,543	2.1682	69,725	17,900	87,625	1.2790	(0.8892)
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	11,18,990	4,04,030	15,23,020	22.2303	9,96,170	3,93,530	13,89,700	20.2843	(1.9460)
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	15,26,612	1,67,300	16,93,912	24.7247	17,14,898	1,67,300	18,82,198	27.4729	2.7482
c) Others (specify) :									
1. Clearing Members	1,055	-	1,055	0.0154	2,745	-	2,745	0.0401	0.0247
2.Non Resident Indians (NRI's)	1,66,477	-	1,66,477	2.4299	1,70,891	-	1,70,891	2.4944	0.0645
SUB TOTAL (B)(2):	29,43,777	5,99,230	35,43,007	51.7145	29,54,429	5,88,730	35,43,159	51.7167	0.0022
" Total Public Shareholding (B)= (B)(1)+(B)(2) "	29,43,777	5,99,230	35,43,007	51.7145	29,54,429	5,88,730	35,43,159	51.7167	0.0022
" C. Shares held by Custodian for GDRs & ADRs "	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	62,51,870	5,99,230	68,51,100	100	62,62,370	5,88,730	68,51,100	100	0

(ii). SHARE HOLDING OF PROMOTERS								
SL. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of the shares of the company	% of shares pledged encumbered to total shares	No. of Shares	% of the shares of the company	% of shares pledged encumbered to total shares	
1	KALLAM AGRO PRODUCTS AND OILS LTD	8,73,982	12.7568	Nil	8,74,057	12.7579	Nil	(0.0011)
2	GURRAM VENKATA KRISHNA REDDY	5,55,065	8.10	Nil	5,55,065	8.10	Nil	0
3	KALLAM HARINADHA REDDY	3,59,300	5.24	Nil	3,59,300	5.24	Nil	0
4	KALLAM MOHAN REDDY	3,11,500	4.55	Nil	3,11,500	4.55	Nil	0
5	PRATHYUSHA KALLAM	1,90,100	2.77	Nil	1,90,100	2.77	Nil	0
6	POLURI VENKATESHWARA REDDY	1,84,200	2.69	Nil	1,84,200	2.69	Nil	0
7	KALLAM VENKATA SUBBAYAMMA	1,33,400	1.95	Nil	1,33,400	1.95	Nil	0
8	NAGIREDDY KALLAM	1,17,800	1.72	Nil	1,17,800	1.72	Nil	0
9	UMASANKARA REDDY MOVVA	1,06,824	1.56	Nil	1,06,824	1.56	Nil	0
10	KALLAM ANNAPURNA	1,03,000	1.50	Nil	1,03,000	1.50	Nil	0
11	KALLAM HARINADHA REDDY	77,900	1.14	Nil	77,900	1.14	Nil	0
12	MOVVA VENKATA SUBBA REDDY	68,500	1.00	Nil	68,500	1.00	Nil	0
13	PRABHAKARA RAO NALLI	56,000	0.82	Nil	54,735	0.80	Nil	0.02
14	NALLI MANIKYAMMA	37,500	0.55	Nil	37,500	0.55	Nil	0
15	NALLI PRATHIBHA RANI	30,000	0.44	Nil	30,000	0.44	Nil	0
16	ANUMULA RANGA REDDY	20,400	0.30	Nil	20,400	0.30	Nil	0
17	N USHA	20,000	0.29	Nil	20,000	0.29	Nil	0
18	N RAJENDRA PRASAD	17,400	0.25	Nil	17,400	0.25	Nil	0
19	POLURI SIVANAGENDRAMMA	15,000	0.22	Nil	15,000	0.22	Nil	0
20	KALLAM SIVA KUMARI	11,700	0.17	Nil	11,700	0.17	Nil	0
21	MOVVA KAVITHA	10,000	0.15	Nil	12,400	0.18	Nil	(0.03)
22	NAGENDRAMMA POLURI	4,500	0.07	Nil	4,500	0.07	Nil	0
23	NETHI PRASAD	2,500	0.04	Nil	2,500	0.04	Nil	0
24	SUBBAYAMMA POLURI	1,448	0.0211	Nil	86	0.0013	Nil	0.0199
25	SUREDDY MALLESWARI	74	0.0011	Nil	74	0.00	Nil	0

(iii). CHANGE IN PROMOTER'S SHAREHOLDING (PLEASE SPECIFY, IF THERE IS NO CHANGE)					
SL. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of the shares of the company	No. of Shares	% of the shares of the company
1	KALLAM AGRO PRODUCTS AND OILS LTD				
	At the beginning of the year	8,73,982	12.7568	8,73,982	12.7568
	Market Purchase on 30 September, 2014	75	0.0011	75	0.0011
	At the end of the year	8,74,057	12.758	8,74,057	12.758
2	PRABHAKARA RAO NALLI				
	At the beginning of the year	56,000	0.82	56,000	0.82
	Market Sale on 30 September, 2014	765	0.01	765	0.01
	Market Sale on 23 January, 2015	500	0.01	500	0.01
	At the end of the year	54,735	0.80	54,735	0.80
3	MOVVA KAVITHA				
	At the beginning of the year	10,000	0.15	10,000	0.15
	Market Purchase on 06 February, 2015	2,400	0.03	2,400	0.03
	At the end of the year	12,400	0.18	12,400	0.18
4	SUBBAYAMMA POLURI				
	At the beginning of the year	1,448	0.0211	1,448	0.0211
	Market Sale on 13 June, 2014	500	0.0073	500	0.0073
	Market Sale on 30 June, 2014	362	0.0053	362	0.0053
	Market Sale on 11 July, 2014	500	0.0073	500	0.0073
	At the end of the year	86	0.0013	86	0.0013

(iv). SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS & HOLDERS OF GDRS & ADRS)						
SL. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the top 10 Shareholders		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	LAKSHMINARAYANAN. T					
	At the beginning of the year		3,99,758	5.8349	3,99,758	5.8349
	Changes made during the year 2014-15					
	18-04-2014	Purchase	4,620	0.067	4,04,378	5.902
	25-04-2014	Purchase	5,586	0.082	4,09,964	5.984
	02-05-2014	Purchase	12,795	0.187	4,22,759	6.171
	09-05-2014	Purchase	1,400	0.020	4,24,159	6.191
	16-05-2014	Purchase	7,438	0.109	4,31,597	6.300
	23-05-2014	Purchase	7,900	0.115	4,39,497	6.415
	30-05-2014	Purchase	12,496	0.182	4,51,993	6.597
	20-06-2014	Purchase	8,100	0.118	4,60,093	6.716
	30-06-2014	Purchase	7,000	0.102	4,67,093	6.818
	11-07-2014	Purchase	1,953	0.029	4,69,046	6.846
	12-09-2014	Purchase	15,000	0.219	4,84,046	7.065
	19-09-2014	Purchase	10,038	0.147	4,94,084	7.212
	30-09-2014	Purchase	6,463	0.094	5,00,547	7.306
	10-10-2014	Purchase	1,000	0.015	5,01,547	7.321
	17-10-2014	Purchase	10,580	0.154	5,12,127	7.475
	24-10-2014	Purchase	11,706	0.171	5,23,833	7.646
	31-10-2014	Purchase	4,300	0.063	5,28,133	7.709
	14-11-2014	Purchase	5,085	0.074	5,33,218	7.783
	21-11-2014	Purchase	17,825	0.260	5,51,043	8.043
	12-12-2014	Purchase	3,450	0.050	5,54,493	8.093
	19-12-2014	Purchase	1,000	0.015	5,55,493	8.108
	31-12-2014	Purchase	2,748	0.040	5,58,241	8.148
	02-01-2015	Purchase	714	0.010	5,58,955	8.159
	09-01-2015	Purchase	4,480	0.065	5,63,435	8.224
	16-01-2015	Purchase	8,096	0.118	5,71,531	8.342
	30-01-2015	Purchase	10,613	0.155	5,82,144	8.497
	06-02-2015	Purchase	750	0.011	5,82,894	8.508
	13-02-2015	Purchase	1,300	0.019	5,84,194	8.527
	20-02-2015	Purchase	6,575	0.096	5,90,769	8.623
	06-03-2015	Purchase	7,812	0.114	5,98,581	8.737
	At the end of the year (or on the date of separation, if separated during the year)				5,98,581	8.74

SL. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the top 10 Shareholders		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
2	VECHA VISWESWARA RAO					
	At the beginning of the year		1,54,140	2.2499	1,54,140	2.2499
	Changes made during the year 2014-15					
	30-06-2014	Purchase	6,000	0.0876	1,60,140	2.3375
	21-11-2014	Purchase	55	0.0008	1,60,195	2.3383
	At the end of the year (or on the date of separation, if separated during the year)				1,60,195	2.34

SL. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the top 10 Shareholders		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
3	M.R. NAIK					
	At the beginning of the year		82,189	1.1996	82,189	1.1996
	Changes made during the year 2014-15					
	05-09-2014	SALE	-8,920	-0.130	73,269	1.0694
	At the end of the year (or on the date of separation, if separated during the year)				73,269	1.0694

(v). SHAREHOLDING OF DIRECTORS & KEY MANAGERIAL PERSONNEL					
SL. No.	Shareholding of Each Director & Key Managerial personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For each of the Directors & KMP	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	P. VENKATESWARA REDDY				
	At the beginning of the year	1,84,200	2.69	1,84,200	2.69
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	-	-	-	-
	At the end of the year	1,84,200	2.69	1,84,200	2.69

SL. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For each of the Directors & KMP		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
2	G.V. KRISHNA REDDY					
	At the beginning of the year		5,55,065	8.10	5,55,065	8.10
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		-	-	-	-
	At the end of the year		5,55,065	8.10	5,55,065	8.10

SL. No.			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For each of the Directors & KMP		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
3	M.V. SUBBA REDDY					
	At the beginning of the year		68,500	1.00	68,500	1.00
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)		-	-	-	-
	At the end of the year		68,500	1.00	68,500	1.00

V. INDEBTEDNESS (Rs.in Lakhs)				
INDEBTEDNESS OF THE COMPANY INCLUDING INTEREST OUTSTANDING/ACCRUED BUT NOT DUE FOR PAYMENT				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	27,057.97	160.34	0	27,218.31
ii) Interest due but not paid	224.34	0	0	224.34
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	27,282.31	160.34	0	27,442.65
Change in Indebtedness during the financial year				
Additions	2,976.23	35.25	0	3,011.48
Reduction	1,676.5	47.54	0	1,724.04
Net Change	1,299.73	-12.29	0	1,287.44
Indebtedness at the end of the financial year				
i) Principal Amount	28,367.97	148.05	0.00	28,516.02
ii) Interest due but not paid	214.07	0	0	214.07
iii) Interest accrued but not due	0	0	0	0.00
Total : (i+ii+iii)	28,582.04	148.05	0	28,730.09

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL (Rs.in Lakhs)					
A. REMUNERATION TO MANAGING DIRECTOR, WHOLE TIME DIRECTOR AND / OR MANAGER:					
SL. No.	Particulars of Remuneration	Name of the MD/WTD/Manager			Total Amount
		P. Venkateswara Reddy Managing Director	G.V. Krishna Reddy Joint Managing Director	M.V. Subba Reddy Whole Time Director	
	Gross Salary				
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	14.68	14.63	9.18	38.49
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961				
2	Stock option	-	-	-	
3	Sweat Equity	-	-	-	
	Commission	8.61	8.61	-	17.22
4	as % of profit	1.00 %	1.00 %	-	
	others (specify)	-	-	-	
5	Others, please specify	-	-	-	
	Total (A)	23.29	23.24	9.18	55.71
	Ceiling as per the Act				

B. REMUNERATION TO OTHER DIRECTORS: (in Rupees)						
SL. No.	Particulars of Remuneration	Name of the Directors				Total Amount
	Independent Directors	S. Pulla Rao	M.R. Naik	A.Krishna Murthy	V. Bhargavi	
1	Fee for attending Board/ Committee Meetings	45,000	40,000	25,000	25,000	1,35,000
	Total (1)					

(in Rupees)			
SL. No.	Particulars of Remuneration	Name of the Directors	Total Amount
	Nominee Director (IREDA)	V.S.N. Murthy	
1	Fee for attending Board/ Committee Meetings	45,000	45,000
	Total (2)		

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES					
Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made if any (give details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



ANNEXURE II TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE FOR THE PERIOD APRIL 1, 2014 TO MARCH 31, 2015.

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Kallam's Philosophy on Corporate Governance envisages achieving the highest standard of accountability, transparency, integrity and equity in all its spheres and in all its dealings with its stakeholders. The Company is committed to establish and diligently follow the high standards of Corporate Governance practices in its pursuit of profitable growth and enhancement of shareholders value. Corporate Governance practices are driven by strong board oversight, timely disclosures, transparent accounting policies and high level of integrity in decision making. The company is in compliance with the requirement of the guidelines on corporate governance as stipulated under clause 49 of the listing agreement with stock exchanges.

2. BOARD OF DIRECTORS:

(a) Composition of Board:

The Company has an optimum combination of executive and Non executive Directors in accordance with the provision of clause 49 (II) (A) of the listing Agreement. As on 31-03-2015 the Board consists of eight Directors, after accepting the resignation of Sri K.Haranadha Reddy who submitted his resignation on the Board Meeting held on 12th February, 2015. Out of total eight directors, Four Directors are Non Executive and Independent Directors, One Director is a Nominee Director from IREDA and the remaining Three Directors of the Board are executive Directors. Now, The Chairman of the Board of Directors of the Company is Mr. P.Venkateswara Reddy, Managing Director. As per the Listing Agreement, The Company has requisite number of Independent Directors. The strength of Independent Directors is fifty percent of the Board of Directors. The Non-Executive and Independent Directors bring external and wider perspective in the Board's deliberations and decisions. The composition of board is in conformity with clause 49 of listing agreement entered into with the stock exchanges.

None of the directors on the board is a member of more than 10 Board level committees or chairman of more than 5 committees across all the listed and unlisted public companies in which he/she is a director. Necessary disclosures regarding committee positions and other directorship held in public companies as on March 31, 2015 have been made by the directors.

(b) No. of Board Meetings held during the year along with the dates of the Meetings:

During the financial year ended March 31, 2015 Four Board Meetings were held on 27th May 2014, 11th August 2014, 13th November 2014, and 12th February 2015.

(c) Attendance of each Director at the Board Meetings, last Annual General Meeting (AGM) and the number of Companies and Committees where he /she is Director / Member (during the year)

Name of the Director	Category of Directorship	Category of Directorship	No of Board meetings		Attendance at last AGM	No. of Directorships held in all public companies	No. of committees in position held in other Ltd. Companies	
			Held	Attended			Chairman	Member
Sri K. Haranadha Reddy *	Chairman	NINED	4	3	Yes	Nil	Nil	Nil
Sri P. Venkateswara Reddy	MD	NIED	4	4	Yes	Nil	Nil	Nil
Sri G.V. Krishna Reddy	JMD	NIED	4	4	Yes	Nil	Nil	Nil
Sri M.V. Subba Reddy	Whole Time Director	NIED	4	4	Yes	Nil	Nil	Nil
Sri M.R. Naik	Director	I&N.E.D	4	4	Yes	Nil	Nil	Nil
Sri V.S.N. Murthy	Director	Nominee Director (IREDA)	4	4	No	3	1	1
Sri A. Krishna Murthy	Director	I&N.E.D	4	4	No	Nil	Nil	Nil
Sri. S.Pullu Rao	Director	I&N.E.D	4	4	No	Nil	Nil	Nil
Smt. V. Bhargavi **	Director	I&N.E.D	4	2	Yes	Nil	Nil	Nil

NINED- Non-Independent and Non Executive Director, NIED- Non-Independent and Executive Director, I & N.E.D – Independent and Non-Executive Director

* During the Year, Pursuant to the provisions of Section 168 of Companies Act, 2013 Our Company's Non-Executive Chairman Sri K. Haranadha Reddy had submitted his resignation, due to Pre-occupation, at the Board meeting held on 12th February, 2015. The Board accepted his resignation and placed on record its sincere appreciation of services rendered by him as a director during his tenure

Pursuant to Clause 30 of the Listing Agreement, We informed the same to Bombay Stock Exchange, where the shares of the company were listed and also as per Section 168 of the Companies Act, 2013 the Board of directors also took the note of his resignation and intimate to the Registrar of Companies.

** Smt. V. Bhargavi, became the Member of Board of Directors on 27th September, 2014. So, she attended for only two Board Meetings held during the year.

(d) Directors retiring by rotation and seeking reappointment:

The information is provided in the Notes appended to the Explanatory Statement under the heading "Additional information on Directors recommended for appointment / seeking re-election at the ensuing Annual General Meeting".

During the financial year 2014-15 information as mentioned is Annexure-IA to clause 49 of listing agreement such as annual operating plans, budgets, financial results of the Company, materiality important litigation if any has been placed before the Board for its consideration.

(e). Independent Directors :

The Non-Executive independent directors have confirmed that they were fulfill the criteria of independence specified in Section 149(6) of the Companies Act, 2013 and rules made there under and also fulfill the requirements as stipulated in clause 49 (II) (B) of the listing agreement entered into with the Stock Exchange.

During the year under review, one meeting of the Independent Director was held on 12th February, 2015, in compliance with the requirements of Schedule-IV of the Companies Act, 2013.

(f) Disclosure of transactions where Non Executive Directors have pecuniary interest:

None of the Non-executive Directors have any pecuniary relationship or transactions vis-a-vis the Company. The directors periodically disclose their interest in different companies and transactions/contracts of the Company with such companies are taken on record in the Board Meetings.

Non-Executive Directors Compensation and disclosures: Non Executive Directors are not being paid any remuneration except sitting fees for attending the Board and Committee meetings.

(g) Code of Conduct for Business & Ethics :

The Company has framed a Code of Business Conduct & Ethics which is applicable to the Board of Directors and Senior Management Team (one level below the Board) of the Company. The Code requires Directors and the Employees to act honestly, fairly, ethically and with integrity conduct themselves in professional, courteous and respectful manner. Pursuant to Clause 49 (II) (E) of the Listing Agreement, the Managing Director of the Company confirmed compliance with the code by all the members of the Board and Senior Management. Our company's Code of Conduct For Business & Ethics was placed on the official Website of the Company viz. www.ksml.in

(h) Code of Conduct for Prevention of insider trading:

The company has framed a code of conduct for prevention of insider trading based on SEBI (prohibition of insider Trading) Regulation, 1992. This code is applicable to all Director/officer/designated employees. Under this code they are prohibited to deal in shares of the company during the closure of Trading Window and other specified period(s). Our company's Code of Conduct For Prevention of Insider Trading was placed on the official Website of the Company viz. www.ksml.in

(i) Whistle Blower Policy:

The Company has set up vigil mechanism viz. Whistle Blower Policy to enable the employees and Directors to report genuine concerns and irregularities, if any in the Company, noticed by them. The Whistle Blower policy has been posted on the Website of the Company (www.ksml.in)

3. AUDIT COMMITTEE:

(a) Brief description of terms of reference:

The Terms of Reference of this committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 177 of the Companies Act, 2013, and are as follows:

- i. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- iii. Reviewing with management the annual financial statements before submission to the Board, focussing primarily on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by management
 - Qualifications in draft Auditors' Report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- iv. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- v. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- vi. Discussion with internal auditors of any significant findings and follow up there on.
- vii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- viii. Discussion with external auditors, before the audit commences, the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- ix. Reviewing the Company's financial and risk management policies.
- x. Other matters as assigned/specified by the Board from time to time.

(b) Composition, Meetings and Attendance during the year :

As on 31st March, 2015, The Audit Committee comprises of Two Independent Non-Executive Directors and one Nominee Director (IREDA). They are Sri S.Pulla Rao, Chairman, Smt V.Bhargavi (Member) and Sri V.S.N Murthy (Member & Nominee Director).The Chairman of Audit Committee is an Independent Director. During the financial year ended March 31, 2015 the committee met for Four times on 27th May 2014, 11th August 2014, 13th November 2014 and 12th February 2015.

During the year, the Chairman of Audit Committee was changed by replacing Mr V.S.N. Murthy, who still continues as a member of Audit Committee, with Mr. S. Pulla Rao, who is an Independent and Non Executive Director and the Board approved the same during the Board meeting held on 27th May,2014.

During the year, the Audit Committee was reconstituted by taking, Smt V.Bhargavi, a newly appointed Independent Director and also a Chartered Accountant, as a new member of Audit Committee. The Board approved the same during the meeting held on 13th November, 2014 and from that Board meeting (13th November, 2014) onwards, she became the member of Audit Committee.

During the Year, the Audit Committee was reconstituted by removing Sri M.R.Naik, an Independent Director. The Board also approved the same during the meeting held on 12th February, 2015.

The attendance of the each member of the committee is given below:

Directors	Chairman/Member	Category	No.of meetings attended
Sri S. Pulla Rao	Chairman	I & N.E.D.	4
Sri V.S.N. Murthy	Member	Nominee Director (IREDA)	4
Sri M.R. Naik *	Member	I & N.E.D.	3
Smt V. Bhargavi **	Member	I & N.E.D.	2

* Mr M.R. Naik was attended for Three Audit Committee Meetings which were held on 27th May 2014, 11th August 2014, 13th November 2014 then from he was not a member of Audit Committee.

** Smt V. Bhargavi became the member of Audit Committee from 13th November, 2014 onwards so she attended for only two Audit committee meetings held during the year.

At the invitation of the Company, internal auditors, cost auditors and statutory auditors also attended the Audit Committee meetings to respond to queries raised at the Committee meetings.

4 NOMINATION AND REMUNERATION COMMITTEE:

(a) Terms of Reference:

The Company had constituted the Nomination and Remuneration Committee on 26th June 2004. The broad terms of reference are to determine and recommend to Board, Compensation payable to Executive Directors, appraisal of the performance of the Managing Directors / Wholtime Directors and to determine and advise the Board for the payment of annual commission/compensation to the Non-Executive Director and to recommend to the Board appointment/reappointment and removal of Directors. To frame criteria for determining qualifications, positive attributes and Independence of Directors and to create an evaluation framework for Independent Directors and the Board.

(b) Composition, Meetings and Attendance during the year :

The Nomination and Remuneration Committee comprises of total three Non-Executive Directors, Out of which Two Directors were Independent Directors and other Director is a Nominee Director (IREDA)

The committee comprises as follows:

Directors	Chairman/Member	Category
Sri A. Krishna Murthy	Chairman	I & N.E.D.
Sri M.R. Naik	Member	I & N.E.D.
Sri V.S.N. Murthy	Member	Nominee Director

(c) Selection and Evaluation of Directors :

The Board has based on recommendations of the Nomination and Remuneration Committee, laid down following policies:

1. Policy for Determining Qualifications, Positive Attributes and Independence of a Director
2. Policy for Board & Independent Directors' Evaluation

(d) Performance Evaluation of Board, Committees and Directors:

Based on the criteria laid down in the Policy for evaluation of Board and Independent Directors, the Board carried out the annual performance evaluation of Board Committees and the Independent Directors, whereas at a separate meeting, Independent Directors evaluated the performance of Executive Directors, Board as a whole and of the Chairman. Nomination and Remuneration Committee also evaluated individual directors' performance.

- As per the said Policy, evaluation criteria for evaluation Board inter alia covers: Composition in light of business complexities and statutory requirements; establishment of vision, mission, objectives and values for the Company; laying down strategic road map for the Company & annual plans; growth attained by the Company; providing leadership and directions to the Company and employees; effectiveness in ensuring statutory compliances and discharging its duties / responsibilities towards all stakeholders; Identification, monitoring & mitigation of significant corporate risks; composition of various committees, laying down terms of reference and reviewing committee's working etc.
- Performance evaluation criteria for Executive Directors inter alia include: level of skill, knowledge and core competence; performance and achievement vis-à-vis budget and operating plans; Effectiveness towards ensuring statutory compliances; discharging duties/responsibilities towards all stakeholders; reviewing/ monitoring Executive management performance, adherence to ethical standards of integrity & probity; employment of strategic perception and business acumen in critical matters etc.
- Performance of Independent Directors is evaluated based on: objectivity & constructivity while exercising duties; providing independent judgment on strategy, performance, risk management and Board's deliberations; devotion of sufficient time for informed decision making; exercising duties in bona fide manner; safeguarding interests of all stakeholders, particularly minority shareholders; upholding ethical standards of integrity & probity; updating knowledge of the Company & its external environment etc
- Committees of the Board are evaluated for their performance based on: effectiveness in discharging duties and functions conferred; setting up and implementation of various policies, procedures and plans, effective use of Committee's powers as per terms of reference, periodicity of meetings, attendance and participation of committee members; providing strategic guidance to the Board on various matters coming under committee's purview etc.

(e) Remuneration Policy for Directors:

The Committee has formulated Policy for Remuneration of Directors, KMP & other employees. As per the Policy, remuneration to Non-executive Independent Directors include:

- Sitting Fees for attending meetings of the Board as well as Committees of the Board as decided by the Board within the limits prescribed under the Companies Act.
- Travelling and other expenses they incur for attending to the Company's affairs, including attending Committee and Board Meetings of the Company.

• REMUNERATION TO EXECUTIVE DIRECTORS :

The appointment and remuneration of Executive Directors including Managing Director, Joint Managing Director and Whole Time Director is governed by the recommendation of the Remuneration and Nomination Committee, resolutions passed by the Board of Directors and Shareholders of the Company. The remuneration package of Managing Director, Joint Managing Director and Whole Time Director comprises of salary, perquisites, allowances and other retirement benefits as approved by the shareholders at the General Meetings of the Company.

Name of Directors	Salary	Benefits	Commission	Sitting Fees	Total
Sri. P. Venkateswara Reddy	12,00,000	2,67,898	8,60,762	-	23,28,570
Sri. G.V. Krishna Reddy	12,00,000	2,62,623	8,60,762	-	23,23,385
Sri. M.V. Subba Reddy	5,22,000	2,36,272	1,59,266	-	9,17,538

• REMUNERATION TO NON-EXECUTIVE DIRECTORS :

The Non-Executive Directors are paid remuneration by way of Sitting Fees. The Non Executive Directors are paid sitting fees for each meeting of the Board and Committee of Directors attended by them. During the Year, Company paid the sitting fees to all the Non-Executive Directors at the rate of Rs. 5,000/- for attending each meeting of the Board, and Rs.5000/- for attending each Audit committee meeting up to first three Board meetings i.e. (27.05.2014, 11.08.2014 and 13.11.2014) but from 12th February, 2015 Company paid the sitting fees to all the Non-Executive Directors at the rate of Rs. 10,000/- for attending each meeting of the Board, and Rs.5000/- for attending each Audit committee meeting.

Name of Directors	Salary	Benefits	Commission	Sitting Fees	Total
Sri. M.R. Naik	-	-	-	40,000	40,000
Sri. V.S.N. Murthy	-	-	-	45,000	45,000
Sri. A. Krishna Murthy	-	-	-	25,000	25,000
Sri S. Pulla Rao	-	-	-	45,000	45,000
Smt. V. Bhargavi	-	-	-	25,000	25,000

5. SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE:

The terms of reference shall be as per Clause 49 of the Listing Agreement.

- A Shareholders/Investor Grievance Committee" to specifically look into the redressal of Shareholders' / Investors' complaints and of investors such as transfer or credit of shares to demat accounts, on receipt of dividend /notices /annual returns etc.
- The Committee functions under the Chairmanship of Mr. A. Krishna Murthy, a Non- executive and independent Director. The other members of the Committee are Mr. G.V.Krishna Reddy and Mr.M.V.Subba Reddy.
- The Company received a total of 17 complaints from its shareholders for the period 01.04.2014 to 31.03.2015, all of which were resolved within 15 days to the satisfaction of the shareholders.
- Name, designation and address of the compliance officer Mr. P. Venkateswara Reddy, Managing Director, Kallam Spinning Mills Ltd, NH-5, Chowdavaram, GUNTUR, A.P-522019.

6. SHARE TRANSFER COMMITTEE:

At present The Share Transfer Committee functions with Mr. G.V. Krishna Reddy as Chairman, and Mr.P.Venkateswara Reddy and Mr. M.V. Subba Reddy, as other Members. The Committee meets frequently to approve the Memorandum of share transfers, sub-division / consolidation of share certificates, transmission of shares and issue of duplicate share certificates, which are submitted by the Share Transfer Agents after completing their formalities. The committee met 9 times during the year 2014-15. Share Transfers approved by the Committee are placed at the Board Meeting from time to time. During the period under review 9,200 Equity shares were transferred.

There are no pending Share Transfers as on date of this Report.

7. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE :

Corporate Social Responsibility Committee Consists of Three Directors out of which two directors are Executive Directors and the other director is a Independent Director.

The Committee functioning under the Chairmanship of Sri G.V.Krishna Reddy. Sri M.R. Naik, Sri M.V.Subba Reddy are other members of the Committee.

The Committee met Three times During the Financial year 2014-15.

The role of CSR Committee is as follows:

- ◆ Formulating and Recommending the Board regarding the CSR Policy and activities to be undertaken by the Company.
- ◆ Specifying the amount of expenditure to be incurred on CSR activities of the Company.
- ◆ Monitoring the policy of CSR of the Company from time to time.
- ◆ Reviewing the performance of the company in the area of CSR.
- ◆ Monitoring the implementation of CSR projects or activities undertaken by the company.

8. INDEPENDENT DIRECTORS MEETING :

During the year under review, one meeting of Independent Directors was held on 12th February, 2015 in compliance with the requirements of Schedule IV of the Companies Act, 2013. Following items were considered at the said meeting.

- ◆ Review the performance of Non-independent directors, Board as a whole and Chairman of the Company.
- ◆ Assessed the Quality, Quantity and timeliness of flow of information between company management and the Board.

All the Independent Directors were present at the meeting.

9. ANNUAL GENERAL MEETINGS:

Details of location of the last three Annual General Meetings of the Company are given below:

Date of AGM	Time	Place
22nd September, 2012	3-00 P.M.	Regd. Office at NH-5, Chowdavaram, GUNTUR – 522 019
21st September, 2013	3-00 P.M.	Regd. Office at NH-5, Chowdavaram, GUNTUR – 522 019
27th September, 2014	3-00 P.M.	Regd. Office at NH-5, Chowdavaram, GUNTUR – 522 019

10. SUBSIDIARY COMPANIES: There were no subsidiary companies to the Company.

11. RISK MANAGEMENT :

During the year, According to the Clause 49(VI) of the Listing Agreement the company had laid down a framework for evaluating the elements of business risk. The risk management framework defines the risk management approach of the Company and also includes the periodical review of such risks. The board periodically discusses the significant business risks identified by the management and the mitigation measures to address such risks.

12. RELATED PARTY TRANSACTIONS:

In Pursuance with the provisions of Clause 49 (VII) of Listing Agreement, your Company has formulated a Policy on Related Party Transactions. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. The necessary disclosures regarding the transactions with related parties are given in the Notes to the financial statements. During the year under review, Your Company had not entered into any material transaction with any of its related parties.

This Policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions on a quarterly basis for transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length. All Related Party Transactions are subjected to independent review by a reputed accounting firm to establish compliance with the requirements of Related Party Transactions under the Companies Act, 2013 and Equity Listing Agreement.

13. DISCLOSURES :**a) Disclosures of related party Transactions:**

In line with the requirements of the Companies Act, 2013 and Equity Listing Agreement, your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at www.ksml.in. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

b) Disclosure of Accounting Treatment:

In the preparation of financial statements, the company has followed the accounting standards notified under section 133 of the Companies Act, 2013 and the pronouncements of the Institute of Chartered Accountants of India. The significant accounting policies which are consistently applied have been set out in the notes forming part of the financial statements for the year ended March 31, 2015.

c) Remuneration of Directors:

The Company pays remuneration to its Managing Directors / Whole time Directors by way of salary, perquisites and allowances (a fixed component) and commission (a variable component). Salary is paid within the range approved by the shareholders. Commission is calculated with the reference to the net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee, subject to the overall ceiling as stipulated in Section 197 of the Companies Act, 2013. During the Year, Company paid the sitting fees to all the Non-Executive Directors at the rate of Rs. 5,000/- for attending each meeting of the Board, and Rs.5000/- for attending each Audit committee meeting up to first three Board meetings i.e. (27.05.2014, 11.08.2014 and 13.11.2014) but from 12th February, 2015 Company paid the sitting fees to all the Non-Executive Directors at the rate of Rs. 10,000/- for attending each meeting of the Board, and Rs.5000/- for attending each Audit committee meeting,

d) Management :

Management Discussion and Analysis Report comprising of all information as prescribed under Clause 49 (VIII)(D) of the Listing Agreement is attached as Annexure - VI to the Directors' Report

e) Shareholders :

The details relating to appointment and re-appointment of Directors as required under Clause 49(VIII)(E) of the Listing Agreement is provided in the Notice to the Annual General Meeting.

14. MEANS OF COMMUNICATION :

Quarterly results were taken on record by the Board of Directors and submitted to the Stock Exchange, where shares of the Company are listed, in terms of the requirement of Clause 41 of the Listing Agreement.

The Audited and unaudited financial results of the Company were published, within 48 hours of conclusion of the Board or Committee meeting at which Financial results were approved, in Deccan Chronicle (English newspaper), Andhra Bhoomi (vernacular newspaper) and are displayed on the website of the Company www.ksml.in. Half-yearly results were not sent to each of the shareholders.

The information required under the Companies Act and the Listing Agreement, is sent to Stock Exchanges, where Company's equity shares are listed, through facsimile and courier / post and by publication in national newspaper and vernacular newspaper, wherever required.

15. GENERAL SHAREHOLDERS INFORMATION:

Ensuring Annual General Meeting : Saturday the 26th September, 2015 at 3.00 P.M at the Registered office of the company

Financial Year : 01.04.2015 to 31.03.2016

- a) First Quarterly Results : on or before 14th August, 2015
- b) Second Quarterly Results : on or before 14th November, 2015
- c) Third Quarterly Results : on or before 14th February, 2016
- d) Audited yearly Results : on or before 30th May, 2016.

For the year ended 31st March 2016

Dates of Book Closure : 21st September, 2015 to 26th September, 2015 (both days Inclusive)

Dividend payment date : on or after 01st October, 2015

Listing on Stock Exchange : The Company's shares are listed on the following stock exchange.

- i) Bombay Stock Exchange Limited (Code : 530201)
Phiroze Jeejeeboy Towers, Dalal Street,
MUMBAI – 400 001.
Ph: 022 – 22721233/34

Listing fees for the year 2014-2015 have been paid.

Stock Code : 530201(BSE)

DEPOSITORY PARTICIPATION :

- i) **National Securities Depository Ltd, (NSDL)**
Trade World, 4th Floor, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.
Ph. No: 022 - 2497 2964

- ii) **Central Depository Services (India) Ltd, (CDSL)**
Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street,
Mumbai- 400 023.
Ph. No: 022 - 2497 2964

ISIN Number for NSDL & CDSL : INE629F01017

Depository Fee : Annual custody fee for the financial year 2014-15 paid to National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL).

MARKET PRICE DATA - BOMBAY STOCK EXCHANGE LIMITED

Month	Share Price (Rs.)		No of shares Traded	Sensex	
	High	Low		High	Low
April 2014	47.70	33.40	89,949	22,939.31	22,197.51
May 2014	47.75	35.60	1,62,069	25,375.63	22,277.04
June 2014	52.95	51.15	1,07,517	25,725.12	21,270.20
July 2014	63.70	47.30	6,91,739	26,300.17	24,892.00
Aug 2014	59.80	46.15	1,53,818	26,674.38	25,232.82
Sept 2014	70.90	52.45	2,63,535	27,354.99	26,220.49
Oct 2014	63.85	57.60	71,242	27,894.32	25,910.77
Nov 2014	64.35	49.45	1,12,540	28,822.37	27,739.56
Dec 2014	55.95	47.00	43,071	28,809.64	26,469.42
Jan 2015	57.50	46.30	45,599	29,844.32	26,776.12
Feb 2015	56.95	43.00	33,959	29,560.32	28,044.49
Mar 2015	56.95	40.55	38,880	30,024.74	27,248.45

REGISTRARS & SHARE TRANSFER AGENTS : Big share Services Pvt. Ltd.,
306, 3rd Floor, Right Wing,
Amrutha Ville,
Opp. Yashodha Hospital,
Raj Bhavan Road, Somajiguda,
Hyderabad – 500082.

- There were no instances of non-compliance nor have any penalties/strictures imposed by Stock Exchanges or SEBI or any other statutory authority on any matters related to capital market, during last Three financial years

SHARE TRANSFER SYSTEM:

SEBI has notified the compulsory trading of equity shares of the Company in dematerialisation form. However, the equity shares of the Company are traded in demat as well as in non-demat form. The Company has appointed M/s. Bigshare Services Private Limited as Registrars & Share Transfer Agents for both electronic and physical transfers.

For demat shares, the Company is registered with NSDL and CDSL. The ISIN allotted to Equity Shares is **INE629F01017**.

For non-demat shares, the transfers are processed and registered at M/S. Bigshare Services Private Limited. Shares lodged for transfer are normally processed within 15 days from the date of lodgment, if the documents are clear in all respects. As per guidelines of SEBI, Option Letters for transfer-cum-demat are sent to the transferees giving them 30 days period to inform their option. Physical Share Certificates are dispatched to the transferees after 30 days, who do not opt for the demat.



• **DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2015**

Range (No. of Shares)	No. of Shareholders	No. of Shares	% to Total
1 - 500	2,653	4,51,878	6.60
501 - 1000	250	2,06,850	3.02
1001 - 2000	133	2,00,707	2.92
2001 - 3000	68	1,66,557	2.43
3001 - 4000	18	65,005	0.95
4001 - 5000	25	1,16,387	1.70
5001 - 10000	35	2,59,092	3.78
10001 and above	53	53,84,624	78.60
Total	3,235	68,51,100	100.00

• **CATEGORIES OF SHARE HOLDERS AS ON 31ST MARCH 2015**

Category	No. of Shares held	% of share holding
1. Promoters		
-- Indian	33,07,941	48.2833
-- Foreign	---	---
2. Persons acting in concert	---	---
3. Institutional Investors		
a. Mutual Funds & UTI	10,000	0.1460
b. Banks, Financial Institutions, Insurance companies, (Central & State Govt. Inst./Non.Govt.Institutions)	0.00	0.00
c. FIs	---	---
4. Others		
-- Private Corporate Bodies	87,626	1.2790
-- Indian Public	32,71,898	47.7573
-- NRI / OCBs	1,70,891	2.4944
-- Others (Clearing Members)	2,745	0.040
	68,51,100	100.00

• **DIVIDEND HISTORY :**

Financial Year	% of Dividend
2004-05	7
2005-06	10
2006-07	12
2007-08	12
2008-09	9
2009-10	14
2010-11	18
2011-12	Nil
2012-13	Nil
2013-14	12
2014-15	10

DETAILS OF VOTING RESULTS AS PER CLAUSE 35A FOR THE YEAR 2013-14
Agenda-wise
IN CASE OF POLL/POSTAL BALLOT/E-VOTING :

The Mode of voting for all resolutions was E-voting and Poll (electronically) conducted at the Meeting.

RESOLUTION 1 : CONSIDER AND ADOPT AUDITED FINANCIAL STATEMENTS, REPORTS OF THE BOARD OF DIRECTORS AND AUDITORS (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[(2)/{1}]* 100	(4)	(5)	(6)=[{4}/{2}]* 100	(7)=[{5}/{2}]* 100
Promoter and Promoter Group	33,06,731	31,88,531	96.43	31,88,531	----	100	----
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,80,900	22.03	7,80,900	----	100	----
Total	68,51,100	39,69,431	57.94	39,69,431	----	100	----

RESOLUTION 2 : DECLARATION OF DIVIDEND ON EQUITY SHARES (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes- against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[(2)/{1}]* 100	(4)	(5)	(6)=[{4}/{2}]* 100	(7)=[{5}/{2}]* 100
Promoter and Promoter Group	33,06,731	31,88,531	96.43	31,88,531	----	100	----
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,80,900	22.03	7,80,900	----	100	----
Total	68,51,100	39,69,431	57.94	39,69,431	----	100	----

RESOLUTION 3 : RE-APPOINTMENT OF SRI M.V. SUBBA REDDY WHO RETIRES BY ROTATION (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes- against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[(2)/{1}]* 100	(4)	(5)	(6)=[{4}/{2}]* 100	(7)=[{5}/{2}]* 100
Promoter and Promoter Group	33,06,731	31,88,531	96.43	31,88,531	----	100	----
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,80,900	22.03	7,80,600	300	99.96	0.04
Total	68,51,100	39,69,431	57.94	39,69,131	300	99.99	0.01

RESOLUTION 4 : APPOINTMENT OF AUDITORS AND FIXING THEIR REMUNERATION (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[(2)/{1}]* 100	(4)	(5)	(6)=[(4)/{2}]* 100	(7)=[(5)/{2}]* 100
Promoter and Promoter Group	3,306,731	31,88,531	96.43	31,76,831	11,700	99.63	0.37
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	6,07,689	17.15	6,07,633	56	99.99	0.01
Total	68,51,100	37,96,220	55.41	37,84,464	11,756	99.69	0.31

RESOLUTION 5 : RE-APPOINTMENT OF SRI M.V.SUBBA REDDY AS A WHOLE-TIME DIRECTOR (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes- against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[(2)/{1}]* 100	(4)	(5)	(6)=[(4)/{2}]* 100	(7)=[(5)/{2}]* 100
Promoter and Promoter Group	33,06,731	31,88,531	96.43	31,88,531	----	100	----
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,80,900	22.03	7,80,800	100	99.99	0.01
Total	68,51,100	39,69,431	57.94	39,69,331	100	99.99	0.01

RESOLUTION 6 : APPOINTMENT OF SRI M.R.NAIK AS AN INDEPENDENT DIRECTOR (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes- against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[(2)/{1}]* 100	(4)	(5)	(6)=[(4)/{2}]* 100	(7)=[(5)/{2}]* 100
Promoter and Promoter Group	33,06,731	31,88,531	96.43	31,76,831	11700	99.63	0.37
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,80,900	22.03	7,80,800	----	100	----
Total	68,51,100	39,69,431	57.94	39,57,731	11700	99.71	0.29

RESOLUTION 7 : APPOINTMENT OF SRI S.PULLA RAO AS AN INDEPENDENT DIRECTOR (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No.of Votes in favour	No.of Votes against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[{2}/{1}]* 100	(4)	(5)	(6)=[{4}/{2}]* 100	(7)=[{5}/{2}]* 100
Promoter and Promoter Group	33,06,731	31,88,531	96.43	31,88,531	----	100	----
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,79,600	21.99	7,76,700	2,900	99.63	0.37
Total	68,51,100	39,68,131	57.92	39,65,231	2,900	99.93	0.07

RESOLUTION 8 : APPOINTMENT OF SRI A.KRISHNA MURTHY AS AN INDEPENDENT DIRECTOR (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No. of Votes in favour	No.of Votes against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[{2}/{1}]* 100	(4)	(5)	(6)=[{4}/{2}]* 100	(7)=[{5}/{2}]* 100
Promoter and Promoter Group	33,06,731	23,14,549	70.00	21,24,449	1,90,100	91.79	8.21
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	7,79,600	22.00	7,76,844	2,756	99.65	0.35
Total	68,51,100	30,94,149	45.16	29,01,293	1,92,856	93.77	6.23

RESOLUTION 9 : APPOINTMENT OF SMT V.BHARGAVI AS AN INDEPENDENT DIRECTOR (ORDINARY RESOLUTION):

Promoters/ Public	No.of shares held	No.of votes polled	% of votes polled on outstanding shares	No. of Votes in favour	No.of Votes against	% of votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3)=[{2}/{1}]* 100	(4)	(5)	(6)=[{4}/{2}]* 100	(7)=[{5}/{2}]* 100
Promoter and Promoter Group	33,06,731	23,14,549	70.00	21,12,749	2,01,800	91.28	8.72
Public Institutional Holders	----	----	----	----	----	----	----
Public-Others	35,44,369	6,08,189	17.16	5,92,433	15,756	97.4	2.6
Total	68,51,100	29,22,738	42.66	27,05,182	2,17,556	92.56	7.44

Note : All the aforesaid resolutions were passed with requisite majority.

16. RECONCILIATION OF SHARE CAPITAL AUDIT REPORT AND CLAUSE 47(C) OF THE LISTING AGREEMENT:

As per the Provisions of SEBI, M/s. K. Srinivasa Rao & Co., Company Secretaries in Practice carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and Listed Capital. The audit is carried out every quarter and the report thereon is submitted to the Stock Exchange(s) where the Shares of the Company are listed. The audit confirms that the total Listed and Issued capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and the total number of shares in physical form.

During the year 2014-15, In accordance with the provisions of Clause 47(C) of the Listing Agreement, M/s K.Srinivasa Rao & Co., Company Secretaries in Practice, after examined the all the share transfer deeds, Memorandum of Transfers, Registers, files and other documents related to Company, gave a certificate under the Clause 47 (C) of the Listing Agreement For each Half year. i.e. for the Half years 01.04.2014 to 30.09.2014 and 01.10.2014 to 31.03.2015. Both the above certificates are submitted to the Stock Exchange(s), where the Shares of the Company are Listed, within 24 hours of receipt of the Certificate by the Company.

17. TRANSFER OF UNPAID AND UNCLAIMED DIVIDEND AMOUNT TO IEPF:

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

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

Dividend Year	Date of Declaration of Dividend	Due date for transfer to IEPF
2007-08	20-09-2008	25-10-2015
2008-09	19-09-2009	24-10-2016
2009-10	18-09-2010	23-10-2017
2010-11	27-08-2011	01-10-2018
2013-14	27-09-2014	01-11-2021

18. PLANT LOCATIONS :

- a) Spinning Division : NH-5, Chowdavaram, Guntur, Andhra Pradesh
- b) Weaving and Dyeing Divisions : Kunkupadu Village, Addanki Mandal, Prakasam Dist. Andhra Pradesh.
- c) Power Division : Kotha Kothur Village, Nelakondapalli Mandal, Khammam Dt. Andhra Pradesh.
- ◆ No. of Employees as on 31st March 2015 : 280
- ◆ Address for Correspondence :
- a) **Company** : **Kallam Spinning Mills Limited**, NH-5, Chowdavaram, Guntur, A P – 522 019.
- b) Registrars & Share Transfer Agents : Big share Services Pvt. Ltd., 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082.
- c) Official Website of the Company : **www.ksml.in**
- d) Investor's E-mail ID : **corp@ksml.in**

Compliance Certificate of the Auditors :

The company has complied with the mandatory requirements of the code of corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges. The company has submitted the compliance report in the prescribed format to the stock exchanges for the quarters ended June 30, 2014, September 30, 2014, December 31, 2014, and March 31, 2015. The statutory Auditors have certified that the company has complied with the condition of corporate governance as stipulated in clause 49 of the listing agreements with the stock exchanges. The said certificate is annexed to the director's report and will be forwarded to the stock exchanges along with the Annual report.

DECLARATION BY MANAGING DIRECTOR /CEO

I P.Venkateswara Reddy, Managing Director of Kallam Spinning Mills Ltd hereby confirm that all the board members and senior managerial personnel have affirmed for the year ended 31st March 2015 the compliance with the code of conduct of the company laid down for them.

Place : Guntur
Date : 14-08-2015.

P. Venkateswara Reddy
Managing Director

ANNEXURE III TO THE DIRECTORS' REPORT**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS**

To,

The Members of Kallam Spinning Mills Limited

We have examined the compliance of conditions of corporate governance by Kallam Spinning Mills Limited ("the Company"), for the year ended on 31st March 2015 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India, with the relevant records and documents maintained by the Company and furnished to us and the Report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examinations has been limited to a review of the procedure and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the clause 49 of the above mentioned Listing Agreements.

We state that as per the records maintained, and certified by the Registrars of the Company, there were no investor's grievance remaining unattended as at 31st March, 2015.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Brahmayya & Co.,

Chartered Accountants,

Firm Reg. No- 000513S

KARUMANCHI RAJAJ

Partner

Membership No. 202309



ANNEXURE-IV TO THE DIRECTOR'S REPORT
A. CONSERVATION OF ENERGY:
1. ENERGY CONSERVATION MEASURES TAKEN DURING THE YEAR:

In line with the company's commitment towards conservation of energy, all units continue with their endeavor to make more efficient use of energy through improved operational and maintenance practices. The measures taken in this direction at the units are as under:

- a) Conservation of energy continues to be accorded high priority.
- b) Our R&D team continuously reviews ongoing processes.
- c) All manufacturing plants continue their efforts in conserving energy in various forms like energy conservation projects, use of alternate sources & resources, continuous monitoring etc. Continuous monitoring of energy consumption throughout all plants and curtailing wastages.
- d) Saving in diesel consumption for steam generation boiler operation.
- e) Eliminated steam leakages in steam generation boiler operation.
- f) Employees have been trained in energy conservation measures;

2. IMPACT OF ENERGY CONSERVATION MEASURES:

The Energy Conservation Measures which were undertaken in the Company have resulted in reduction in power consumption, fuel consumption and improves the overall production performance.

3. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION :
Form A
(FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY)
a) POWER AND FUEL CONSUMPTION:

S.No.	Particulars	2014-15	2013-14
1.	Electricity		
	a) Purchased Units (KWH)	4,85,43,582	3,18,46,505
	Total amount in Rs.	28,77,89,100	19,49,63,353
	Rate per unit Rs.	5.93	6,012
	b) Own Generation		
	i) Through Diesel Generator		
	Units Generated (KWH)	0	1,500
	Total Amount Rs.	0	25,000
	Cost per unit Rs.	0	16.67
	ii) Through Steam Generation	-	-
	iii) Through Hydel Generation		
	Units generated - KWH	88,59,059	1,15,21,954
	Units consumed - KWH	10,49,710	73,93,642
	Total Cost Rs.	55,63,463	3,91,86,277
	Cost per KWH Rs.	5.30	5.30
2.	Coal	--	--
3.	Furnace Oil	--	--
4.	Other Internal Generation	--	--
b) CONSUMPTION PER UNIT OF PRODUCTION (NO.OF UNITS/KG.)			
1.	Electricity	1.68	1.49
2.	Coal	--	--
3.	Furnace Oil	--	--
4.	Hydel	--	--

4. STEPS TAKEN BY THE COMPANY FOR UTILISING ALTERNATE SOURCES OF ENERGY: NONE
5. CAPITAL INVESTMENT ON ENERGY CONSERVATION EQUIPMENT: NONE

B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION:

Efforts, in brief made towards technology absorption, adaptation and innovation Continuous efforts are being made towards technology absorption, adaptation and innovation. Quality being the thrust area, the company has taken effective steps to continue to improve quality to compete with international quality standards. LED lights are installed in place of regular tube lights in plant to reduce energy consumption. Installation of Energy Monitoring System for greater accuracy of energy consumption

1. Benefits derived as a result of the above efforts:

Improved capability and productivity to meet the customer requirements.

2. Efforts in brief, made towards Technology absorption, adaptation and innovation:

The Company is continuously taking steps to improve the product and process technology in an effort to provide superior quality and cost effective products to consumers

3. Imported Technology:

--- Nil ---

C. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

Foreign exchange earnings during the year under review amounted to Rs 4109.75 lakhs. The foreign exchange utilized during the year amounted to Rs 41.07 lakhs.



ANNEXURE – V
FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31ST March, 2015
[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,

M/s. Kallam Spinning Mills Ltd,
Chowdavaram, Guntur.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Kallam Spinning Mills Ltd (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance- mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of:

- (i). The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii). The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii). The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv). Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v). The Following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999/ The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – (Not applicable to the Company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit Period) and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period);
- (vi). The Company has identified the following laws as specifically applicable to the Company:
 - 1. The Textiles Committee Act, 1963 and the rules made thereunder;
 - 2. The Textiles (Development and Regulation) Order, 2001
 - 3. The Textiles (Consumer Protection) Regulations, 1988

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (Not notified hence not applicable to the Company during the audit period).
- (ii) The Listing Agreements entered into by the Company with the Stock Exchanges in India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except that The Company has not appointed a Company Secretary as Key Managerial Person (KMP). This is a non-compliance of section 203 of the Companies Act, 2013 and clause 47 (a) of the Listing Agreement.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there are no specific events/ actions having a major bearing on the Company's affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc, referred to above.

Place: Guntur
Date: 14th August, 2015

For K. Srinivasa Rao & Co.,
Company Secretaries.,

Sd/-
K. Srinivasa Rao, Partner
FCS. No. 5599/ C. P. No: 5178

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.



‘ANNEXURE A’

To,

The Members

M/s. Kallam Spinning Mills Ltd
Chowdavaram, Guntur.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : Guntur

Date : 14th August, 2015

For K. Srinivasa Rao & Co.,
Company Secretaries.,

Sd/-

K. Srinivasa Rao, Partner
FCS. No. 5599/ C. P. No: 5178



**ANNEXURE – VI TO THE DIRECTOR'S REPORT
MANAGEMENT DISCUSSION AND ANALYSIS**

♦ **TEXTILE INDUSTRY OVERVIEW IN INDIA**

India is the second largest producer of textiles and garments in the world. The Indian textiles and apparel industry is expected to grow to a size of US\$ 223 billion by 2021, according to a report by Technopak Advisors. This industry accounts for almost 24% of the world's spindle capacity and 8% of global rotor capacity. Abundant availability of raw materials such as cotton, wool, silk and jute as well as skilled workforce have made the country a sourcing hub.

The textiles industry has made a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. The sector contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 27 per cent to the country's foreign exchange infows. It provides direct employment to over 45 million people. The textiles sector is the second largest provider of employment after agriculture. Thus, growth and all round development of this industry has a direct bearing on the improvement of the India's economy.

♦ **GROWTH:**

The Indian textiles industry is set for strong growth, buoyed by strong domestic consumption as well as export demand. The most significant change in the Indian textiles industry has been the advent of manmade Fibres (MMF). India has successfully placed its innovative range of MMF textiles in almost all the countries across the globe. India has the second largest textile manufacturing infrastructure in world after China. India is one of the few countries in world which has production at each level of textile manufacturing viz. fibre manufacturing, spinning, weaving, knitting, processing and garmenting.

♦ **GOVERNMENT INITIATIVES :**

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100% FDI in the Indian textiles sector under the automatic route.

Some of initiatives taken by the government to further promote the industry are as under:

- The government has taken a number of initiatives for the welfare and development of the weavers and the handloom sector.
- The Cabinet Committee on Economic Affairs (CCEA) has approved an Integrated Processing Development Scheme (IPDS) to make textiles processing units more environment-friendly and globally competitive.

♦ **INDUSTRY PERFORMANCE**

India's share of the global textile industry is predictable to grow from 4.5% to 8% by 2012-13 and the share of in the export basket is to reach US\$80 billion by 2020. A Vision 2010 for textile formulated by the government after exhaustive interaction with the industry and export promotion councils to capitalize on the positive atmosphere aims to increase India's share in the world's textile trade from the current 4.5% to 8% by 2013 and to achieve export value of US \$80 billion in 2020. Formation of 12 million new jobs in the textile sector and modernization and consolidation for creating a globally for competitive textile industry.

The Technology Upgradation Fund Scheme (TUFS) by Government of India was commissioned in the year 1999 with a view to facilitate the modernization and upgradation of the textiles industry by providing credit at reduced rates to the entrepreneurs both in the organized and the unorganized sector. TUFS has helped in the transition from a quantitatively restricted textiles trade to market driven global merchandise. The modified techno-financial parameters of the scheme will infuse capital investment into the textiles sector, and help it capitalize on the vibrant and expanding global and domestic markets, through technology upgradation, cost effectiveness, quality production, efficiency and global competitiveness. It is estimated that this will ensure a growth rate of 16% in the sector.

♦ **MAJOR PROBLEMS FACED BY COTTON INDUSTRIES:**

Cotton textile industry is obsessed with many problems. The main factor which have wrecked die industry is the growth of the power loom sector. The result was that many cotton mills became inefficient and uneconomic-one- dirt of the cotton mills became sick and was closed down. By 1992 as many as 130 cotton mills were closed down. Following are some of the problems faced by the industry.

- (a) Shortage of raw materials.
- (b) Obsolete machinery.
- (c) Power shortage
- (d) Low productivity of labour.
- (e) Competition in foreign market
- (f) Competition from the decentralized sector
- (g) Government controls and heavy excise duties
- (h) Sick mills

The cotton textile industry of the country is thus facing both short term and long term problems. Former includes problems of high prices, shortage of raw materials, liquidity problems due to poor sales and accumulation of huge stocks due to poor demand in the market.

The long term problems of the industry include the slow pace of modernization, outdated technology resulting into low productivity, high cost of production, low profitability and increasing sickness of mills.

1. COMPANY'S PERFORMANCE

The core business of the company is manufacturing and sale of cotton yarn and cotton fabrics. The management discussion and analysis given below discusses the key issues of the cotton yarn spinning, weaving and dyeing sectors.

The turnover of the Company for the year under review increased to Rs. 244.14 Crores as compared to Rs. 214.64 Crores in the previous financial year, registering a growth of 13.74%. The profit before interest and tax of the company has decreased by 12.98% on annualized basis from Rs 35.86 Crores to Rs 31.20 Crores in the current financial year. The net profit for the year under report was affected and decreased to Rs. 8.04 Crores from Rs. 14.67 Crores.

Your company's Hydel power project generated power of the value of Rs 141.66 lakhs as against Rs. 488.92 lakhs in the previous year.

2. STRATEGIES AND FUTURE PLANS

The Company's spindle age capacity was 56400 spindles, Open End Plant and Ginning Division is added considerable revenue to the Company. The global fabric sourcing is shifting to India, The encouragement given by Ministry of Textile with TUF and One time Capital Subsidy the future shifting in fabric sourcing. The Company also expand it's Business activities by entering into Weaving and Dyeing segments and During the year, weaving unit of the company has started its commercial production.

3. DIVISION WISE REVIEW AND ANALYSIS:

A. KSML GINNING DIVISION:

NIPHA GINNINGS :



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

MACHINERY INFRASTRUCTURE:

Roller Ginning	:	Nipha
Auto Seed Boosting & Collection	:	Auditya Quality
Automatic Bale Press	:	Karunanand
Online Cody Cleaner	:	Global Engineers Pvt Ltd
Lint Pre Cleaner	:	Govind & Sons
Raw Cotton Storage hot box	:	Rank one company

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

B. KSML SPINNING DIVISION:

During the year your company has operated at 56400 spindles full capacity. The OE plant and new Automatic Ginning and Pressing Unit had commenced its operation during the financial year 2010-11. Your Company has made balanced approach towards export and domestic market. In domestic market most of the buyers are corporate entities and they in turn export fabric ornaments. We see that maximum product value is accrued to the Company. The company relies on consistent supply of international standard quality yarn. The company had clear vision and mission, well placed systems, team comprises with expertise professionals and strategic management expertise to diversify its qualitative products.

i) RING SPINNING DIVISION:

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

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

PRODUCT RANGE:

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

ii) MAINTENANCE OF MACHINES:

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

iii) QUALITY CONTROL MEASURES:

Raw material inspection will be carried out on Uster HVI Spectrum and Uster Afis Pro -2 for 2.5% SL, uniformity, MIC, Strength, Short fiber content % and neps /grm. Bale management system is followed for consistent superior yarn quality, and for this, cotton stock required for minimum 5 – 6 months is maintained. Carding and combing process optimized for NRE of 75% to 85% and 65% to 70% respectively. RIETER D35 /D40 draw frames are maintained for a% less than 0.50. During the year, another RIETER D45 draw frame machine was installed for a % 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. Apart from in process inspection system, mill has adopted very stringent final inspection procedure before dispatching yarn to its customers.

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



iv) CARDING MACHINE:



High production card designed to deliver superior performance with a comprehensive carding concept – available in two variants TC 51 and TC 53.

Technical Details:

Power consumption: 14.63 kW
Production: Upto 120 kg/ hr

Key Features:

Precision knife setting system PMS
Multi web clean
Direct feed

C. KSML OPEN END DIVISION:

i. BLOW ROOM :



ii. OPEN END ROTORS :



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

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

PRODUCT RANGE:

OE Yarn	:	Ne10s to Ne20s
TFO Yarn	:	Ne OE 20s/2
Production Capacity	:	16450 kg / day.

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

D. KSML WEAVING DIVISION:

During the current year 2014-15, your company has started the Commercial Production at Weaving Division.

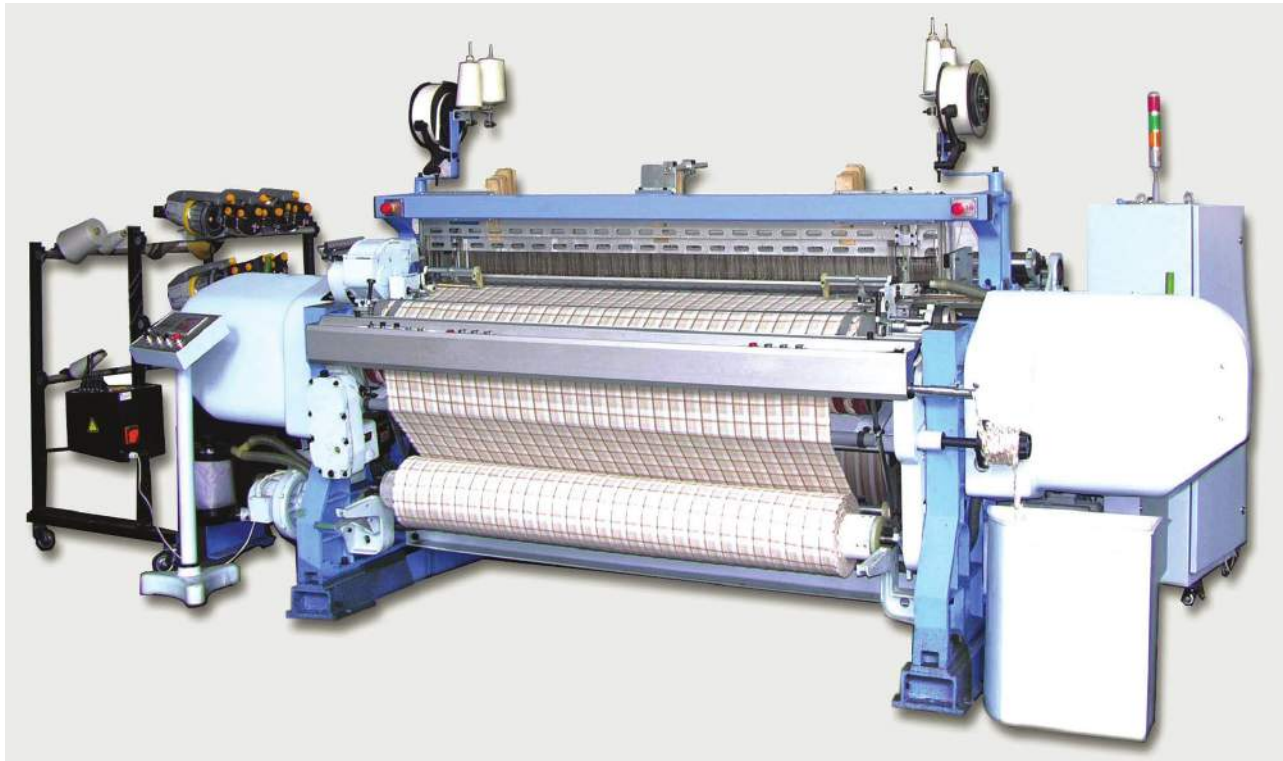
The company has commenced the commercial production on 01st September, 2014.

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

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

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

i) AIRJET LOOM :



Technical specifications :

Equipped as standard for symmetrical width reduction

- Newly designed relay nozzles and valves for highest performance
- Equipped as standard for fitting a superstructure – one of the many modular features
- Split frame for style change in less than 30 minutes
- Optimised insertion preparation for up to eight colours or yarn types
- Fast, simple width changes
- Ultimate flexibility, with the same standard design for cam, dobby and jacquard motions
- Warp beam and cloth roll can be changed quickly without tools
- Sumo main motor with direct drive

ii) REED CLEANING MACHINE :



During weaving operation, a lot of fly, fluff, wax, dust, dirt, oil etc. accumulate on the surface or in the dents of the Reed which may result in frequent warp thread breakages. Present manual Reed cleaning practice is very ineffective. Hence, for efficient operation of a weaving machine, it is necessary to clean the Reed.

ULTRASONIC REED CLEANING

Ultrasonic waves are transmitted through the cleaning liquid and exerts a force called “Cavitation” on the surface or dents of the Reed to make it free of contamination. This force penetrates into the smallest crevices which are normally inaccessible to other cleaning methods and thereby ensures maximum cleaning efficiency.

TECHNICAL SPECIFICATIONS :

Models	Models available for the reed of length up to 4000 mm
Works on	240 VAC, 50Hz.
Ultrasonic Power	300 - 2400 watts
Cleaning time	5 - 25 min./reed (depending upon length)

FEATURES PLUS :

- New and Improved Technology.
- Easy to Use and operate.
- Less consumption.
- Less manpower.
- Improves weaving machine maintenance.
- Offer more production with better quality.

iii) BEAM TO BEAM ROLLING MACHINE :



Features :

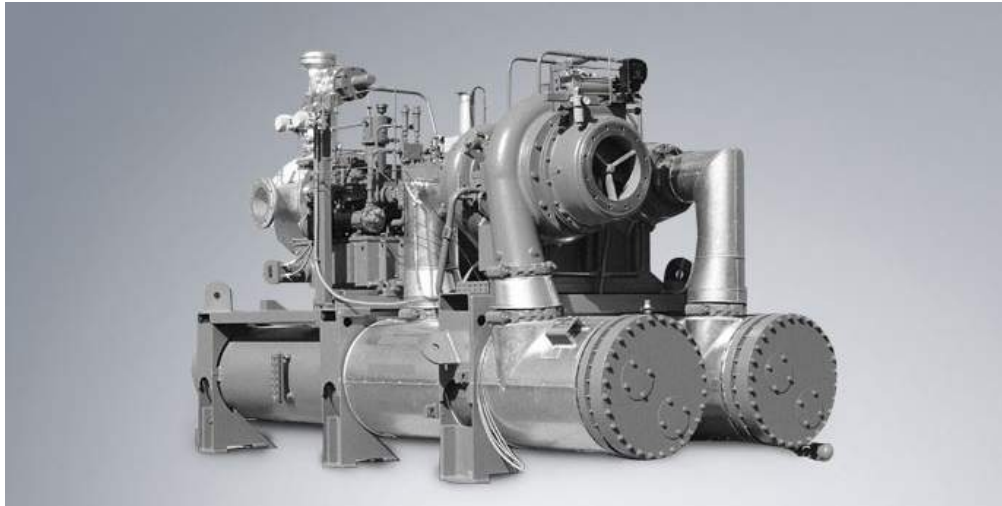
- Very much ideal for preparing small lots of same pattern fabrics with several colours in warp sheet
- To enhance the weavers beam quality
- Reduction in yarn wastage for small lot sizing
- Increased loom efficiency
- Operator friendly operations.
- Pneumatic press rollers system.
- Hydraulic beam loading & doffing System.
- Movable, expandable comb.
- Taping device.
- Beam arbour is motor driven.
- Working width 1200 to 5000mm.
- Flange diameter upto 1400mm.
- Speed upto 120 MPM.
- Separate winder available for large flange diameter for terrytowel, jute, etc.

General :

- Ultimate technology & designs give highest quality sized warp beams.
- Fully auto control of all parameters
- Uniform, required size pick up.
- Low hairiness with uniform moisture.
- Low stretch.
- Easy reproducibility due to recipe data stored.
- Less Operator interference.
- Full safety during operation.

Easy Supervision & operation due to graphics display & data save of actual & set process parameters.

iv. CENTRI FUGAL COMPRESSOR :



Features of Centri Fugal Compressors :

1. Prevents contamination of your system
2. Removes the potential for compressed air pipeline fires caused by oil carryover
3. Thrust loads absorbed at low speed
4. High reliability
5. Non-contact air and oil seals
6. Eliminates the expense and maintenance of oil removal filters
7. No wearing parts requiring regular replacement
8. Pulsation free and require no dampers

v. SECTIONAL WARPING MACHINE :



Features :

- Robust separate warping and beaming structure
- Yarn build up through laser sensor
- Three servo system with section tension control
- Kick Back type feeler roller for compact beam
- Extremely effective air cooled type hydraulic disc brakes
- Ball screw for high precision warping

Application :

- Ideal sectional warper for all type of count
- Suitable for Yarn dyed shirting, Terry towel, Home Furnishing fabric, Silk, Label, Industrial fabric,
- Suiting and shirting, Technical textile, dress material, shawl and special fabrics

vi. SIZING MACHINE :



TECHNICAL SPECIFICATIONS

Width	: 1800-4000 mm
Flange Dia	: 800-1250mm
Speed up to	: 150 m/min

FEATURES :

- Unwinding tension controls through advance control system
- 2 different type of size box – horizontal and Vertical Pull Out
- Individual drives for size boxes with digital data exchange, ensures minimum wet stretch between the sections
- Innovative design of drying cylinders for improved drying efficiency
- 2 different type of beamer as per the application
- Extremely robust construction
- Constant and uniform winding tension across the width
- Complete operation controls in closed loop with advance servo system

vii) FABRIC INSPECTION MACHINE :



Inspection - Rolling Machine is mainly used in weaving mills and dyeing plant for the inspection of various types of fabrics for full-width rolling and metre counting.

TECHNICAL SPECIFICATION

Max dia of fabric rolls	: 500mm
Working Width	: available upto 150cms-400cm.
Speed of rolling	: 0-50m/min

The machine is driven by imported gear box with electric motor, Inverter Drive for controlling rolling Speed, Electronic length Counter, Tension of cloth by rolls, Anticurling Device for uniform fabric rolling and Inside and Outside lighting for fabric inspection

FEATURES :

- Efficient inspection of fabric defects in grey and finish fabrics.
- Suitable for woven, Knits and lycra fabrics.
- Tensionless movement of fabric on inspection table.
- Full forward & reserve run of fabric.
- Speed variable from 0 – 50 mtrs/ min.
- Operator friendly, improves productivity, reduces labour.

The machine is for inspection and Rolling of finished as well as grey fabrics for widths ranging from 60" to 150". The supply fabrics can be either in loose form or roll form or roll form. The fabric Rolling speed is controlled by push buttons via inverter control.

Fabric Tension can be adjusted by means of several bar pensioners. Anti curler device, digital counter meter, 1 hp motor coupled with Suitable Gear box is provided with the machine. The inspection board consists of a combination of black board and glass with backlight. Top Light is also provided.

E. KSML DYEING DIVISION:

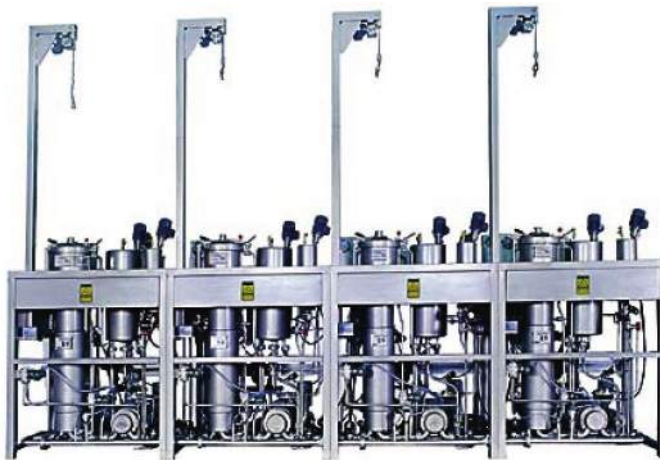
The Company had taken up dying of cotton Yarn 5000 kgs per day production. The project is being implemented at cost of Rs. 12.5 crores and Bank of Baroda is financing Rs.9.90 crores by means of term loan.

i. YARN DYEING CASA ATMOSPHERIC FLAX ROVING BLEACHING AND SCOURING MACHINE



Type of Fibres	: Flax / Linen
Type Fabrics	: Flax / Linen roving
Capacity	: No. of spindles: 54-257 for single kier machine, 276-514 for twin kier machine Capacity depends on the weight of processed material per spool
Applications	: For the bleaching and scouring of flax roving wound on spool

ii. YARN DYEING LABWIN LABORATORY PACKAGE DYEING MACHINE (LABORATORY EQUIPMENT)



Type of Fibres : Cotton, polyester, poly/cotton, acrylic, polyamide (nylon), wool, ramie/cotton

Type of Yarns :

- Yarn wound on all kinds of dye tubes
- Loose fibre such as cotton, wool, artificial silk, etc.
- Muffs, tops, tapes, etc.

Capacity : 1- 6 packages per single kier; up to 24 packages in multi-kier machine. Capacity depends on the weight of processed material.

Applications : For the pretreatment, dyeing and after treatment of packages, bobbins, loose fibres, muffs, tops, tapes, etc.

iii. YARN DYEING FTDW RADIO FREQUENCY DRYER (FINISHING) :



APPLICATIONS :

Radio Frequency Dryer allows the drying of natural and manmade fibers in staple, hank, cone, package and top form normally immediately after hydroextraction. The result is good uniformity and better final handling.

ADVANTAGES :

- Uniform drying at low temperature
- Selective heating that only the humid parts are heated
- Energy saving (1.2 kg water per kW/hr high frequency power)
- Power consumption directly proportional to humidity contents
- Improved fiber quality and softness
- Residual humidity controlled within 1%
- Constant and repeatable drying level
- Space saving and possibilities of automation
- Time saving
- Instant controls and adjustments

iv. YARN DYEING RD LOW NOISE RAPID DRYER (FINISHING)



APPLICATION :

RD low noise rapid dryer is a perfect companion to Fong's package dyeing machine and is also compatible to major module of carriers available in the market. It provides an energy efficiency, time saving and even drying of yarn after the dyeing phase.

ADVANTAGES :

- Short process time
- No dead time is incurred during circulation of air when in reversing direction thus shortens the process time required
- Even drying and minimum harm to most delicate yarn
- Twin direction circulation without dead time increases number of circulation thus improves drying quality throughout the process material
- Quiet operation
- Specially selected radial blower keeping noise level down to the minimum (88 dBA at 1 m distance)

v. DYED CONE REWINDING



Subsequent to the R.F. Drying ,the yarn cones are unloaded, weighed, checked for evenness of dyeing are rewound as soft packages on Schlafhorst auto-coners, so that it is ready for warping or for weft insertion in weaving section. We need around 5 machines of 60 spindles each for our capacity and need segregation of each machine, to avoid fluff contamination of one shade onto the other. It is helpful if humidification air changes are provided, so that fluff is going into the return trench and not flying around in the winding area.

F. KSML HYDEL POWER DIVISION:

Keeping in view the outstanding performance of the Hydel project for the past five years, the company 3rd power plant had commenced its commercial operation during the year-2010-11.

During the year under review, with the plenty of water available in Krishna Basin the Hydel power generation had Increased from 1,15,21,954 units to 8859059 units. Most of the power generation was for the captive consumption of the spinning division.

HYDRO ELECTRIC DIVISION:

Our company has three hydro electric plants with 4.0 MW capacity at Nelakondapally Mandal, Khammam District of Andhra Pradesh. These plants are on 16th & 17th branch canal of Nagarjuna Sagar project left main canal. The canal flows for 7 to 8 months in a year. Typically the canal is opened in Aug/Sep and closed by end April. The first two projects of 0.8 MW and 1.6 MW were commissioned in Jan 2002 and third hydro electric 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 solely dependent on the canal water flow. The 0.8 MW hydro electric project is financed by IREDA, New Delhi and remaining two Nos. of 1.6 MW hydro electric projects are financed by Andhra Bank. We have good electrical and mechanical engineering team at the hydro electric plants. They ensure the availability of plant by more than 98% when water is flowing in the canal. During the financial year 2014-15 we have generated 88,59,059 Units. Out of the generation 70% of the units are wheeled and consumed in Spinning Mill and Sagar Cements Ltd and 30% of the units are sold to TSNPDCL.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis describing the Companies objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable security laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the company's operations include, among others, economic conditions effecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

Annexure - VII TO THE DIRECTORS' REPORT

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

(i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2014-15 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl. No.	Name of the Director/ KMP and Designation	Remuneration of Director During the F.Y 2014-15 (Amount In Rs)	Ratio of remuneration of each Director/ to median remuneration of employees	% Increase/ (Decrease) in Remuneration in the Financial Year 2014-15	Comparison of the Remuneration of the KMP against the Company
1	P.Venkateswara Reddy Managing Director	23,28,570	22.792	(34.61)	Profit before Tax decreased by 61.96% and Profit After Tax decreased by 35.55% in financial Year 2014-15
2	G.V.Krishna Reddy Joint Managing Director	23,23,385	22.74	(34.72)	
3	M.V.Subba Reddy Whole Time Director	9,17,538	8.981	68.75	
4	S.Pulla Rao Non Executive Director	45,000	0.440	0.00	
5	M.R. Naik Non Executive Director	40,000	0.392	60.00	
6	V.S.N Murthy Non Executive Director	45,000	0.440	0.00	
7	A. Krishna Murthy Non Executive Director	25,000	0.245	0.00	
8	V. Bhargavi Non Executive Director	25,000	0.245	#	

- i) # Details was not given as Smt V. Bhargavi was not a Director in the financial year 2013-14. She was appointed on 27th September, 2014
- ii) The Median Remuneration of Employees of the Company during the Financial Year was Rs. 1,02,165 .
- iii) There were 280 permanent employees on the rolls of the Company as on 31st March, 2015.
- iv) Comparison of Remuneration of the Key Managerial Personnel(s) against the performance of the Company: The total remuneration of Key Managerial Personnel declined by 39.23% from 76.64 Lakhs in 2013-14 to 46.57 Lakhs in 2014-15 whereas the Profit before Tax decreased by 61.96% to 803.26 Lakhs in 2014-15 from 2111.58 Lakhs in 2013-14.
- v) There were no employees in the Company as per Rule 5(2) of Chapter XIII, the Companies(Appointment and Remuneration of Managerial Personnel) Rules, 2014.
- vii) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year – Not Applicable; and
- viii) The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Human Resources, Nomination and Remuneration Committee as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.
- ix) It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

**ANNEXURE - VIII TO THE DIRECTORS' REPORT
REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) :**

1. CSR policy of the Company is posted on the website of the Company at www.ksml.in.
2. Composition of CSR Committee:
 Mr. G.V. Krishna Reddy - Chairman
 Mr. M.R. Naik - Member
 Mr. M.V. Subba Reddy - Member
3. Average net profit of the Company for last three financial years: 11.16 Crores
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend `22.30 Lakhs towards CSR.
5. Details of CSR spent during the financial year 2014-15 :
 (a) Total amount to be spent for the financial year: ` 22.40 Lakhs
 (b) Amount unspent, if any: None

(c) Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Activity	Sector	Location	Amount Spent
1	DISTRIBUTION OF MEDICINES	Promoting preventive health care	Addanki, Andhra Pradesh	34,126
2	CLEARING OF BUSHES	Ensuring Environmental Sustainability	Addanki, Andhra Pradesh	2,92,143
3	FOOD DISTRIBUTION	Promoting preventive health care	Addanki, Andhra Pradesh	4,27,425
4	IMPROVEMENT OF ROADS	Social Business projects	Addanki, Andhra Pradesh	14,86,953
			TOTAL :	22,40,647

6. The Corporate Social Responsibility Committee of the Company hereby confirms that the implementation & monitoring of CSR policy, is in compliance with CSR objectives & policy of the Company.

P. Venkateswara Reddy
Managing Director

**On behalf of the Corporate Social Responsibility Committee of
Kallam Spinning Mills Limited
Mr. G.V. KRISHNA REDDY
Chairman of the Corporate Social Responsibility Committee**



MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER REPORT

CERTIFICATE PURSUANT TO CLAUSE 49(IX) OF THE LISTING AGREEMENT

We, the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of Kallam Spinning Mills Limited ("the Company"), to the best of our knowledge and belief certify for the financial year ended 31st March, 2015 that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee
 - (i) that there are no significant changes in internal control over financial reporting during the year;
 - (ii) that there are no significant changes in accounting policies during the year; and
 - (iii) that there are no instances of significant fraud of which we have become aware.

Date : 30.05.2015
Place : Chowdavaram

For Kallam Spinning Mills Ltd
P. Venkateswara Reddy
Managing Director

For Kallam Spinning Mills Ltd
M.V. Subba Reddy
Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

To

The Members of

KALLAM SPINNING MILLS Limited

REPORT ON THE FINANCIAL STATEMENTS

WWe have audited the accompanying financial statements of KALLAM SPINNING MILLS Limited ('the Company') which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE 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 of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including Accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for prevention and detection 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 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 financial statements based on 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 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 financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2015 ('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 statement on the matters specified in paragraphs 3 and 4 of the Order..

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 and proper returns adequate for the purposes of the audit have been received from the branches to the extent not visited by us;
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on March 31, 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of sub-section (2) of section 164 of the Act;
- f. 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:
 - i. The company does not have any pending litigations which would impact its financial position except those which are disclosed in the notes to the financial statements and para no.7 in Annexure to our Audit report.
 - ii. The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education Protection Fund by the company.

Place : Guntur
Date : 30-05-2015

For BRAHMAYYA & CO.,
 Chartered Accountants,
 Firm Reg.No-0005135

KARUMANCHI RAJAJ
 Partner
 Membership No: 202309



ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in our report to the members of KALLAM SPINNING MILLS LIMITED ("Company") for the year ended March 31, 2015.

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.
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. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) According to the information furnished to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
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) and (b) of paragraph 3 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. Further during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction.
5. The Company has borrowed interest free unsecured loans from the directors and their relatives in pursuance of the stipulation imposed by Andhra bank at the time of lending and the amount outstanding as on 31.3.2015 against such loans was Rs.148 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 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, Wealth tax, Service tax, Customs duty, Excise duty, Cess 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, wealth tax, Customs duty, Excise duty and Service tax have been disputed by the Company, and hence were not remitted to the authorities concerned at the date of the Balance Sheet under report except an amount of Rs.8,68,630/- being demand towards Income-tax for the asst. year 2011-12 which was appealed before Commissioner of Income-tax (Appeals).
 - c) According to the information furnished to us, the company deposited the amounts required to be transferred to investor education and protection fund in accordance with the provisions of section 125 of the Act.
8. According to the information and explanations furnished to us, the Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
9. 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. However, the company has not borrowed any loans from financial institutions or raised any funds by way of issue of debentures.
10. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Hence the requirements of clause (x) of paragraph 3 of the Order are not applicable to the Company.
11. According to the information and explanations given to us, the term loans obtained by the Company during the year have been applied for the purpose for which they were obtained.
12. During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practices in India, and according to the information and explanations given to us, we have not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For BRAHMAYYA & CO.,
Chartered Accountants,
Firm Reg.No-000513S

KARUMANCHI RAJAJ
Partner
Membership No: 202309

Place : Guntur
Date : 30-05-2015.

BALANCE SHEET AS AT 31ST MARCH, 2015

(Amount in Rs.)

	Particulars	Note No.	As at 31.03.2015		As at 31.03.2014	
I. EQUITY AND LIABILITIES						
(1)	Shareholders' funds					
	(a) Share capital	2	6,85,11,000		6,85,11,000	
	(b) Reserves and surplus	3	62,5054,940	69,35,65,940	54,16,24,842	61,01,35,842
(2)	Deferred Government Grants	4		8,71,86,104		80,418
(3)	Non-current liabilities					
	(a) Long-term borrowings	5	1,91,25,06,229		1,95,68,14,072	
	(b) Deferred tax liabilities (Net)	6	13,97,72,187		15,41,13,299	
	(c) Long-term provisions	7	58,05,695	2,05,80,84,111	36,13,073	2,11,45,40,444
(4)	Current liabilities					
	(a) Short-term borrowings	8	77,91,61,271		62,42,27,634	
	(b) Trade payables	9	5,26,96,498		9,04,07,884	
	(c) Other current liabilities	10	25,80,19,552		24,65,60,739	
	(d) Short-term provisions	7	9,91,41,464	1,18,90,18,785	8,43,02,236	1,04,54,98,520
	TOTAL			4,02,78,54,940		3,77,02,55,224
II. ASSETS						
(1)	Non-current assets					
	(a) Fixed assets					
	(i) Tangible assets	11	2,69,78,35,061		1,27,33,33,489	
	(ii) Intangible assets		-		-	
	(iii) Capital work-in-progress		27,44,21,278	2,97,22,56,339	1,52,14,37,546	2,79,47,71,035
	(b) Long-term loans and advances	12		4,35,33,436		5,88,88,660
(2)	Current assets					
	(a) Inventories	13	58,25,39,864		59,16,24,583	
	(b) Trade receivables	14	12,10,94,815		7,01,70,465	
	(c) Cash and cash equivalents	15	1,24,32,314		1,56,38,110	
	(d) Short-term loans and advances	12	29,15,96,590		23,44,07,547	
	(e) Other current assets	16	44,01,582	1,01,20,65,165	47,54,824	91,65,95,529
	TOTAL			4,02,78,54,940		3,77,02,55,224
	Significant accounting policies	1				
	Notes on accounts	25-36				

As per our report of even date
For BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration No: 0005135

KARUMANCHI RAJAJ
Partner
Membership No: 202309

Place : Guntur
Date : 30.05.2015

For and on behalf of the Board of Directors

P. Venkateswara Reddy
Managing Director

G.V.Krishna Reddy
Joint Managing Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2015 (Amount in Rs.)

Particulars	Note No.	Year ended 31.03.2015	Year ended 31.3.2014
Continuing Operations			
I. Revenue:			
From Operations			
(a) Sale of products	17	2,44,13,47,286	2,14,64,04,058
(b) Sale of services		-	-
(c) Other operating revenue		-	-
		2,44,13,47,286	2,14,64,04,058
Less: Excise duty		-	-
		2,44,13,47,286	2,14,64,04,058
Other Income	18	7,13,34,156	4,72,95,886
TOTAL		2,51,26,81,442	2,19,36,99,944
II. Expenses:			
Cost of materials consumed	19	1,48,60,58,940	1,36,25,79,632
Purchases of Stock-in-Trade	20	1,27,67,089	-
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	21	(7,57,033)	(3,96,52,619)
Employee benefits expenses	22	9,01,60,998	4,43,31,509
Finance costs	23	23,17,16,971	14,74,25,780
Depreciation		9,93,04,940	7,80,61,947
Other expenses	24	51,31,02,789	38,97,95,840
TOTAL		2,43,23,54,694	1,98,25,42,089
Profit before tax		8,03,26,748	21,11,57,855
Less: Tax expense :			
-Short/ (Excess) provision of current tax		--	(74,140)
-Current tax		1,62,00,000	4,51,00,000
-Deferred tax liability		(1,43,41,112)	63,38,675
		7,84,67,860	15,97,93,320
Add/ Less: MAT Credit entitlement/(Withdrawn)		1,60,71,575	(1,31,02,866)
Profit after tax		9,45,39,435	14,66,90,455
Earning Per Equity share of Rs.10/- each			
Basic and diluted		13.80	21.41
Significant accounting policies	1		
Notes on accounts	25-35		

As per our report of even date
For BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration No: 0005135

KARUMANCHI RAJAJ
Partner
Membership No: 202309

Place : Guntur
Date : 30.05.2015

For and on behalf of the Board of Directors

P. Venkateswara Reddy
Managing Director

G.V.Krishna Reddy
Joint Managing Director

KALLAM SPINNING MILLS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2015

PARTICULARS	2014-15 Rs.	2013-14 Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extra-ordinary items	8,03,26,748	21,11,57,855
Add/Less: Adjustments for		
Depreciation	9,93,04,940	7,80,61,947
Interest expense	23,13,26,971	14,74,25,780
Interest income	-37,66,377	(25,52,440)
Govt. grants credited	-17,71,519	(30,548)
Loss on sale of assets	73,266	7,52,443
Operating profit before working capital changes	40,54,94,029	43,48,15,037
Add/Less: Adjustments for working capital		
Inventories	90,84,719	(16,59,82,148)
Trade and other receivables	-3,77,51,175	(8,77,05,584)
Trade payables	-5,01,17,449	8,92,76,840
Cash generated from operations	32,67,10,124	27,04,04,145
Less: Direct taxes paid	3,85,82,189	2,27,90,307
Net cash from operating activities	28,81,27,935	24,76,13,838
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and Capital WIP	-27,99,39,013	(1,39,23,82,735)
Proceeds from sale of fixed assets	2,12,000	3,47,701
Interest received	37,66,377	25,52,440
Net cash used in Investing activities	-27,59,60,636	(1,38,94,82,594)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from/(Repayment of) borrowings	12,70,76,670	1,28,61,86,197
Subsidy from Govt.	8,88,77,205	-
Interest and finance charges	-23,13,26,971	(14,35,65,780)
Net cash from/(Used in) financing activities	-1,53,73,096	1,14,26,20,417
Net Increase in cash and cash equivalents	-32,05,797	7,51,661
Cash and cash equivalents at the beginning of the Year	1,56,38,110	1,48,86,449
Cash and cash equivalents at the end of the Year	1,24,32,314	1,56,38,110
Net increase in cash and cash equivalents	-32,05,797	7,51,661

As per our report of even date
For BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration No: 0005135

KARUMANCHI RAJAJ
Partner
Membership No: 202309

Place : Guntur
Date : 30.05.2015

For and on behalf of the Board of Directors

P. Venkateswara Reddy
Managing Director

G.V.Krishna Reddy
Joint Managing Director

STATEMENT ON ACCOUNTING POLICIES

Note No.1

1. GENERAL

The financial statements are prepared under historical cost convention on accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles in India. The financial statements are prepared to comply in all material respects with the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of Companies (Accounts) Rules, 2014, the pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 2013 and Companies Act, 1956 to the extent applicable and guidelines issued by the Securities and Exchange Board of India. The Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing Accounting Standard or amendments to the provisions of any statute which requires a change in the accounting policy either to in use.

2. USE OF ESTIMATES

The preparation of the financial statements requires management of the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures relating to the contingent liabilities and commitments. Examples of such estimates include provisions for provisions for doubtful debts and advances, employee benefit plans, useful lives of fixed assets and provisions for impairment. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

The judgments, estimates and underlying assumptions are made with the management's best knowledge of the business environment and are reviewed on an ongoing basis. However, future results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

3. FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of directly attributable cost of bringing the assets to their working condition for the intended use. CENVAT/VAT/Terminal Excise duty availed, if any, on fixed assets is not included in the cost of such fixed assets capitalized.

4. BORROWING COSTS

Borrowing costs incurred in connection with the funds borrowed for acquisition of assets that takes necessarily substantial period of time to get ready for intended use are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

5. DEPRECIATION

Consequent to the applicability of Schedule -II of the Companies Act, 2013 w.e.f 1.4.2014, the company has computed depreciation based on the useful lives as specified in Schedule II of Companies Act, 2013 under straight line method. Accordingly the carrying amount of tangible fixed assets on 1.4.2014 is being depreciated over the remaining useful life of the assets as specified under schedule-II.

Had the company continued with the method of providing depreciation based on the rates prescribed under Schedule XIV of the Companies Act, 1956, the charge for the depreciation for the year would have been higher by Rs 203.48 Lakhs.

6. INVENTORIES

Inventories are valued as follows :

I. Spinning and Weaving Division :

- a) Finished stocks are valued at cost or net realizable value which ever is lower.
- b) Cotton Waste is valued at Net realizable Value.
- c) Work-in-progress, Raw materials, stores and spares are valued at cost except where net realizable value of the finished goods they are used in is less than the cost of finished goods and in such an event, if the replacement cost of such materials etc., is less than their book values, they are valued at replacement cost.

II. Power Division :

- a) Stock of power (Banked with APTRANSCO) is valued at cost or net realizable value which ever is lower.
- c) Tools & Implements are being valued at cost.

7. REVENUE RECOGNITION :

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

- i) Revenue from sale of products is recognised when the risks and rewards of ownership are transferred to the buyer under the terms of the contract which usually coincide on the dispatch of goods to the customer or when they are unconditionally appropriated under the terms of sale.
- ii) Sales are stated net of trade discounts and sales tax.
- iii) Incentives such as DEPB benefits are recognized as Income only on actual realization/on sale/ utilization of said licences.
- iv) Power generated and supplied to spinning division is accounted for at the rate at which company purchases from the APTRANSCO.
- v) Interest on investments and deposits is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

8. INTER-DIVISIONAL TRANSFERS:

Inter-divisional transfer of goods as independent marketable products of separate divisions used for captive consumption are transferred at prevailing market prices. This accounting treatment has no impact on the profit of the company. Such transactions are neither included in turnover nor in consumption of materials, except for valuation purposes.

9. DEFERRED GOVT. GRANTS

Grants related to specific depreciable assets are treated as deferred income and recognized in profit and loss account over the useful life of the said asset on which subsidy was received. Such allocation to income is made over the period and in proportion in which depreciation on such related asset is charged.

Grants which are given with reference to the total investment in an undertaking are treated as part of shareholders' funds and grouped under capital reserves.

10. RETIREMENT BENEFITS

The company provides retirement benefit in the form of provident fund and group gratuity. Contributions to the Provident Fund, a defined contribution scheme, is made at the prescribed rates to the provident fund commissioner and is charged to the Profit and Loss account. There is no other obligation other than the contribution payable.

The Liability for group gratuity, which is unfunded, is provided based on actuarial valuation as per the Projected Unit Credit Method at the end of the each year.

The Liability for Leave encashment being short term benefits, is accounted on accrual of said liability.

11. FOREIGN CURRENCY TRANSACTIONS

- i) Foreign Currency Liability contracted for acquiring Fixed Assets are restated at the Foreign Exchange rates prevailing at the year end and all exchange differences arising as a result of such restatement are charged to the Profit and loss account.
 - ii) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of transaction, and adjusted appropriately, with the difference in the rate of exchange arising on actual receipt/payment during the year.
 - iii) At each balance sheet date
 - Foreign Currency monetary items are reported using the rate of exchange on that date
 - Foreign Currency non-monetary items are reported using the exchange rate at which they were initially recognized.
- In respect of forward exchange contracts in the nature of hedges
- Premium or discount on the contract is amortized over the term of the contract
 - Exchange differences on the contract are recognized as profit or loss in the period in which they arise.

12. TAXES ON INCOME

Current tax is determined as per provisions of Income Tax Act, 1961 in respect of Taxable Income for the year.

Deferred tax liability is recognized, subject to the consideration of prudence on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation as per Income-tax laws are recognized only when there is virtual certainty supported by convincing evidence that such assets will be realized. Deferred tax assets arising on other temporary differences are recognized only if there is a reasonable certainty of realization.

13. SEGMENT REPORTING

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting.

Inter Segmental revenue have been accounted for based on the market related price.

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. The company does not recognise contingent liabilities but the same are disclosed in the Notes.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

15. DIVIDENDS

Provision is made in accounts for the dividends payable by the company as recommended by the board of directors pending approval of the shareholders at the Annual General Meeting. Tax on Distributable profit is provided for in the year to which such distributable profits relate.

NOTES ON ACCOUNTS

SHARE CAPITAL

Note No.2

PARTICULARS	As at 31.03.2015	As at 31.03.2014
AUTHORISED :		
1,00,00,000 Equity Shares of Rs.10/- each	10,00,00,000	10,00,00,000
ISSUED, SUBSCRIBED AND PAID-UP :		
68,51,100 Equity Shares of Rs 10/- each fully paid-up	6,85,11,000	6,85,11,000
Total	6,85,11,000	6,85,11,000

- The Company has only one class of Equity shares having a par value of Rs. 10/- 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, 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 31.03.2015		As at 31.03.2014	
	Number of Shares held	% out of total number of shares of the company	Number of Shares held	% out of total number of shares of the company
Kallam Haranadha Reddy (Individual)	3,59,300	5.24 %	3,59,300	5.24 %
Gurram Venkata Krishna Reddy	5,55,065	8.10 %	5,55,065	8.10 %
Kallam Agro products and oils Pvt.Ltd	8,74,057	12.76 %	8,73,982	12.75 %
T. Lakshminarayanan	5,98,581	8.74 %	3,99,758	5.83 %

- The company in neither a holding company nor a subsidiary company to any other company.
- Reconciliation of number of Equity shares :

Particulars	As at 31.03.2015		As at 31.03.2014	
	Number of Shares	Amount (Rs)	Number of Shares	Amount (Rs)
Shares outstanding at the beginning of the year	68,51,100	6,85,11,000	68,51,100	6,85,11,000
Add: Shares issued during the year	-	-	-	-
	68,51,100	6,85,11,000	68,51,100	6,85,11,000
Less: Shares Bought back during the year	-	-	-	-
	68,51,100	6,85,11,000	68,51,100	6,85,11,000
Shares outstanding at the end of the year	68,51,100	6,85,11,000	68,51,100	6,85,11,000

- The company has not issued any bonus shares during the last five financial years.
- None of the shares were allotted in pursuant to contract without payment being received in cash.

RESERVES AND SURPLUS
Note No.3

PARTICULARS	As at 31.03.2015	As at 31.03.2014
CAPITAL RESERVE :		
INVESTMENT SUBSIDY		
Figures as at the end of the previous reporting period	1,47,00,000	1,47,00,000
GENERAL RESERVE		
Figures as at the end of the previous reporting period	1,89,00,000	1,52,00,000
Additions : Transfer from P&L account	-	37,00,000
Deductions: Depreciation adjusted against reserves on		
1st year of applicability of Schedule-II of Companies Act, 2013	28,63,514	-
Figures as at the end of current reporting period	1,60,36,486	1,89,00,000
SURPLUS IN STATEMENT OF PROFIT AND LOSS		
Figures as at the end of the previous reporting period	50,80,24,842	37,46,52,921
Add: Profit for the year	9,45,39,435	14,66,90,455
Less: Proposed dividend	68,51,100	82,21,320
Tax on Proposed dividend	13,94,723	13,97,213
Transfer to Reserves	-	37,00,000
Figures as at the end of current reporting period	59,43,18,454	50,80,24,842
Total of Reserves and Surplus	62,50,54,940	54,16,24,842
DEFERRED GOVERNMENT GRANTS		Note No.4
Figures as at the end of the previous reporting period	80,418	1,10,966
Additions	8,88,77,205	-
TOTAL :	8,89,57,623	1,10,996
Deductions - Credited to P&L account	17,71,519	30,548
Figures as at the end of current reporting period	8,71,86,104	80,418



LONG-TERM BORROWINGS

Note No.5

Particulars	Non-current portion		Current maturities	
	As at 31.03.2015	As at 31.03.2014	As at 31.03.2015	As at 31.03.2014
A. SECURED				
Term loans				
a) From Financial Institutions:				
(i) IREDA	76,56,326	99,42,310	22,85,984	34,55,320
b) From banks				
(i) Andhra Bank	40,82,05,774	41,13,94,275	8,40,26,542	8,49,90,992
(ii) Indian Bank	1,38,37,91,618	1,42,67,56,047	7,46,70,000	5,47,70,000
(iii) Bank of Baroda	9,40,00,000	8,82,60,699	30,00,000	20,00,000
Total (a)	1,89,36,53,718	1,93,63,53,331	16,39,82,526	14,52,16,312
B. UNSECURED				
a) Deferred payment liabilities				
i) Interest free Sales Tax deferment	40,47,511	44,26,741	3,79,230	26,94,568
b) Other loans:				
i) Loans from Promoters and their relatives	16,70,000	31,99,000	-	-
ii) Loans from Directors	1,31,35,000	1,28,35,000	-	-
Total (b)	1,88,52,511	2,04,60,741	3,79,230	26,94,568
Total (a+b)	1,91,25,06,229	1,95,68,14,072	16,43,61,756	14,79,10,880

I) HYDAL POWER PLANT:

i) IREDA:

- 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 Nandigama branch canal at mile # 3, Kotha Kothuru of Nela konda palli village, Khammam Dist., Telangana. Further guaranteed by six promoter directors of the company and corporate guarantee of two companies.
- The above loan carries interest @10%.
- The above loan is repayable in following manner.
2016-17 Rs. 2355792/- : 2017-18 Rs. 2355792/-: 2018-19 Rs. 2355792/-: 2019-20 Rs. 588950/-:
- There are no defaults in repayment of above loan.

ii) ANDHRA BANK :

- Term loans from Andhra Bank is secured by way of charge on movable and immovable assets of power plant at Kotha Kothuru excluding those assets specifically charged to IREDA and Bhairavanipalli of Khammam Dist., A.P. which are exclusively created out of said loan. The said loan is further guaranteed by two directors in their personal capacities.
- The above loans carries interest @13.75%.
- The above loans are repayable in following manner.
2016-17 Rs. 11472000/-: 2017-18 Rs. 15145000/-: 2018-19 Rs. 22300000/-: 2019-20 Rs. 31100000/-:
- There are no defaults in repayment of above loan.

II SPINNING UNIT:

i) ANDHRA BANK:

- Term loans from Andhra Bank is 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.) of the company. Further guaranteed by two directors in their personal capacities.
- The above loans carries interest @ 12%, 12.50%, 13.25% and 13.75%.

- c) The above loans are repayable in following manner.
 2016-17 Rs. 23366595/-; 2017-18 Rs. 7300000/-; 2018-19 Rs. 10700000/-;
 2019-20 Rs. 21800000/-; 2020-21 Rs. 71300000/-; 2021-22 Rs. 88267030/-;
 2022-23 Rs. 74000000/-; and 2023-24 Rs. 31455149/-.
- d) There are no defaults in repayment of above loan.

ii) INDIAN BANK:

- a) Term loans from Indian Bank is 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.) of the company. Further guaranteed by two directors in their personal capacities.
- b) The above loans carries interest @ 12.45 and 13.45%.
- c) The above loans are repayable in following manner.
 2016-17 Rs. 66820000/-; 2017-18 Rs. 65425000/-; 2018-19 Rs. 52218798/-;
 2019-20 Rs. 50000000/-; 2020-21 Rs. 62500000/-;
- d) There are no defaults in repayment of above loan.

III WEAVING UNIT :

- INDIAN BANK:

- a) Term loans from Indian Bank is 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 carries interest @12.45% and 12.25%.
- c) The above loans are repayable in following manner.
 22016-17 Rs. 54000000/-; 2017-18 Rs. 82000000/-; 2018-19 Rs. 122000000/-;
 2019-20 Rs. 154000000/-; 2020-21 Rs. 196000000/-; 2021-22 Rs. 127000000/-; 2022-23 Rs.
 172000000/-; and 2023-24 Rs. 179827820/-;
- d) There are no defaults in repayment of above loan.

IV DYEING UNIT :

- BANK OF BARODA:

- a) Term loan from Bank of Baroda is secured by way of first charge on fixed assets of Company's proposed 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 carries interest @12.75%.
- c) The above loans are repayable in following manner.
 2016-17 Rs. 4000000/-; 2017-18 Rs. 5000000/-; 2018-19 Rs. 6000000/-;
 2019-20 Rs. 20000000/-; 2020-21 Rs. 27500000/-; and 2021-22 Rs. 31500000/-
- 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 Rs. 25475992/-. The said loan is repayable within a period of 10/14 years from each year of availment. The Company has to pay an amount of Rs 44,26,741/- as on 31.03.2015 of which an amount of Rs. 3,79,230/- is due for payment during financial year 2015-16.

- VI)** Loans accepted from promoters are interest free and are accepted as per the conditions of sanction of term loans from Andhra Bank and shall not be repayable during the currency of term loans. As per the Companies Act, 2013 any amount received from relatives of Promoter(s)/Director(s) will be treated as deposit. So, during the year, unsecured loan took from relatives of Promoter(s)/Director(s) before the commencement of Companies Act, 2013, were repaid on 30-03-2015.

DEFERRED TAX LIABILITIES (NET)
Note No.6

Particulars	As at 31.03.2015	As at 31.03.2014
a) Liability:		
- On fixed assets towards depreciation	30,49,08,899	15,60,69,658
b) Assets:		
- Disallowances u/s 43B of Income-tax Act, 1961	25,16,184	19,10,977
- Provision towards bad and doubtful debts	43,320	45,383
- Unabsorbed depreciation	16,25,77,207	-
Total	13,97,72,187	15,41,13,299

PROVISIONS
Note No.7

Particulars	Long-term		Short-term	
	As at 31.03.2015	As at 31.03.2014	As at 31.03.2015	As at 31.03.2014
Employee benefits				
Towards Group gratuity (Unfunded)	58,05,695	36,13,073	-	-
Towards Leave encashment (Unfunded)	-	-	20,641	8,730
Provision for Income-Tax	-	-	9,08,75,000	7,46,75,000
Provision for Proposed dividend	-	-	68,51,100	82,21,320
Provision for Tax on distributable profits	-	-	13,94,723	13,97,213
Total	58,05,695	36,13,073	9,91,41,464	8,43,02,263

a) Disclosure required by the AS - 15 (revised) - Employee benefits
I. Defined Benefits Plans
Reconciliation for changes in present value of defined benefits obligation

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
	Gratuity	Gratuity
Present value of obligation at beginning of the year	36,13,073	38,34,402
Current Service cost	22,91,962	9,59,671
Interest cost	3,09,286	3,33,787
Benefits paid	(1,79,020)	(2,23,010)
Net actuarial (gain)/loss	(2,29,606)	(12,91,777)
Present value of obligation at end of the year	58,05,695	36,13,073

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
	Gratuity	Gratuity
Current Service Cost	22,91,962	9,59,671
Interest Cost	3,09,286	3,33,787
Expected return	-	-
Net actuarial (gain)/loss	(2,29,606)	(12,91,777)
Net expenses recognized in the Statement of Profit and Loss	23,71,642	1,681
Note: The current year charge to P&L a/c comprises of provision towards:		
Directors	4,23,005	1,12,717
Other employees	19,48,637	(1,11,036)
	23,71,642	1,681

Actuarial Assumptions	Year ended March 31, 2015	Year ended March 31, 2014
	Gratuity	Gratuity
Discount rate	8.00%	9.35%
Attrition rate	5%	5%
Salary escalation	10%	10%
Expected /Actual return	Nil	Nil

SHORT TERM BORROWINGS**Note No.8**

Particulars	As at 31.03.2015	As at 31.03.2014
Secured :		
Loans repayable on demand :	-	-
Working Capital Loans :	-	-
From Banks :		
- Andhra Bank	40,92,17,434	28,05,18,064
- Indian Bank	36,99,43,837	34,37,09,570
Total	77,91,61,271	62,42,27,634

Note : The above loans are secured by way of hypothecation of Inventories and book debts. Further secured by way of second charge on pari passu basis on fixed assets of the company other than those exclusively charged to IREDA. Further guaranteed by two directors in their individual capacities.

The working capital loans from Andhra bank carries interest @10.25% and 12.50% and from Indian bank carries interest @10.25% and 12.50%.

No amounts were overdrawn during the year by the company than the limits sanctioned.

TRADE PAYABLES**Note No.9**

Particulars	As at 31.03.2015	As at 31.03.2014
Secured :		
Dues to : Small and Micro Enterprises	4,24,687	11,32,897
: Others	5,22,71,811	8,92,74,987
Total	5,26,96,498	9,04,07,884

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

Based on and to the extent of information available with the company regarding the status of their creditors under Micro, Small and Medium enterprises development Act, 2006 on which the auditors have relied upon, the disclosure requirement under the said Act, with regard to the payment made/due to Micro, Small and medium enterprises are given below.

	2014-15	2013-14
1) Amount remaining unpaid beyond the appointed/agreed date		
at the end of the year		
a) Principal	Nil	Nil
b) Interest due thereon	Nil	Nil
2) Payments made to suppliers during the year beyond appointed/agreed date		
a) Principal	Nil	Nil
b) Interest paid on such payments	Nil	Nil
c) Interest remaining unpaid as on date of balance sheet	Nil	Nil
3) Total amount of interest for the year accrued and remaining unpaid at the end of the year	Nil	Nil
4) Total amount of interest including that arising in earlier years accrued and remaining unpaid at the end of the year	Nil	Nil

OTHER CURRENT LIABILITIES

Note No.10

Particulars	As at 31.3.2015	As at 31.03.2014
(Unsecured)		
Current maturities of long-term debt	16,43,61,756	14,79,10,880
(Refer note No.4)		
Creditors for capital goods	1,18,79,422	1,40,04,078
Interest accrued and due on borrowings	2,14,06,614	2,24,34,324
Advances received against sales	24,60,480	36,13,770
Unclaimed dividends *	15,80,988	15,77,397
Others:		
Teak Plantation Deposits	58,500	67,500
Employee related payments	1,17,18,225	1,22,06,166
Statutory liabilities	28,80,319	20,64,063
Other liabilities **	4,16,73,248	4,26,82,561
Total	25,80,19,552	24,65,60,739

* The Unclaimed Dividends represent those relating to the years 2007-08 to 2013-14 and no part thereof has remained unpaid or unclaimed for a period of 7 years or more from the date they become due for payment requiring transfer to the investor education and protection fund.

** Other liabilities include liability towards electricity charges, FSA charges etc.,

FIXED ASSETS
Note No. 11

Particulars	Gross Block			Depreciation				Net Block	
	As at	Additions	Deductions	As at	For the year	On deductions	Transfers to general Reserve on 01-04-2014	As at	As at
	31-03-2014	during the year	during the year	31-03-2014				31-03-2015	31-03-2014
Tangible:									
Land	3,15,98,958	1,44,741	0	0	0	0		3,17,43,699	3,15,98,958
Factory Buildings	33,11,42,584	25,02,85,758	0	7,94,03,167	1,51,55,045	0		48,68,70,130	25,17,39,417
Non-Factory Buildings	20,29,98,326	6,83,39,192	0	92,14,048	52,45,518	0		25,68,77,952	19,37,84,278
Plant and Equipment	1,12,20,79,645	1,12,79,02,872	0	39,34,31,898	6,09,78,791	0	3,95,258	1,79,51,76,570	72,86,47,747
Electrical and Electronic Equipment	7,81,10,086	7,36,55,613	0	2,40,27,869	1,40,68,050	0	43,593	11,36,26,187	5,40,82,217
Borewells and Water pumps	8,72,881	10,31,886	0	1,17,814	3,29,660	0	97,751	13,59,542	7,55,067
Office and Other equipment	1,31,02,465	29,56,945	0	71,92,608	20,72,062	0	22,19,457	45,75,283	59,09,857
Furniture and Fixtures	30,75,198	5,83,070	0	15,94,443	6,00,913	0	4,734	14,58,178	14,80,755
Vehicles	77,70,932	22,14,563	9,02,876	24,35,729	10,14,260	6,17,610	1,02,720	61,47,520	53,35,203
Total	1,79,07,51,075	1,52,71,14,640	9,02,876	51,74,17,576	9,94,64,299	6,17,610	28,63,513	61,91,27,778	1,27,33,33,499
Previous year	1,71,78,56,559	7,66,22,422	37,27,916	44,14,54,416		26,27,772	0	1,27,33,33,499	1,27,64,02,142

Note: The depreciation for the year includes Rs. 1,59,359/- capitalised to Fixed Assets.

LOANS AND ADVANCES
Note No.12

Particulars	Long-term		Short-term	
	As at 31.03.2015	As at 31.03.2014	As at 31.03.2015	As at 31.03.2014
Unsecured, Considered Good				
Capital Advances	84,31,620	2,45,89,397	-	-
Security deposits with Govt. authorities	3,51,01,816	3,42,99,263	-	-
Advances against supplies	-	-	1,20,62,960	56,31,301
Employee related advances	-	-	6,17,278	7,13,712
Other advances:				
Deposits recoverable	-	-	17,390	22,760
EPCG Terminal Excise Duty refund receivable	-	-	75,84,304	1,44,90,244
Duty draw back refund receivable	-	-	1,49,15,802	62,38,440
Excise duty Deposit	-	-	6	6
Input Tax Credit under VAT	-	-	3,59,75,683	3,52,73,678
Advance Income Tax/Fringe Benefit Tax/TDS	-	-	7,49,40,626	3,63,58,448
MAT Credit entitlement	-	-	3,98,61,029	2,37,89,454
Interest rebate receivable under TUF	-	-	6,19,84,017	3,97,71,905
Power Subsidy receivable	-	-	4,30,44,098	7,21,17,599
Other advances	-	-	5,93,397	-
Total	4,35,33,436	5,88,88,660	29,15,96,590	23,44,07,547

INVENTORIES
Note No.13

Particulars	As at 31.03.2015	As at 31.03.2014
Spinning/Power :		
Raw materials	30,17,45,125	33,94,70,206
Work-in-progress	5,48,27,175	5,70,12,353
Finished goods	8,03,12,032	8,38,09,103
Stores and spares	2,11,37,150	2,61,75,121
Stocks during trial run of weaving unit :		
Raw materials	1,07,38,469	2,16,20,481
Work-in-progress	3,54,33,736	1,03,51,793
Finished goods	7,44,21,367	5,24,94,325
Stores and spares	39,24,810	6,91,201
Total	58,25,39,864	59,16,24,583

TRADE RECEIVABLES
Note No.14

Particulars	As at 31.03.2015	As at 31.03.2014
Unsecured, Considered Good		
Outstanding for a period exceeding six months	3,08,002	7,77,134
Others	12,07,86,813	6,93,93,331
	12,10,94,815	7,01,70,465
Unsecured, Considered Doubtful		
Outstanding for a period exceeding six months	1,33,519	1,33,519
Others	-	-
	1,33,519	1,33,519
Less: Provision for bad and doubtful debts	1,33,519	1,33,519
	-	-
Total	12,10,94,815	7,01,70,465

CASH AND CASH EQUIVALENTS
Note No.15

Particulars	As at 31.03.2015	As at 31.03.2014
1. Cash on hand	63,18,948	18,66,316
2. Cash Equivalents		
i. Balances with banks		
a. Earmarked balances with banks (towards unclaimed dividend)	15,80,400	15,76,859
b. Balances with banks held as margin money against LC and guarantees	11,87,987	1,13,57,459
3. In Current accounts	33,44,979	8,37,476
Total	1,24,32,314	1,56,38,110

OTHER CURRENT ASSETS
Note No.16

Particulars	As at 31.03.2015	As at 31.03.2014
Accrued Interest	31,14,204	37,76,111
Prepaid expenses	12,87,378	9,78,713
Total	44,01,582	47,54,824

SALE OF PRODUCTS
Note No.17

Particulars	Qty (kgs.)	Year ended 31.03.2015	Qty (kgs.)	Year ended 31.03.2014
i) Cotton Yarn	59,44,719	1,31,36,42,100	54,63,433	1,30,66,82,997
ii) OE Yarn	57,78,314	66,30,67,675	53,62,379	69,69,64,943
iii) Cotton Waste	21,83,647	10,46,61,670	19,88,743	10,62,67,786
iv) OE Waste	8,34,880	70,75,338	6,45,941	41,97,293
v) Cotton Seed	82,66,166	13,07,10,764	77,13,313	12,14,48,265
vi) Cotton Lint	39,63,851	41,94,60,746	40,88,816	45,28,82,530
vii) Sale of Grey Fabric (Mtrs)	1,21,67,760	76,25,65,234	-	-
viii) Sale of Fabric Waste	22,460	6,01,595	-	-
ix) Sale of Power (KWH)	38,20,961	1,41,65,701	1,08,50,229	4,88,91,844
Total		3,41,59,50,823		2,73,73,35,658
Less: Inter divisional transfers				
Power (KWH)	10,49,710	55,63,463	73,93,643	3,91,86,304
Cotton Yarn	16,08,529	38,62,68,997	-	-
OE Yarn	6,00,045	6,80,41,340	-	-
Cotton Waste	18,09,722	9,79,18,955	16,66,291	10,10,85,927
Cotton Lint	39,39,186	41,68,10,782	40,65,986	45,06,59,369
		97,46,03,537		59,09,31,600
Total:		2,44,13,47,286		2,14,64,04,058

Note :

- Sale of power includes Rs.37,65,913/- as part payment received being the differential sale price for the period 01.04.2004 to 31.03.2012 as per final judgment of Appellate Tribunal for electricity.
- The above sales includes Rs. 64,35,514/- being gain on Foreign exchange rate fluctuations. (Pr.Year gain Rs.45,86,478/-)
- FOB value of export made during the year Rs.41,09,75,193/- (Pr. Year Rs. 39,05,27,520/-)

OTHER INCOME
Note No.18

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
Interest from banks and others	37,66,377	25,52,440
Ginning and pressing charges received	69,62,350	
Deferred Govt. grants credited back	17,71,519	30,548
Export Incentives	1,53,79,156	1,12,09,025
Credit Balances Written back	19,137	82,694
Profit on Sale of Assets	-	10,921
Power Subsidy received	4,30,17,769	3,15,50,766
Excess provision of Gratuity made in previous year credited back	-	1,11,036
Miscellaneous receipts	4,17,848	17,48,456
Total	7,13,34,156	4,72,95,886

COST OF MATERIALS CONSUMED
Note No.19

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
Opening Stock	33,94,70,206	30,33,79,100
Add : Purchases of Raw Material	1,45,90,72,328	1,39,86,70,738
	1,79,85,42,534	1,70,20,49,838
Less: Closing Stock	31,24,83,594	33,94,70,206
Total	1,48,60,58,940	1,36,25,79,632

COMPONENTS OF MATERIALS CONSUMED:

Particulars	Qty (kgs.)	Year ended 31.03.2015	Qty (kgs.)	Year ended 31.03.2014
Cotton Kappas, Lint and waste	2,17,28,067	1,48,60,58,940	2,12,94,965	1,36,25,79,632

PURCHASES OF STOCK-IN-TRADE
Note No.20

Particulars	Qty (kgs.)	Year ended 31.03.2015	Qty (kgs.)	Year ended 31.03.2014
Cotton and OE Yarn	1,03,572	1,27,67,089	-	-
		1,27,67,089		-

CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS and STOCK-IN-TRADE
Note No.21

Particulars	Qty (kgs.)	Year ended 31.03.2015	Qty (kgs.)	Year ended 31.03.2014
A. Closing Stock:				
i. Work-in-Process				
- Cotton yarn	3,16,930	5,02,36,024	3,14,750	5,09,72,981
- OE yarn	50,655	45,91,151	60,900	60,39,372
Cotton Yarn (Weaving)	1,26,080	3,54,33,736	-	-
ii. Finished Goods:				
- Cotton Yarn	3,04,736	5,63,32,506	2,77,399	5,23,66,640
- Cotton Waste	6,114	86,566	16,510	2,13,888
- Banked Energy (KWH)	-	82,62,748	4,85,892	3,54,700
- OE Yarn	1,55,024	1,53,49,291	2,18,346	2,41,47,527
- OE Waste	8,489	72,041	31,895	4,18,170
- Cotton Lint	-	-	-	-
- Cotton Seed	14,920	2,08,880	4,13,651	63,08,178
- Gray Fabric (Mtrs)	13,14,131	7,27,41,967	-	-
- Waste	55,908	16,79,400	-	-
Sub Total:A		24,49,94,310		14,08,21,456
B. Opening Stock:				
i. Work-in-Process				
- Cotton yarn	3,16,250	5,09,72,981	3,14,750	4,82,46,686
- OE yarn	59,250	60,39,372	60,900	57,76,736
ii. Finished Goods:				
- Cotton Yarn	2,77,399	5,23,66,640	1,75,516	3,26,67,173
- Cotton Waste	16,510	2,13,888	5,551	92,263
- Banked Energy (KWH)	4,85,892	3,54,700	-	-
- OE Yarn	2,18,346	2,41,47,527	1,38,120	1,38,14,961
- OE Waste	31,895	4,18,170	17,609	2,11,824
- Cotton Lint	-	-	-	-
- Cotton Seed	4,13,651	63,08,178	24,772	3,59,194
Sub Total : a		14,08,21,456		10,11,68,837
iii) Stock of Weaving Division on 01 Sept' 2014 (At the end of trial run period)				
1. Work-in-Process				
- Cotton yarn	85,871	2,05,84,448	-	-
2. Finished Goods:				
- Gray Fabric (Mtrs)	15,15,435	8,26,01,092	-	-
- Waste	7,736	2,30,281	-	-
Sub Total: b		10,34,15,821		-
Total B=(a+b)		24,42,37,277		10,11,68,837
(Increase)/decrease in inventories Total : B-A		(7,57,033)		(3,96,52,619)

EMPLOYEE BENEFIT EXPENSES
Note No.22

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
Salaries and Wages	8,37,23,113	4,06,13,048
Contribution to provident and other funds	21,71,832	20,31,364
Staff welfare expenses	23,17,416	16,87,097
Incremental liability for Gratuity	19,48,637	-
Total	9,01,60,998	4,43,31,509

FINANCE COSTS
Note No.23

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
Interest paid to banks and others*	22,91,50,365	14,21,93,576
Interest on Income-tax	-	38,60,000
Other borrowing costs	25,66,606	13,72,204
Total	23,17,16,971	14,74,25,780
* The Interest paid to Bank is net off subsidy received under TUF Scheme	5,57,41,049	2,97,04,599

OTHER EXPENSES
Note No.24

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
Manufacturing expenses:		
Stores and spares consumed	10,54,94,301	8,47,02,966
Power and fuel	28,50,21,951	19,59,19,607
Repairs to : Buildings	9,58,748	6,22,466
: Machinery	5,21,45,465	4,87,21,252
: Others	6,39,541	20,369
Insurance	27,45,107	26,96,937
Selling expenses:		
Loading, Unloading, Transport etc.,	2,86,89,904	3,12,82,809
Commission on Sales	1,52,95,726	1,18,08,645
Administration and other expenses:		
Rates and taxes	15,84,991	17,02,350
Loss on foreign currency exchange fluctuations	3,71,326	-
Payments to Auditors towards : Statutory audit	1,68,540	1,68,540
: Tax audit and taxation matters	33,708	28,090
: Towards Cost audit	25,000	25,000
Directors Sitting fee and travelling expenses	2,62,756	4,92,372
Donations	2,10,000	-
Contribution to CSR expenses	22,40,647	-
Miscellaneous expenses	1,71,39,193	1,07,82,298
Loss on Sale of Assets	73,266	7,63,364
Debit Balances Written Off	2,620	58,775
Total	51,31,02,790	38,97,95,840

NOTES FORMING PART OF THE ACCOUNTS:

25. CIF VALUE OF IMPORTS MADE DURING THE YEAR :

(Amount in Rs.)

	Year ended 31.03.2015	Year ended 31.03.2014
i) Stores & Spares	10,32,936	2,61,91,414
ii) Capital goods	1,41,29,016	92,63,08,442

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

	Year ended 31.03.2015	%	Year ended 31.03.2014	%
a) Raw material:				
Imported	--	--	--	-
Indigenous	148,60,58,940	100.00	136,25,79,632	100.00
Total	148,60,58,940	100.00	136,25,79,632	100.00
b) Spares & Components:				
Imported	38,03,904	3.61	1,38,45,168	16.34
Indigenous	10,16,90,397	96.39	7,08,57,798	83.66
Total	10,54,94,301	100.00	8,47,02,966	100.00

27. EXPENDITURE INCURRED IN FOREIGN CURRENCY DURING THE YEAR:

	Year ended 31.03.2015	Year ended 31.03.2014
a) Commission On Yarn Sales	40,11,334	21,83,124
b) Foreign Travel	96,292	5,57,395

28. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	As at 31.03.2015	As at 31.03.2014
a) Counter guarantees given to bank in respect of Bank guarantees and letter of credit issued in favour of various constituents.	18,17,987	4,52,13,866
b) Estimated amounts of contracts remaining to be executed on Capital accounts, and not provided for	0.00	8,54,75,273
c) State levies on Electricity	7,04,695	28,03,957

29. a) Balances in personal accounts of various parties are subject to confirmation by and reconciliation with the said parties.
b) In the opinion of the management, all the amounts stated under Current Assets, Loans and Advances are recoverable at the values at which they are stated.
c) Interdivisional stock transfers are made at market prices.
30. Pursuant to the provision of Schedule II of companies Act, 2013 effective from 01.04.2014, the company has Provided depreciation on fixed assets based on useful lives as prescribed said schedule. As per transitional provisions, the WDV of assets as on 31.03.2014 whose life is already exhausted amounting to Rs. 28.63 lakhs has been charged to General Reserves. Had the company followed the method of providing depreciation on its fixed assets as followed up to previous year, the depreciation change for the current year would have been higher by Rs. 203.48 lakhs.
(i) The Weaving division of the company commenced commercial production on 01.09.2014.
(ii) Revenue expenditure capitalized to fixed assets/ Capital works under progress during the year and details of expenses included under unallocated capital expenditure incurred and pending allocation as on the date of balance sheet:

S. No.	Nature of Expenditure	As on 31.03.2014	Incurred during the year	Capitalised during the Year	Balance as on 31.03.2015
1	Salaries and wages	1,43,88,469	12,06,603	1,30,26,878	25,68,194
2	Power and Fuel	10,13,656	0	10,13,656	-
3	Interest on Borrowings	2,44,80,888	63,77,339	2,22,26,046	86,32,181
4	Miscellaneous expenses	1,07,39,894	6,88,833	97,35,436	16,93,291
5	Bank charges	43,89,178	21,16,013	42,83,253	22,21,938
6	Depreciation	1,25,685	0	1,25,685	-
	Total	5,51,37,770	1,03,88,788	5,04,10,954	1,51,15,604
	Less: Interest received	6,93,080	47,002	1,74,851	5,65,231
	Add: Net Expenditure incurred during Trial run of part of plant and Machinery	3,49,26,654	62,391,694	97,318,348	-
	Net Amount included Under capital work-in-progress	8,93,71,344	72,733,480	147,554,451	1,45,50,373

iii) Details of Net Expenditure incurred during the Trial run of part of Plant and Machinery.

Income:	Upto 31-03-2014	From 01-04-2014 31-08-2014	Total
a) Sale	7,21,27,765	30,42,37,692	37,63,65,457
b) Interest from Banks	16,66,810	6,38,408	23,05,218
Total-A	7,37,94,575	30,48,76,100	37,86,70,675
Expenditure:			
a) Raw Material Consumed	11,42,12,237	28,41,31,827	39,83,44,064
b) Changes in Inventories	(6,28,46,118)	(4,05,69,702)	(10,34,15,820)
c) Salaries and Wages	1,35,46,917	2,35,88,643	3,71,35,560
d) Interest on Borrowings	2,29,35,228	4,55,53,108	6,84,88,336
e) Stores and spares Consumed	57,77,498	1,63,19,228	2,20,96,726
f) Power	1,00,01,351	2,99,60,302	3,99,61,653
g) Other Expenses	45,65,132	81,25,029	1,26,90,161
h) Depreciation	5,28,984	1,59,359	688,343
Total-B	10,87,21,229	36,72,67,794	475,989,023
Net Expenditure (A-B)	(3,49,26,654)	(6,23,91,694)	(97,318,348)

31. DISCLOSURE REQUIREMENTS PURSUANT TO "ACCOUNTING STANDARD – 18 RELATED PARTY DISCLOSURES"

A) List of Related Parties:

1) Key Management 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 management 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 Govardhan 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 management personnel/Relative of Key Management Personnel :

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

B) Transactions with the related parties:

Nature of Transaction	Key Management Personnel	Relative of Key Management personnel	Companies controlled by key Management personnel/Relative of Key Management personnel
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B) Transactions with the related parties :
I. Details of Transaction :
a. Remuneration Paid :

1. P. Venkateswara Reddy, MD	23,28,570
2. G. V. Krishna Reddy, JMD	23,23,385
3. M.V. Subba Reddy, WTD	9,17,538
Total	55,69,493

b. Salary paid :

P. Govardhan Reddy	4,14,000
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c. Purchase of goods and Services :

1. Kallam Brothers Cottons Pvt Ltd, Guntur - Purchase of Cotton Lint	10,48,614
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d. Sale of Goods and Services :

1. Kallam Brothers Cottons Pvt Ltd- Testing Charges & Job Work	72,21,410
2. Kallam Agro Products and Oils Pvt. Ltd.	2,38,02,393

II. Balance as at 31.03.2015 :
a. Share Capital of the Company held by:

1. P. Venkateswara Reddy, MD	18,42,000
2. G.V. Krishna Reddy, JMD	55,50,650
3. M.V. Subba Reddy, WTD	6,85,000
Total	80,77,650

1. K. Venkata Subbayamma, Sister of P. Venkateswara Reddy	13,34,000
2. P. Siva Nagendramma, W/o. P. Venkateswara Reddy	1,50,000
3. P. Govardhan Reddy, S/o. P. Venkateswara Reddy	17,49,670
4. M. Uma Sankar Reddy, Brother of M.V. Subba Reddy	10,68,240
5. P. Venugopal Reddy, S/o. P. Venkateswara Reddy	15,86,520
6. G. Nitin, S/o. G.V. Krishna Reddy	10,71,000
7. Movva Kavitha, W/o. M.V. Subba Reddy	1,24,000
8. M. Srinivasa Nagarjuna Reddy S/o. M.V. Subba Reddy	1,75,000
9. M. Murali Sairam Krishna Reddy S/o. M.V. Subba Reddy	1,00,000
Total	73,58,430

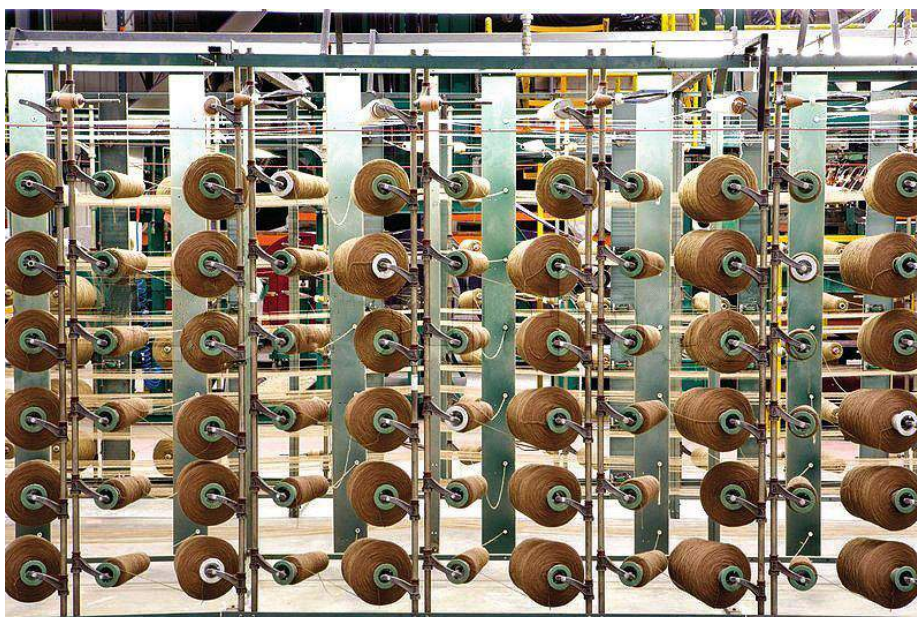
Nature of Transaction	Key Management Personnel	Relative of Key Management personnel	Companies controlled by key Management personnel/Relative of Key Management personnel
1. Kallam Agro Products and Oils Pvt Ltd Guntur			87,40,570
b) Loans/ Inter Corporate Deposits received From : (Unsecured)			
1. P. Venkateswara Reddy, MD	67,65,000		
2. G. V.Krishna Reddy, JMD	41,70,000		
3. M.V. Subba Reddy, WTD	22,00,000		
Total	1,31,35,000		
1. P. Siva Nagendramma W/o. P. Venkateswara Reddy		3,70,000	
Total		3,70,000	
c) Amount Due to:			
1. P. Venkateswara Reddy, MD	8,60,762		
2. G.V.Krishna Reddy, JMD	8,65,762		
3. M.V.Subba Reddy, WTD	40,095		
Total	17,66,619		
d) Trade dues from:			
1. Kallam Brothers Cottons Pvt Ltd., Guntur			48,58,344
e) Trade Payables to :			
1. Kallam Agro Products and Oils pvt Ltd., Guntur			5,138
2. Kallam Brothers Cottons Pvt Ltd., Guntur			26,602



32. SEGMENTAL RESULTS AS PER ACCOUNTING STANDARD –17 ON “SEGMENT REPORTING”.

Segment wise Revenue Results and Capital employed under clause 41 of listing agreement:

Particulars	(Amount in Lacs)	
	Year 2014-15	Year 2013-14
Segment Revenue:		
1. Spinning	21,238.88	21,366.99
2. Weaving	7,631.67	0.00
3. Power	188.86	488.91
	29,059.41	21,855.90
Less: Inter segment Revenue	4,645.94	391.86
Net Revenue from Operation	24,413.47	21,464.04
Segment Results (Profit before Tax and Interest)		
1. Spinning	2,495.84	3,256.71
2. Weaving	451.80	0.00
3. Power	172.79	329.13
	3,120.43	3,585.84
Less: Interest (net)	2,317.17	1,474.26
Net Profit Before Tax	803.26	2,111.58
Capital Employed :		
(Segment Assets-Segment Liabilities)		
1. Spinning	14,324.56	13,588.67
2. Weaving	12,382.09	1,783.83
3. Power	1,764.17	1,971.26
Total	28,470.82	27,343.75
Capital Expenditure:		
1. Spinning	134.85	727.83
2. Weaving	15,134.96	36.50
3. Power	1.33	1.90
Depreciation:		
1. Spinning	575.13	682.40
2. Weaving	344.26	5.29
3. Power	73.65	98.22



NOTES :

33. The Andhra Pradesh Electricity regulatory commission issued orders refixing the purchase price of power purchased from the company at Rs 2.52/unit w.e.f 01.04.2004. The company contested the said order in High Court of A.P along with the other members of small hydro power developers association, the High Court issued an interim order directing APTRANSCO to pay 50% of the differential between the revised rate and previous rate in force upto 31.03.2004 subsequently the High Court transferred the case to the Appellate Tribunal for electricity, New Delhi. The Appellate Tribunal for electricity decided the matter in favour of company vide its order dated 02.06.2006 and ordered the APTRANSCO to pay the difference amount between the revised rate and the and the previous rate in force up to 31.03.2004. However the APTRANSCO preferred an appeal before the Supreme Court against the order of Appellate Tribunal for matter to APERC with a direction that APERC shall hear the non conventional energy generators afresh and determine the tariff expeditiously for purchase of electricity in accordance with law. APERC has ordered the APPCC to make payment @ Rs 2.66/unit upto the completion of 10th year i.e. March 2012 APERC has also set out guide lines to APPCC for fixing the rate per unit after 10 years as follows:

- a) Balance loan repayment period
- b) Fixed cost determination based on O&M expenditure
- c) Return on equity
- d) Variable cost and
- e) Residual depreciation if any,

However the APTRANSCO is settling the bills @ Rs.2.39 per unit as per the APERC revised order.

The Company received Rs 37,65,913/- as part payment during the financial year 2014-15 towards arrears in unit rate difference as per the instruction of Appellate Tribunal for electricity, New Delhi. Hon'ble Appellate Tribunal for electricity also directed DISCOMS that interest on arrears should also be paid at the rate of 12% to be compounded on quarterly. DISCOMS are allowed to pay the arrears & interest to the hydel power developers in 6 monthly installments commencing from July 2013. TSTRANSCO has preferred an appeal in Hon'ble Supreme Court against the orders of appellate tribunal for electricity & the same is pending with Hon'ble Supreme Court.

Moreover TSTRANSCO filed a petition in Hon'ble Supreme Court requesting for permission to waive the balance arrears in unit rate difference without payment to small hydel power projects and the same is pending with Hon'ble Supreme Court.

More over small hydro power developers association again approached Appellate Tribunal for Electricity to fix the rate per unit and Appellate Tribunal for Electricity instructed the APERC to re-fix the rate keeping in view of its own guidelines.

34. The Andhra Pradesh Electricity Regulatory Commission vide its order dated 23.02.2004 has increased the wheeling charges from 2% to 12.81% on the electricity wheeled from the power plants of the company by the APTRANSCO. The company has filed writ petition in the Hon'ble High Court of AP & the said court has transferred the case to the Appellate Tribunal for Electricity New Delhi. The Appellate Tribunal for Electricity passed the final order on 08.09.2005 directing the APTRANSCO to continue to collect the wheeling charges only at 2%. However the APTRANSCO preferred an appeal before the Supreme Court against the orders of the Appellate Tribunal for Electricity, New Delhi in view of the order passed by the Appellate Tribunal for Electricity, the company has accounted wheeling charges only @ 2% pending final orders in the matter.

35. After the division of Andhra Pradesh State, NPDC of Telangana Ltd had not adjusted generated units during the months of August 2014 and thereafter, since the company requested the NPDCTSL for captive utilization as the production facilities of power are situated in Telangana State and spinning mill is situated in New Andhra Pradesh State. The company has not made payment of electricity bills relating to captive power utilization. However NPDCTSL has requested the company to enter fresh interstate open access agreement by taking prior approvals from the nodal agency as the existing intra state open access/ wheeling agreement entered by the company shall be deemed to be cancelled. The company filed a suit in Hon'ble High Court to issue orders requesting the adjustment of generated power for captive consumption of the company situated in New Andhra Pradesh State. The Hon'ble High Court stayed the disconnection of power supply to the company service connection for the month of September, 2014 to the spinning production located at Dasaripalem in Guntur district, New Andhra Pradesh State. The company again filed a petition in the Hon'ble High court, Hyderabad to issue a direction to AP Transco and Telangana State Transmission Corporation Ltd for allowing the 70% of the generated power units for captive consumption.

The Hon'ble High court, Hyderabad in its final judgement held that power generated by the company shall be treated as banked energy and allowed a period of 3 months to obtain open access licences. The company made an amendment in the agreement adding M/s Sagar Cements Ltd, Nalgonda as its consumer in Telangana state and submitted all the required

documents to TSSPDCL. However the TSSPDCL has not yet appropriated the generated power to M/s Sagar Cements Ltd, Nalgonda and the company has not received any intimation from TSSPDCL till date pertaining to the generated power upto February, 2015.

Northern Power Distribution Company of Telangana State Limited has also **confirmed that the company has banked power of 54,80,405 units as on 28.02.2015.**

36. General :

Previous year figures have been regrouped where ever necessary.

Paise have been rounded off to the nearest rupee.

As per our report of even date
For BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration No: 0005135

KARUMANCHI RAJAJ
Partner
Membership No: 202309

Place : Guntur
Date : 30.05.2015

For and on behalf of the Board of Directors

P. Venkateswara Reddy
Managing Director

G.V.Krishna Reddy
Joint Managing Director







KALLAM SPINNING MILLS LIMITED

CIN : L18100AP1992PLC013860

NH-5, Chowdavaram, Guntur-522019, AP, INDIA.

Ph: 0863-2344016 - Fax : 0863-2344000

Email : corp@ksml.in



E-MAIL REGISTRATION FORM

(exclusively for Shareholders holding shares in physical form)

To :

Big share Services Pvt. Ltd.,

306, 3rd Floor, Right Wing,
Amrutha Ville, Opp. Yashodha Hospital,
Raj Bhavan Road, Somajiguda,
Hyderabad – 500082.
Ph No.040-23374967
Fax No.040-23370295.

Dear Sir,

Sub: **Registration of E-mail.**

Green Initiative in Corporate Governance

I am the Shareholder of the Company. I want to receive all communications from the Company including the Notices, Annual Reports and any other related documents through E-mail. Kindly register my E-mail ID, which is mentioned below, in your records for sending communication through E-mail.

Regd. Folio No. : _____

Name of First Shareholder : _____

Name(s) of Joint Shareholder(s) : _____

E-mail ID to be registered : _____

Address : _____

Date:

Signature of the first named Shareholder

Notes :

1. On registration of E-mail, all the communications, including the Annual Reports, will be sent at the said registered E-mail.
2. Holders of Shares in demat form are requested to register/update their E-mail Id with their respective Depository Participant.



KALLAM SPINNING MILLS LIMITED

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PROXY FORM

(Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the member(s) : Registered Address	E-mail Id : Folio No / Client ID : DP ID :
---	--

I/We, being member of shares of Kallam Spinning Mills Limited, hereby appoint

- 1)..... of having email ID..... or failing him
- 2)..... of having email ID..... or failing him
- 3)..... of having email ID.....

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my / our behalf at the 23rd ANNUAL GENERAL MEETING of the company to be held at the NH-5, Chowdavaram, Guntur - 522019, Andhra Pradesh, India, on **26th September, 2015 at 3-00 pm** and at any adjournment(s) thereof in respect of such resolutions as are indicated below.

Resolutions	For	Against
1. Consider and Adopt : Audited Financial Statements, Reports of the Board of Directors and Auditors		
2. Declaration of Dividend on Equity Shares		
3. Re-appointment of Sri P. Venkateswara Reddy who retires by rotation		
4. Ratification of the appointment of M/s.Brahmayya & Co. Statutory Auditors and to fix their remuneration for the financial year ending 31st March,2016		
5. Ratification of the remuneration of Mr. P.Srinivas, Cost Accountant for the financial year ending 31st March, 2016		
6. Re-Appointment of Sri P.Venkateswara Reddy as a Managing Director of the Company		
7. Re-Appointment of Sri G.V.Krishna Reddy as a Joint Managing Director of the Company		

Signed this day of 2015

.....
/Signature of the member

Affix
Revenue
Stamp

.....
Signature of the first proxy holder

.....
Signature of the second proxy holder

.....
Signature of the third proxy holder

Note : This form, in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the meeting.



KALLAM SPINNING MILLS LIMITED

CIN : L18100AP1992PLC013860

NH-5, Chowdavaram, Guntur-522019, AP, INDIA.

Ph: 0863-2344016 - Fax : 0863-2344000

Email : corp@ksml.in



ATTENDANCE SLIP

DP Id

Folio No.

Client Id

No. of Shares

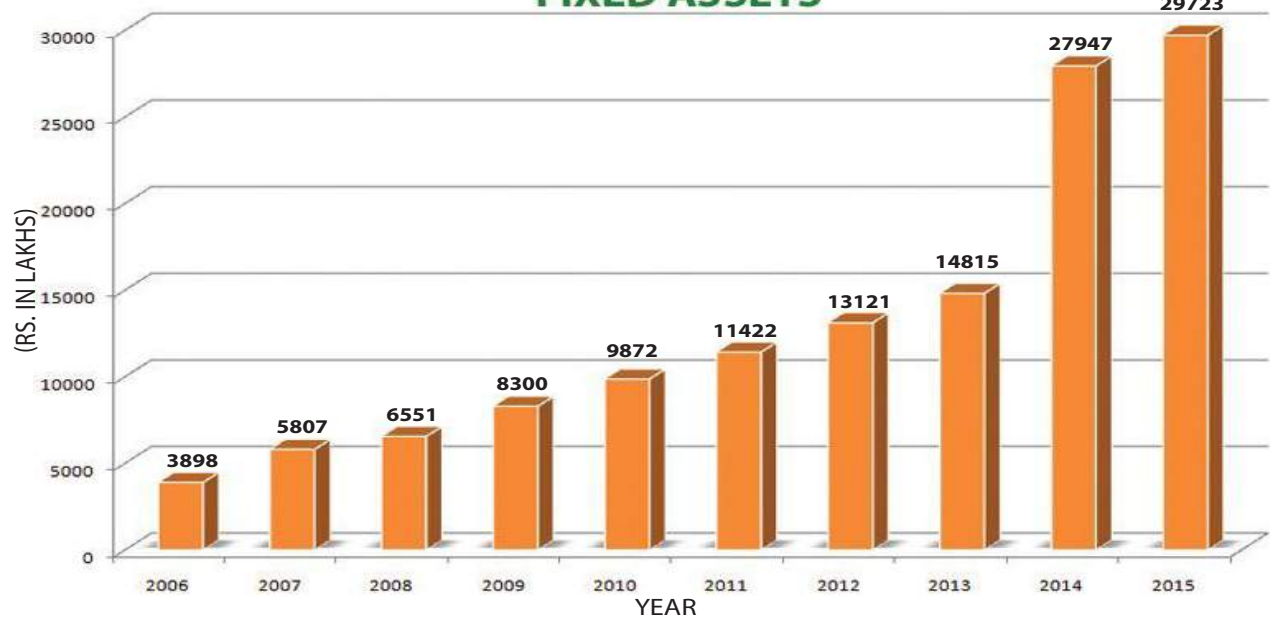
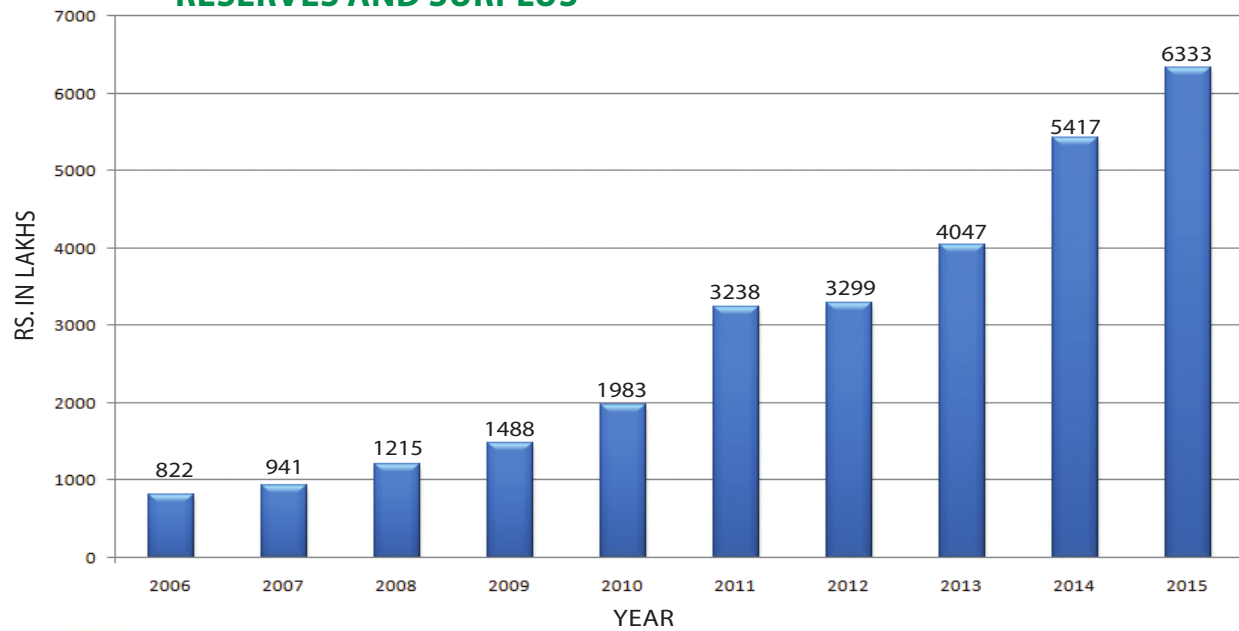
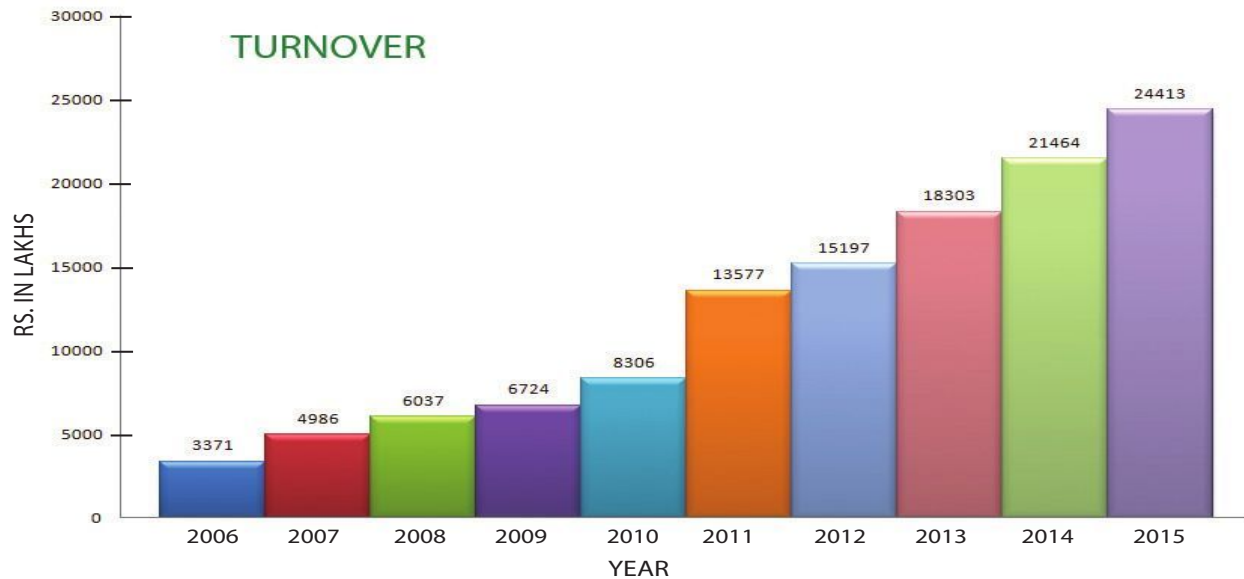
NAME AND ADDRESS OF THE SHAREHOLDER

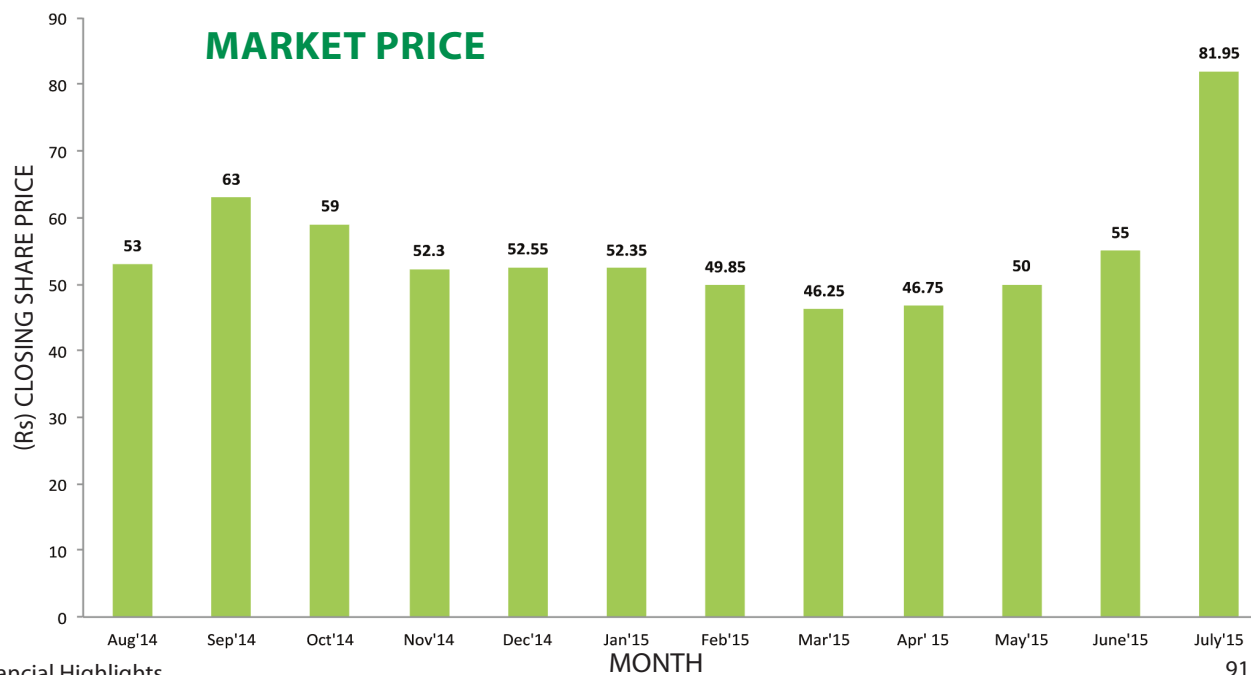
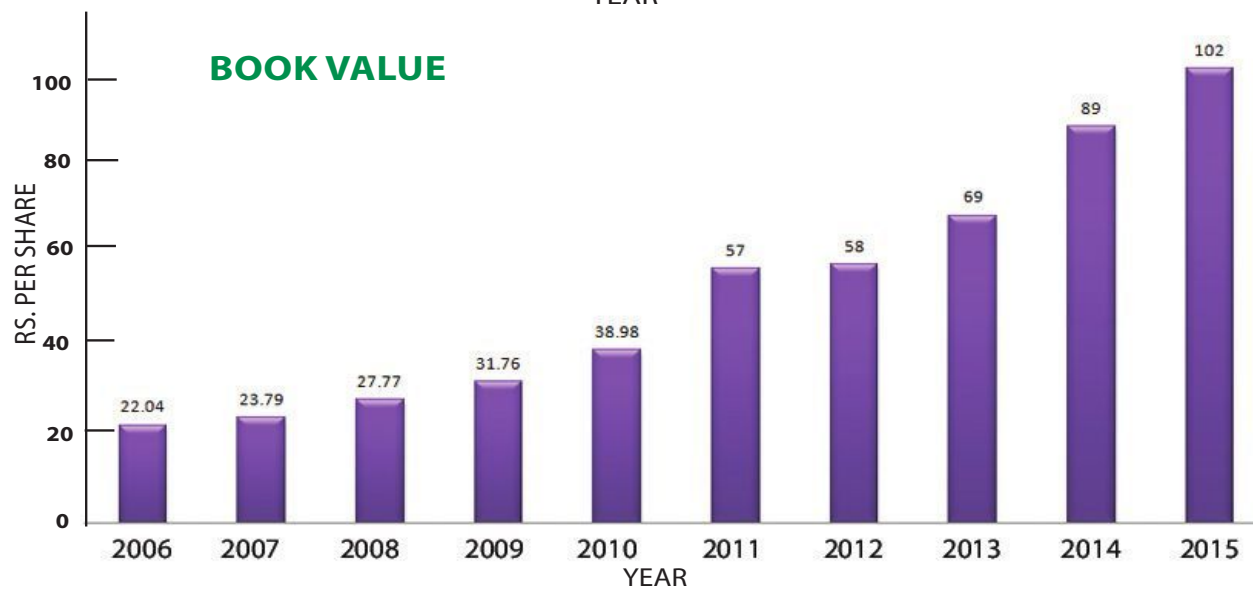
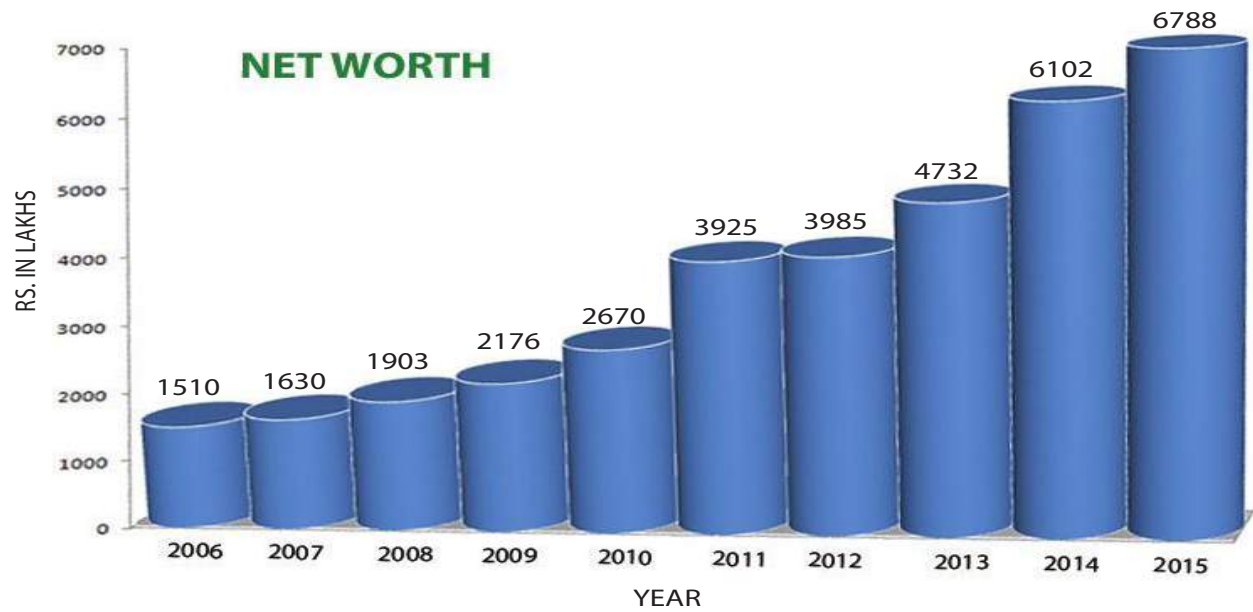
I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of the Company held on Saturday, the 26th September, 2015 at 3.00 P.M. at NH-5, Chowdavaram, Guntur- 522019, Andhra Pradesh, India.

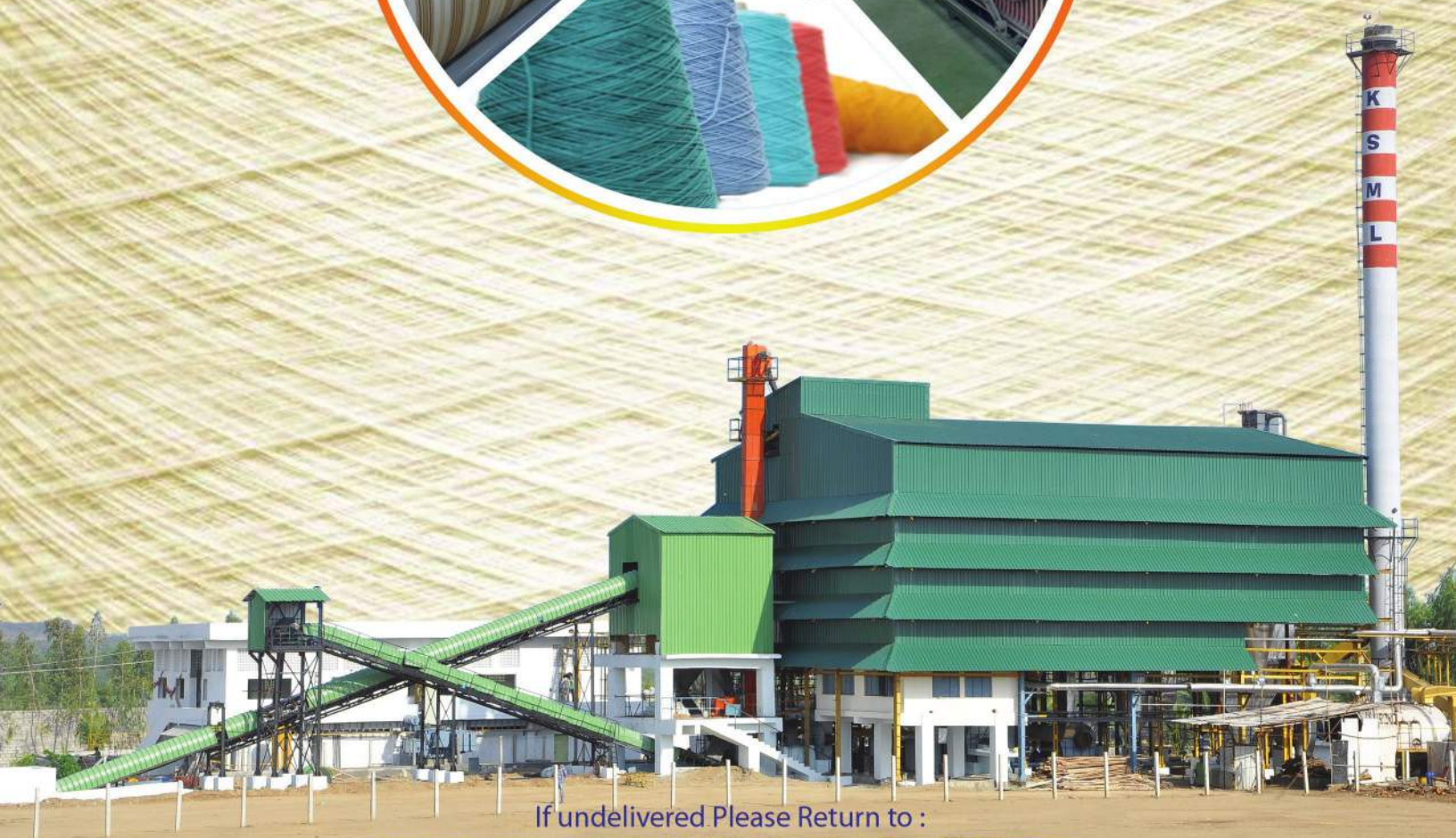
.....
Name of the member / Proxy (in BLOCK Letters)

.....
Signature of the member / Proxy

Note : Please fillup this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the meeting.

**FIXED ASSETS****RESERVES AND SURPLUS****TURNOVER**





If undelivered Please Return to :

KALLAM SPINNING MILLS LIMITED
NH-5, Chowdavaram, Guntur-522019, A.P., INDIA.