Letter of Offer
May 27, 2022
For Eligible Equity Shareholders only

Kallam Textiles Limited

Our Company was incorporated as Kallam Agros Limited on February 18, 1992 under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh. The name of our Company was changed to Kallam Spinning Mills Limited and fresh Certificate of Incorporation dated September 22, 1994 was issued. The name of our Company was further changed to Kallam Textiles Limited and fresh Certificate of Incorporation dated April 09, 2018 was issued. The Corporate Identification Number of our Company is L18100AP1992PLC013860. For Changes in Registered Office of our Company, please refer to *"General Information"* on page 26 of this Letter of Offer.

Registered & Corporate Office: N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019
Tel. No.: +91 863 2344016; **Fax No**.: +91 863 2344000
Company Secretary & Compliance Officer: Mr. Golagani Ramesh Kumar
E-mail: corp@ksml.in; **Website**: www.ksml.in

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

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

LETTER OF OFFER

WE HEREBY CONFIRM THAT NONE OF OUR PROMOTERS OR DIRECTORS IS A WILFUL DEFAULTER AS ON DATE OF THIS LETTER OF OFFER

ISSUE OF 99,91,187 EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH ("EQUITY SHARES") OF KALLAM TEXTILES LIMITED ("KALLAM" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ 10/- (INCLUDING SHARE PREMIUM OF ₹ 8/-) PER EQUITY SHARE ("ISSUE PRICE") FOR AN AGGREGATE AMOUNT OF ₹ 999.12 LAKHS TO THE ELIGIBLE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 7 EQUITY SHARE FOR EVERY 30 EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, I.E. JUNE 03, 2022 ("THE ISSUE"). THE ISSUE PRICE IS 5 TIMES THE FACE VALUE OF THE EQUITY SHARES. FOR FURTHER DETAILS, SEE "TERMS OF THE ISSUE" BEGINNING ON PAGE 123 OF THIS LETTER OF OFFER.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk with such investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to this offering. For taking an investment decision, investors shall rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India, **("SEBI") or BSE**, nor does SEBI or BSE guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the statement of 'Risk factors' given on page number 12 of this Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of our Company are listed on BSE Limited (BSE). We have received "in-principle" approval from BSE for listing the Equity Shares to be allotted in the Issue vide its letter dated April 22, 2022. For the purpose of this Issue, the Designated Stock Exchange is BSE.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
SMC Capitals Limited 11/6B, Ground Floor, Shanti Chamber, Pusa Road, New Delhi – 110005 **Tel:** +91-11-30111000/40753333 **Fax:** +91-11-25754365 **Email:** rights.kallam@smccapitals.com **Website:** www.smccapitals.com **Investor Grievance:** investor-grievance@smccapitals.com **Contact Person:** Sri Krishna Tapariya **SEBI Regn No:** INM000011427	**Bigshare Services Private Limited** Office No. S6-2, 6th Floor ,Pinnacle Business Park, Next to Ahura Centre, Mahakali Caves Road, Andheri (East), Mumbai – 400 093 **Tel.:** +91 22 6263 8200/22 **Fax:** +91 22 6263 8299 **E-mail:** rightsissue@bigshareonline.com **Investor Grievance:** investor@bigshareonline.com **Website:** www.bigshareonline.com **Contact Person:** Vijay Surana **SEBI Regn. No.:** INR000001385

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR ON MARKET RENUNCIATION*	ISSUE CLOSES ON
JUNE 23, 2022	JULY 04, 2022	JULY 07, 2022

** Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.*

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

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

The work and expressions used in this Letter of Offer but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in "Statement of Tax Benefits" and "Financial Statements" beginning on Pages 36 and 57, respectively, shall have the meaning given to such terms in such sections.

Company & Industry Related Terms

Term	Description
"Our Company" / "Issuer" / "we" / "us" / "Kallam"	Unless the context otherwise requires, refers to, Kallam Textiles Limited, a public limited company under the Companies Act, 2013
Articles of Association	The Articles of Association of our Company, as amended from time to time
Associates	Associates of our company
Audited Financial Statements	Audited financial statements for the Fiscal 2020-21, including the notes thereto and reports thereon
Auditors/Statutory Auditors	The Statutory Auditors of our Company, Chevuturi Associates, Chartered Accountants (Firm Registration No. 000632S)
BCI	Better Cotton Initiative, an initiative by World Wildlife Fund started in 2005 for promoting better standards in Cotton Farming
Board of Directors / Board	The Board of Directors of our Company, unless specified otherwise
Directors / our Directors	The Director(s) on the Board of our Company, unless otherwise specified
EPCG Scheme	Export Promotion Capital Goods Scheme
Equity Shares	Equity share of our Company of face value Rs. 2 each
Group Companies	Group Companies as determined in terms of Regulation 2(1)(t) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
KMP	The key management personnel of our company in accordance with provisions of SEBI ICDR Regulations and the Companies Act, 2013. For details, please refer to chapter on "Our Management" beginning at Page 53.
MOA	The Memorandum of Association of our Company, as amended from time to time
Promoter	The promoter of our Company namely Poluri Venkateshwara Reddy, Kallam Mohan Reddy, Gurram Venkata Krishna Reddy, Movva Venkata Subba Reddy
Promoter Group	The promoter group of our company as determined in terms of Regulation 2(1)(pp) of SEBI ICDR Regulations
Registered Office	Registered Office of our Company situated at N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019
Registrar and Share Transfer Agent / RTA / Registrar / Registrar to the Issue	Bigshare Services Private Limited having office at Office No. S6-2, 6th Floor, Pinnacle Business Park, Next to Ahura Centre, Mahakali Caves Road, Andheri (East), Mumbai – 400 093, Maharashtra
Rights Issue Committee	The committee of our Board constituted through the resolution dated November 09, 2021.
SITP	Scheme for Integrated Textiles Parks
TUF/TUFS	Technology Upgradation Fund/Technology Upgradation Fund Scheme
Unaudited FinancialResults	The limited review consolidated financial results of our Company as at and for the quarter and nine months ended December 31, 2021

Issue Related Terms

Term	Description
Abridged Letter of Offer / ALOF	The Abridged Letter of Offer to be sent to Eligible Equity Shareholders of our Company with respect to this Issue in accordance with the provisions of the SEBI ICDR Regulations and the Companies Act.
Additional Rights Equity Shares	The Rights Equity Shares applied or allotted under this Issue in addition to the Rights Entitlement.
Allotment / Allotted / Allot	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue
Allotment Account(s)	The account(s) opened with the Banker(s) to this Issue, into which the Application Money lying credit to the Escrow Account and amounts blocked by Application Supported by Blocked Amount in the ASBA Account, with respect to successful Applicants will be transferred on the Transfer Date in accordance with Section 40(3) of the Companies Act, 2013.
Allotment Advice	The note or advice or intimation of Allotment, sent to each successful Investor who has been or is to be Allotted the Equity Shares after approval of the Basis of Allotment by the Designated Stock Exchange
Allotment Date	Date on which the Allotment shall be made pursuant to this Issue.
Allottee (s)	Persons to whom our Equity Shares will be issued pursuant to the Issue
Applicant(s) / Investor(s)	Eligible Equity Shareholders and / or Renouncees who are entitled to apply or have applied for Equity Shares under the Issue, as the case may be
Application	Application made through submission of the Application Form or plain paper Application to the Designated Branch of the SCSBs or online/ electronic application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process.
ASBA / Application Supported by Blocked Amount	The application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the amount payable on application in the ASBA Account.
ASBA Account	Account maintained with the SCSB and specified in the Application Form or the plain paper Application by the Applicant for blocking the amount mentioned in the Application Form or the plain paper Application.
ASBA Circulars	Collectively, SEBI circular bearing reference number SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009, SEBI circular bearing reference number CIR/CFD/DIL/1/2011 dated April 29, 2011 and the SEBI circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020
Banker(s) to the Issue	Axis Bank Limited
Banker to the Issue Agreement	Agreement dated May 06, 2022 amongst our Company, the Lead Manager, the Registrar to the Issue and the Banker(s) to the Issue for transfer of funds to the Allotment Account from the Escrow Account and SCSBs, release of funds from Allotment Account to our Company and other persons and where applicable, refunds of the amounts collected from Applicants/Investors and providing such other facilities and services as specified in the agreement
Basis of Allotment	The basis on which the Rights Securities will be Allotted to successful Applicants in consultation with the Designated Stock Exchange under this Issue, as described in "*Terms of the Issue*" on page 123.
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchange, a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Branches	Such branches of the SCSBs which shall collect application forms used by ASBA Investors and a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Stock Exchange	The Designated Stock Exchange for this Issue shall be BSE Limited
Draft Letter of Offer / DLOO	This Draft Letter of Offer dated March 17, 2022, filed with BSE for obtaining in-principal approval, which does not contain complete particulars of the Issue.

Term	Description
Eligible Equity Shareholder(s)	Equity Shareholders of our Company as on the Record Date
Equity Shares	Fully paid up equity shares of our Company having a face value of Rs. 2 each
Investor(s)	Eligible Equity Shareholder(s) of our Company on the Record Date, i.e, June 03, 2022 and the Renouncee(s)
Issue / Rights Issue	Issue of 99,91,187 Equity Shares of face value of ₹ 2 each our Company for cash at a price of ₹ 10/- (including share premium of ₹ 8/-) per Equity Share for an aggregate amount of ₹ 999.12 lakhs to the Eligible Equity Shareholders on rights basis in the ratio of 7 Equity Share for every 30 Equity Shares held by the Eligible Equity Shareholders on the record date, i.e. June 03, 2022
Issue Closing Date	July 07, 2022
Issue Opening Date	June 23, 2022
Issue Period	The period between the Issue Opening Date and the Issue Closing Date, inclusive of both days, during which Applicants can submit their applications, in accordance with the SEBI ICDR Regulations
Issue Price	₹ 10/- per Equity Share
Issue Proceeds / Gross Proceeds	The monies received by our Company pursuant to the issue of Equity Shares on Rights basis which are allotted pursuant to the Issue
Issue Size	The issue of 99,91,187 Equity Shares for an aggregate amount of ₹ 999.12 Lakhs
Lead Manager	SMC Capitals Limited
Letter of Offer	The Letter of Offer Dated May 27, 2022, filed with the BSE and SEBI
Listing Agreement	The listing agreement entered into between us and the BSE
Net Proceeds	Issue Proceeds less the Issue related expenses. For further details, see "Objects of the Issue" beginning on page 33 of this Letter of Offer
Non Institutional Investor(s)	Non institutional investor as defined under Regulation 2(1)(jj) of the SEBI ICDR Regulations.
Off Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by transferring them through off market transfer through a depository participant in accordance with the SEBI Rights Issue Circulars and the circulars issued by the Depositories, from time to time, and other applicable laws.
On Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by trading them over the secondary market platform of the Stock Exchanges through a registered stock broker in accordance with the SEBI Rights Issue Circulars and the circulars issued by the Stock Exchanges, from time to time, and other applicable laws, on or before July 04, 2022.
Qualified Institutional Buyer(s) / QIB(s)	Qualified Institutional Buyer as defined under Regulation 2(1)(ss) of SEBI ICDR Regulations
Record Date	Designated date for the purpose of determining the Shareholders eligible to apply for Equity Shares in the Issue, in this case Friday, June 03, 2022.
Registrar / Registrar to the Issue	M/s Big share Services Private Limited
Renouncees	Any person(s), who not being the original recipient, has/have acquired the Rights Entitlement, in accordance with the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars.
Renunciation Period	The period during which the Investors can renounce or transfer their Rights Entitlements which shall commence from the Issue Opening Date. Such period shall close on July 04, 2022 in case of On Market Renunciation. Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date.
Rights Entitlement / RE	The number of Equity Shares that an Eligible Equity Shareholder is entitled, that is determined as a proportion to the number of Equity Shares held by

Term	Description
	such Eligible Equity Shareholder on the Record Date, i.e., 7 Equity Share for every 30 Equity Shares held on June 03, 2022.
Rights Entitlement Letter	Letter including details of Rights Entitlements of the Eligible Equity Shareholders. The Rights Entitlements are also accessible on the website of our Company.
Rights Equity Shareholder(s)	A holder of the Rights Equity Shareholders, from time to time.
Rights Equity Share(s)	Equity shares of our Company to be Allotted pursuant to this Issue
Self-Certified Syndicate Bank / SCSB	Self-Certified Syndicate Bank(s), registered with SEBI, which acts as a Banker to the Issue and which offers the facility of ASBA. A list of all SCSBs is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Stock Exchange	BSE Limited (BSE), where our Equity Shares are presently listed
Working Day(s)	In terms of Regulation 2(1)(mmm) of SEBI ICDR Regulations, working day means all days on which commercial banks in Mumbai are open for business. Further, in respect of Issue Period, working day means all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. Furthermore, the time period between the Issue Closing Date and the listing of Equity Shares on the Stock Exchanges, working day means all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Conventional / General Terms and Abbreviations

Term /Abbreviation	Description / Full Form
"₹", "Rs.", "Rupees" or "INR"	Indian Rupee(s).
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.
BSE	BSE Limited.
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited.
CIN	Corporate identity number.
Companies Act, 1956	Erstwhile Companies Act, 1956 along with the rules made thereunder
Companies Act, 2013	Companies Act, 2013 along with the rules made thereunder.
COVID-19 / Novel Coronavirus	A public health emergency of international concern as declared by the World Health Organization on January 30, 2020 and a pandemic on March 11, 2020
Depositories Act	Depositories Act, 1996.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 or under any erstwhile Regulations
DIN	Director identification number.
"DP" or "Depository Participant"	Depository participant as defined under the Depositories Act.
DP ID	Depository participant's identification
EPS	Earnings per Equity Share
FDI	Foreign Direct Investment
FCNR Account	Foreign currency non-resident account
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder
"Financial Year", "FY", "Fiscal Year" or "Fiscal"	Period of 12 months ended March 31 of that particular year, unless otherwise stated
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018

FVCI	Foreign venture capital investors as defined under and registered with SEBI pursuant to the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 registered with SEBI
GAAP	Generally accepted accounting principles
GoI	Government of India
GST	Goods and Service Tax
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Income Tax Act	Income-Tax Act, 1961
Ind AS	Indian accounting standards as specified under section 133 of the Companies Act 2013 read with Companies (Indian Accounting Standards) Rules 2015, as amended
"Insider Trading Regulations" or "PIT Regulations"	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
MCA	Ministry of Corporate Affairs
Net Worth	The aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and Amalgamation
NPA(s)	Non-performing assets
NRE Account	Non-resident external account
NRI	A person resident outside India, who is a citizen of India and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent account number
PAT	Profit after tax
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Rights Issue Circulars	Collectively, SEBI circular, bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020 read with SEBI circular, bearing reference number SEBI/HO/CFD/DIL2/CIR/2020/78 dated May 6, 2020, bearing reference number SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020, bearing reference number SEBI/HO/CFD/DIL1/CIR/P/2021/13 dated January 19, 2021 and bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2021/552 dated April 22, 2021, bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2021/633 dated October 1, 2021 and bearing reference number SEBI/HO/CFD/SSEP/CIR/P/2022/66 dated May 19, 2022.
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
STT	Securities transaction tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
UPI	Unified Payments Interface

NOTICE TO INVESTORS

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

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

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

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND THE RIGHTS EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT IN A TRANSACTION NOT SUBJECT TO, OR EXEMPT FROM, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE RIGHTS ENTITLEMENTS AND RIGHTS EQUITY SHARES ARE BEING OFFERED AND SOLD ONLY TO PERSONS OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS AS DEFINED IN AND IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"). ACCORDINGLY, THE RIGHTS ENTITLEMENT AND THE RIGHTS EQUITY SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND THE LETTER OF OFFER AND ANY OTHER ISSUE MATERIALS MAY NOT BE DISTRIBUTED, IN WHOLE OR IN PART, IN OR INTO IN (I) THE UNITED STATES OR (II) OR ANY JURISDICTION OTHER THAN INDIA EXCEPT IN ACCORDANCE WITH LEGAL REQUIREMENTS APPLICABLE IN SUCH JURISDICTION. RECEIPT OF THE LETTER OF OFFER OR ANY OTHER ISSUE MATERIALS (INCLUDING BY WAY OF ELECTRONIC MEANS) WILL NOT CONSTITUTE AN OFFER, INVITATION TO OR SOLICITATION BY ANYONE (I) IN THE UNITED STATES OR (II) IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER, INVITATION OR SOLICITATION IS UNLAWFUL OR NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER, INVITATION OR SOLICITATION.

CURRENCY OF FINANCIAL PRESENTATION

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

Throughout this Letter of Offer, unless otherwise stated, all figures have been expressed in Lakhs and / or crores and /or millions. Unless indicated otherwise, the financial data in this Letter of Offer is derived from our Company's audited financial statements for Financial year ending March 31, 2021and/or Unaudited Financial Statements for Quarter and Nine months ended December 31, 2021 prepared in accordance with IND AS, applicable accounting standards and guidance notes issued by the ICAI, the applicable provisions of the Companies Act and other statutory and / or regulatory requirements and are included in this Letter of Offer as required under the SEBI ICDR Regulations. Unless indicated otherwise, the operational data in this Letter of Offer is presented on a basis and refers to the operations of our Company. In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

For additional definitions used in this Letter of Offer, see the section 'Definitions and Abbreviations' on page 2 of this Letter of Offer.

USE OF MARKET DATA

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

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

SUMMARY OF LETTER OF OFFER

The following is a general summary of the terms of this Issue, and should be read in conjunction with and is qualified by the more detailed information appearing in this Letter of Offer, including the sections titled "*Risk Factors*", "*The Issue*", "*Capital Structure*", "*Objects of the Issue*", "*Our Business*", "*Outstanding Litigation and Material Developments*" and "*Terms of the Issue*".

Summary of Our Business

We are engaged in the business of Ginning, Manufacturing of Cotton Yarn, Dyed Yarn, Grey Fabric and Dyed Fabric. Our manufacturing facilities are located in the state of Andhra Pradesh. We also have three Hydel Power Plants of total capacity of 4 MW in Telangana.

Objects of the Issue

Requirement of Funds

The total estimated funds requirement is given below:

Sr. No.	Particulars	Amount *(in ₹ lakhs)*
1.	Part Repayment of outstanding Term Loans from Bank	800.00
2.	General corporate purposes	157.59
3.	Expenses for the Issue	41.53
Total		999.12

Means of Finance

Particulars	Amount (in Rs. Lakhs)
Gross Proceeds from the Issue	999.12
Less: Issue related expenses	41.53
Net Proceeds from the Issue	957.59

For details, see "Objects of the Issue" beginning on page 33 of this Letter of Offer.

Intention and extent of participation by our Promoter and Promoter Group in the Issue

Our Promoters, Mr. Poluri Venkateshwara Reddy and Mr. Gurram Venkata Krishna Reddy, on behalf of themselves and as representative of the Promoter Group have confirmed *vide* letter dated January 08, 2022, that they alongwith Promoter Group will subscribe to the full extent of the aggregate rights entitlement of the Promoter and Promoter Group, either through themselves or through other members of the Promoter and Promoter Group, including renunciation within the Promoter Group in the Issue. Further, our Promoter and Promoter Group may subscribe to additional Rights Securities.

Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Any such acquisition of additional Rights Equity Shares (including any unsubscribed portion of the Issue) shall be in accordance with Regulation 10(4) of SEBI Takeover Regulations and shall not result in a change of control of the management of our Company in accordance with provisions of the Takeover Regulations. Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

Summary of Outstanding Litigations:

Following are the Summary of Outstanding Litigations involving our Company:

LITIGATIONS PENDING AGAINST OUR COMPANY				
S. no.	**Category**	**Brief**	**Total no of cases**	**Amount involved (in ₹ Lakhs)**
1	Civil	OS 41 of 2018 U/s 26 of Cpc	1	Not Ascertainable
2	Labour	WC Case No. 08/2019 under Indian Worksmen's Compensation act, 1923 (WC Act)	1	Not Ascertainable
LITIGATIONS PREFERRED BY OUR COMPANY				
S. no.	**Category**	**Brief**	**Total no of cases**	**Amount involved (in ₹ Lakhs)**
1	Civil	Civil Appeal with The Appellate Tribunal of the Electricity	1	Approx. 50.00

Tax Related Matters

Nature of tax involved	Number of cases outstanding	Amount involved *(₹ in Lakh)*
Direct Tax (A)		
Income Tax	1	67.85

For further details, please see the Chapter titled "Outstanding Litigations and Material Developments" starting from page 115 of this Letter of Offer.

Risk Factors

For details of the risks applicable to our Company, please see section titled *"Risk Factors*" given on page 12 of this Letter of Offer.

Contingent Liabilities

For details regarding our contingent liabilities, see "*Financial Statements*" beginning on page 57 of this Letter of Offer.

Related Party Transactions

For details regarding our related party transactions, see "*Financial Statements*" beginning on page 57 of this Letter of Offer.

Issuance of Equity Shares for consideration other than cash in the last one year

No Equity Shares have been issued by our Company for consideration other than cash as on the date of filing of this Letter of Offer.

Past Issues

Besides Initial Public Offering Prospectus dated 10.01.1995, Our Company had filed Letter of Offer dated March 27, 2019 of Rights Issue not exceeding Rs. 995.50 Lakhs to meet Additional Working Capital requirements and General Corporate Purposes with BSE. BSE had issued its in principle approval for the same vide their letter dated May 14, 2019. However, due to market conditions, the management decided not to come out with the Rights Issue then.

SECTION II - RISK FACTORS

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

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

INTERNAL RISK FACTORS

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

We are involved, from time to time, in legal proceedings that are incidental to our operations and involve suits filed by and against our Company by various parties. There are several outstanding litigations involving our Company including Civil, Tax related, Labour cases etc. These legal proceedings are pending at different levels of adjudication before various courts and tribunals in different jurisdictions. A degree of judgement is required to assess our exposures in these proceedings and determine the appropriate value of provisions if any.

Should the proceedings be decided adversely against us, or any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may incur significant expenses and management time in such legal proceedings and may need to make provisions in our Financial statements for such litigations, which could have adverse effect on our business, reputation, results of operations, financial condition and prospects. For further details, please see the section entitled "Outstanding Litigations and Material Developments" on page 115 of this Letter of Offer.

2. ***We have incurred losses in the past and as a result we had negative earnings per share. If we continue to incur losses, the results of our operations and financial condition may be materially and adversely affected.***

We have reported net loss of Rs. 789.62 lakhs and Rs. 1,208.88 Lakhs in the FY 2020-21 and FY 2019-20 respectively. As a result, our Company has negative EPS on of Rs. (1.84) in FY 2020-21 and Rs. (2.82) in FY 2019-20. However, our Company had Operating Profit of Rs. 994.41 lakhs and Rs. 539.53 lakhs for FY 2020-21 and FY 2019-20 respectively. For the nine months period ended December 31, 2021, we had Operating Profit of Rs. 3,907.95 Lakhs and Net Profit of Rs. 805.59 Lakhs. For further details on our financial performance see section "Financial Statements" on Page 57 of this Letter of Offer. If we incur losses in future, it may put a strain on our financial resources and also affect our ability to conduct efficiently our business operations. We cannot assure you that we will not incur losses in the future which may materially and adversely affect our results of operations, prospects and financial condition.

3. ***We have not provided for certain contingent liabilities for financial year ending 2021 and 2020 which if materialize could adversely affect our financial position.***

In the financial years ending March 31, 2021 and March 31, 2020, we have not provided for the following contingent liabilities as per audited financial statements:

(Amount in Rs.)

Particulars	**As at 31.03.2021**	**As at 31.03.2020**
State Levies on Electricity (Includes demand towards differential wheeling charges Rs. 3,29,70,993/-)*	4,16,00,410.00	1,10,86,246.00
Income-tax	-	38,405.00
Entry Tax	2,34,726.00	2,34,726.00

Total	4,18,35,136.00	1,13,59,377.00

* The demand towards differential wheeling charges has been settled by our Company by paying Rs. 142.81 Lakhs as final settlement amount to APCPDCL (Andhra Pradesh Central Power Distribution Corporation Limited).

If any contingent liability materializes, our results of operations and financial condition may be adversely affected. For more details of our contingent liabilities for the fiscals ended March 31, 2021 and March 31, 2020 refer to the section titled "Financial Statements" on page 57 of this Letter of Offer.

4. ***The extent to which the recent coronavirus (COVID-19) outbreak impacts our Company's business, cash flows, results of the operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted.***

The impact of the COVID-19 pandemic on our business, operations and financial performance have included and may continue to include significant decline in revenue from operations in case of any further surge in COVID 19 which may lead to lockdowns or other restrictions . We experienced and may continue to be subject to temporary shutdown and reduced factory-level operations such as reduced operating hours, as mandated by regulatory authorities. Our Company's total revenue from operations decreased by approximately 18% from ₹ 29,161.07 Lakhs in Fiscal 2020 to ₹ 24,061.97 Lakhs in Fiscal 2021. The impact of the ongoing pandemic, particularly any more communicable strains of the virus may also result in an adverse impact on our profitability. We also incurred and may continue to incur additional expenses in complying with evolving government regulations, including with respect to social distancing measures and sanitization practices.

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

We have entered into a number of related party transactions with our Directors / Key managerial Personnel and entities with which our Directors/KMP's are associated. For details on related party transactions, see the chapter titled "Financial Statements" on page 57 of this Letter of Offer.

Our Company's policy on transactions with related parties is that such transactions are conducted on normal commercial terms in the ordinary and normal course of business. Our Company may enter into additional transactions with its related parties in the future. However, there is no independent verification that the terms of such transactions with the related parties are most beneficial to our Company or whether more favorable terms could have been achieved had such transactions been entered with unrelated parties.

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

Our Company has negative cashflow from operating activities, investing activities and from financing activities in both or either of the preceding two financial years. The details of the same are given below:

(Rs. In Lakhs)

Particulars	**For the year ended March 31,**	
	2021	**2020**
Net Cash from Operating Activities	(255.13)	3,937.51
Net Cash from Investing Activities	(453.97)	(1,143.57)
Net Cash from Financing Activities	1,048.91	(2,795.49)

For further details of our cash flows, please see Cash Flow Statement under the head "Financial Statements" beginning on page 57 of this Letter of Offer.

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

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

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

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

Cotton being a highly flammable commodity, every stage from procurement, processing, storage and transportation to trading is fraught with danger of an instant fire. The risk of fire hazard is increased due to increased automation and use of large volume of air for material handling. Blow room and carding area are more prone to such hazard. Any fire, or such mishaps or accidents at our Company's facilities could lead to property damages, property loss and accident claims and could impact our business and results of operations.

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

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

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

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

Our manufacturing operations require substantial amount of power. Power and fuel costs constitute our second highest manufacturing expense after raw material cost, amounting to Rs. 2,592.56 lakhs in FY 2020-21and Rs. 3,407.24 lakhs in FY 2019-20. We procure power from Southern Power Distribution Company of Andhra Pradesh for our manufacturing operations. If the per unit cost of electricity is increased by the state electricity boards our power costs will increase. It may not be possible to pass on any increase in our power costs to our customers, which may adversely affect our profit margins. If our supply of electricity were interrupted or limited, we would be required to suspend production, which, if lasting longer than a very short period, result in reduction of our capacity

utilization and thereby, would materially and adversely affect our business, financial condition or results of operations. In addition to the production losses that we would incur during production shutdowns, we may not be able to immediately return to full production volumes following power interruptions, however brief. Accordingly, any increase in power costs or interrupted supply of power could adversely affect our operations, and financial condition.

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

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

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

The funds being raised through the Issue are proposed to be used for Part repayment of outstanding Term Loans from Bank and other general corporate purposes. The fund requirement is based on our management estimates' and has not been appraised by any bank/financial institution. These are based on current conditions. In view of the highly competitive nature of our industry we may have to revise our management estimates' from time to time and consequently our funding requirements may also change. We intend to repay Rs. 800 lakhs of outstanding term loan to Indian Bank.

Pending utilization of the net proceeds, we intend to deposit such Net Proceeds in scheduled commercial banks. Since our Issue Size is less than Rs. 100 Crores, we have not appointed any monitoring agency to monitor the utilization of net proceeds. However, the utilization of the net proceeds will be monitored by our Board.

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

Our Promoter Group is the largest shareholder of our Company holding 52.69% of the pre issue capital. As a result, our promoter group may continue to be the largest shareholders of post-issue equity capital of our company. As significant shareholders, our Promoters may have interests which may affect the interests of shareholders and /or our interests and may have the ability to determine the outcome of any shareholder resolution.

13. One of our Group Companies operate in similar lines of business as us and certain of our Promoters and members of Promoter Group are also on the Board of Directors of such entities. In the event of a conflict of interest, our Promoters and our Directors may favor the interests of such entity over our interests.

The objects of our Group Company, Kallam Brothers Cottons Private Limited, allows it to carry on business activities which are similar to activities being carried out by our Company. Accordingly, there are some Common Pursuits between our Group Company and our Company. Certain of our Promoters and members of Promoter Group are also on the board of directors of our Group Companies. Accordingly, we cannot assure you that business activities of our Group Companies will not create a potential conflict of interest for our Promoters and/or our Directors. Due to such conflicts of interest, our Promoters and/or our Directors may make decisions which may favor the interests of the shareholders of our Group Companies, which may adversely affect our business, results of operations and financial condition.

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

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

We use a combination of third party transportation providers and our own fleet for the delivery of raw materials to us and delivery of our products to our customers and distributors. Transportation strikes have had in the past, and could again in the future, have an adverse effect on our supplies and our deliveries to and from our customers and suppliers in a timely and cost efficient manner. In addition, raw materials and products may be lost or damaged in transit for various reasons including occurrence of accidents or natural disasters. There may also be delay in delivery of raw materials and products which may also affect our business and our results of operation negatively. Failure to maintain a continuous supply of raw materials or to deliver our products to our customers in an efficient and reliable manner could have a material and adverse effect on our business, financial condition and results of operations.

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

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

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

India has labour legislations that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal, and legislations that imposes certain financial obligations on employers upon retrenchment. At present, none of our factories have any labour union. There is no assurance that our employees will not seek unionization in the future. In the event that employees at our plants seek to unionise, it may become difficult for us to maintain flexible labour policies, and may increase our costs and adversely affect our business. In the past, there has been cases filed by the employees/workers in labour courts. For details of pending cases filed by employees / labour against our Company, please refer to Chapter titled "Outstanding Litigations and Material Developments" on page 115 of this Letter of Offer. We cannot assure you that any such case will not arise in future.

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

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

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

Our success largely depends on the skills, experience and efforts of our Key Management Personnel and on the efforts, ability and experience of key members of our management staff. Our Key Management Personnel have extensive experience in manufacturing and marketing of Yarn &Fabric that are critical to the operation of our business. For further details see "*Our Management*" on page 53 of this Letter of Offer. Individuals with industry-specific experience are scarce, and the market for such individuals is highly competitive. As a result, we may not be able to attract and retain qualified personnel to replace or succeed our Key Management Personnel or other key employees, should the need arise. The loss of services of one or more members of our Key Management Personnel or any of our other management staff could weaken our management expertise significantly and our ability to undertake our business operations efficiently. This could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our long-standing relationship with our major customers has been one of the most significant factors contributing to our growth. Our commitments to quality and customer service practices have been strong contributing factors to our robust customer relations. Over the years, we have steadily developed a robust base of retailers of garments, including with reputed brands and supply chains. Even though we do not have any long-term supply agreements with them, we have continually received repeat business from many of our customers and are proud to be a preferred vendor for certain customers. However, in the absence of long term contracts with such customers, we cannot assure you that our Company would continue to receive repeat business from such customers. Failure to receive repeat business from our customers may have an adverse effect on our business and financial results.

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

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

We strive to keep optimum inventory at our factory to control our costs and working capital requirements. To maintain an optimal inventory, we monitor our inventory levels based on our projections of demand as well as on a real-time basis. However, unavailability of products, due to high demand or inaccurate forecast, can result in the unavailability/surplus of raw material which may result in loss of sales and adversely affect our customer relationships. Conversely, an inaccurate forecast can also result in an over-supply of raw material or finished

products, which may increase inventory costs, negatively impact cash flow, reduce the quality of inventory and ultimately lead to reduction in margins or write-offs of inventory. Any of the aforesaid circumstances could have a material adverse effect on our business, results of operations and financial condition. As on March 31, 2021, we have inventory level of Rs. 10,262.07 Lakhs including Rs. 4,402.67 Lakhs of Raw Materials, Rs. 4,024.56 Lakhs of work in progress and Rs. 1,264.01 Lakhs of finished goods.

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

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

Our insurance coverage is likely to cover all normal risks associated with the operation of our business but there can be no assurance that any claim under the insurance policies maintained by us will be honored fully, in part or on time. We have obtained various insurance policies to cover risk associated with the operation of our business such as Marine Export Import Insurance Open policy, Employee Compensation insurance, Business interruption (Fire) policy, Standard Fire & Special perils policy for all divisions etc. As on April 30, 2022, we have Insurance cover of Rs. 86,978.69 lakhs including insurance against fire, insurance for Marine risk, vehicle insurance and others. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected.

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

We require a number of approvals, licenses, registrations and permits for our business(s). Additionally, we may need to apply for renewal of approvals which expire, from time to time, as and when required in the ordinary course. At present, we have all the necessary approvals with respect to our business. The government approvals and licenses are subject to various conditions. If we fail to comply, or a regulator claims that our Company has not complied with these conditions, our business, financial position and operations would be materially adversely affected.

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

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

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

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

As of April 30, 2022, our Company had unsecured borrowings of Rs. 515.55 Lakhs from our Promoters/ members of our Promoter Group which are repayable by our Company as and when demanded. It may be difficult for us to manage our cash flow and ensure that sufficient funds are available at all times to repay our unsecured lenders.

In the event of any default on the repayment of unsecured loan, the unsecured lender could initiate legal proceedings against us to recover the amount due to such unsecured lender together with interest and penalty. Any such legal proceedings will have a material adverse effect on our reputation, creditworthiness and financial condition.

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

We generated Rs. 3,562.27 lakhs and Rs. 4,071.90 lakhs as revenues from exports in Fiscal Year 2021 and Fiscal Year 2020 respectively, which represented 14.70% and 13.88% of our total revenue for the respective periods. During such periods, we exported our cotton yarn products to countries like Bangladesh, China etc. These export destination countries impose varying duties on our products. There can be no assurance that the duties imposed by such countries will not increase. Any change or increase in such duties may adversely affect our business, financial condition and results of operations.

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

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

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

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

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

In compliance with such restrictive covenants, we had applied for consent of our Bankers, i.e, Union Bank of India, Indian Bank and Bank of Baroda for this Rights issue and have obtained their No Objection Certificate for the proposed Rights Issue vide their letters dated December 18, 2021, January 12, 2022 and December 08, 2021 respectively.

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

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

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

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

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

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

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

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

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

31. Failure to comply with the conditions applicable under Technology Upgradation Fund Scheme ("TUF") being availed by us or withdrawal of the Schemes by the Government may render our Company ineligible for interest and capital subsidies.

Our Company presently is eligible to avail benefits provided under TUF and other subsidies by Government. For further details, please refer to the chapter titled "Financial Statements" on page 57 of this Letter of Offer. These benefits and incentive are provided to our Company on fulfilment of certain conditions and eligibility criteria, if we fail to comply with the conditions stipulated under these policies, our Company may be denied such subsidies, which in turn will make our operations less cost effective and increase the prices of our products. Further, termination of, withdrawal or variations in the terms of such policies can adversely affect our profitability and/or our business operations. As a result, it might have a material adverse effect on results of operations and financial condition of our Company.

32. If our Company is unable to protect its intellectual property, or if our Company infringes on the intellectual property rights of others, our business may be adversely affected.

Our current name and logo, is not owned or registered as a trade name or trademark by our Company under the provisions of the Trademarks Act, 1999 and therefore may be subject to counterfeiting or imitation which would adversely impact our reputation and lead to loss of customer confidence, reduced sales and higher administrative costs. Further, our Company does not enjoy the statutory protections accorded to a registered trademark. There can be no assurance that we will be able to register the trademark and the logo or that, third parties will not infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. If any of our unregistered trademarks or proprietary rights are registered by a third party, we may not be able to make use of such trademark or proprietary rights in connection with our business and consequently, we may be unable to capitalize on the brand recognition associated with our Company. We can neither assure you that we will be successful in such a challenge nor guarantee that eventually our name and logo will be registered in our name under the provisions of the Trademarks Act, 1999. As a result, we may not be able to prevent acts of counterfeiting or imitation of our name and logo and a passing off action may not provide sufficient protection until such time that registration is granted.

Risks relating to the Issue and the Equity Shares

33. Our Company will not distribute this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form and other Issue related materials to certain categories of overseas Equity Shareholders.

In accordance with the SEBI ICDR Regulations and SEBI Rights Issue Circulars, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. Investors can also access this Letter of Offer, the Abridged Letter of Offer and the Application Form from the websites of the Registrar, our Company, the Lead Managers and the Stock Exchange.

However, the Companies Act requires companies to serve documents at any address, which may be provided by the members as well as through e-mail. Presently, there is lack of clarity under the Companies Act and the rules made thereunder with respect to distribution of the Issue materials in overseas jurisdictions where such distribution may be prohibited under the applicable laws of such jurisdictions. However, we cannot assure you that the regulator or authorities would not adopt a different view with respect to compliance with the Companies Act and may subject us to fines or penalties.

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

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

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

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

36. Our revenues and expenses may vary significantly from period to period, which could cause our share price to decline.

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

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

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

As per unaudited financial results for nine months ended December 31, 2021and as per audited financial statements for the Fiscal 2021 and Fiscal 2020, our Company has generated revenue of Rs. 32,940.99 Lakhs, Rs. 24,226.53 lakhs and Rs. 29,333.48 lakhs respectively and net profit/(loss) after tax of Rs. 805.59 Lakhs, Rs. (789.62) lakhs and Rs. (1,208.88) lakhs respectively.

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

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

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

38. Failure to exercise or sell the Rights Entitlements will cause the Rights Entitlement to lapse without compensation and result in a dilution of shareholding.

The Rights Entitlements that are not exercised prior to the end of the Issue Closing Date will expire and become null and void, and Eligible Equity Shareholders will not receive any consideration for them. The proportionate ownership and voting interest in our Company of Eligible Equity Shareholders who fail (or are not able) to exercise their Rights Entitlements will be diluted. Even if you elect to sell your unexercised Rights Entitlements, the consideration you receive for them may not be sufficient to fully compensate you for the dilution of your percentage ownership of the equity share capital of our Company that may be caused as a result of the Issue. Renouncee(s) may not be able to apply in case of failure in completion of renunciation through off-market transfer in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee(s) prior to the Issue Closing Date. Further, in case, the Rights Entitlements do not get credited in time, in case of On Market Renunciation, such Renouncee will not be able to apply in this Issue with respect to such Rights Entitlements.

39. The Rights Entitlement of Eligible Equity Shareholders holding Equity Shares in physical form ("Physical Shareholders") may lapse in case they fail to furnish the details of their demat account to the Registrar.

In accordance with the SEBI Circular SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020, the credit of Rights Entitlement and Allotment of Equity Shares shall be made in dematerialised form only. Accordingly, the Rights Entitlements of the Physical Shareholders shall be credited in a suspense escrow demat account opened by our Company during the Issue Period. The Physical Shareholders are requested to furnish the details of their demat account to the Registrar not later than two Working Days prior to the Issue Closing Date to enable the credit of their Rights Entitlements in their demat accounts at least one day before the Issue Closing Date. The Rights Entitlements of the Physical Shareholders who do not furnish the details of their demat account to the Registrar not later than two Working Days prior to the Issue Closing Date, shall lapse. Further, pursuant to a press release dated December 3, 2018 issued by the SEBI, with effect from April 1, 2019, a transfer of listed Equity Shares cannot be processed unless the Equity Shares are held in dematerialized form (except in case of transmission or transposition of Equity Shares).

40. Applicants to this Issue are not allowed to withdraw their Applications after the Issue Closing Date.

In terms of the SEBI ICDR Regulations, Applicants in this Issue are not allowed to withdraw their Applications after the Issue Closing Date. The Allotment in this Issue and the credit of such Equity Shares to the Applicant's demat account with its depository participant shall be completed within such period as prescribed under the applicable laws. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation, cash flows or financial condition, or other events affecting the Applicant's decision to invest in the Equity Shares, would not arise between the Issue Closing Date and the date of Allotment in this Issue. Occurrence of any such events after the Issue Closing Date could also impact the market price of our Equity Shares. The Applicants shall not have the right to withdraw their applications in the event of any such occurrence. We cannot assure you that the market price of the Equity Shares will not decline below the Issue Price. To the extent the market price for the Equity Shares declines below the Issue Price after the Issue Closing Date, the shareholder will be required to purchase Equity Shares at a price that will be higher than the actual market price for the Equity Shares at that time. Should that occur, the shareholder will suffer an immediate unrealized loss as a result. We may complete the Allotment even if such events may limit the Applicants' ability to sell our Equity Shares after this Issue or cause the trading price of our Equity Shares to decline.

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

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Previously, any gain realised on the sale of listed equity shares on or before March 31, 2018 on a stock exchange held for more than 12 months was not subject to long-term capital gains tax in India if securities transaction tax ("**STT**") was paid on the sale transaction. However, the Finance Act, 2018, now seeks to tax on such long-term capital gains exceeding ₹ 100,000 arising from sale of equity shares on or after April 1, 2018, while continuing to exempt the unrealised capital gains earned up to January 31, 2018 on such Equity Shares. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. Further, any gain realized on the sale of listed equity shares held for a period of 12months or less will be subject to short term capital gains tax in India.

EXTERNAL RISK FACTORS

42. Any changes in the regulatory framework could adversely affect our operations and growth prospects.

We are / will be subject to various regulations and policies including manufacturing, Customs, GST, Income Tax, Labour acts, etc. Our business and prospects could be materially adversely affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will

not be raised in respect of our operations, either of which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

Regional or International hostilitiesand other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the financial markets. These acts may also result in a loss of business confidence, impede travel and other services and ultimately adversely affect our business. In addition, any war with our neighbors might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares. Such incidents may also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

47. Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and our business and cause the trading price of the Equity Shares to decrease.

The Indian financial markets and the Indian economy are influenced by the economic and market conditions in other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in other financial systems may cause volatility in Indian financial markets, including with respect to the movement of exchange rates and interest rates in India, and, indirectly, in the Indian economy in general. Any such continuing or other significant financial disruption could have an adverse effect on our business, financial results and the trading price of the Equity Shares.

SECTION III - INTRODUCTION

THE ISSUE

The Issue has been authorized by way of a resolution passed by our Board on November 09, 2021, pursuant to section 62(1)(a) and other applicable provisions of the Companies Act, 2013. The terms of the Issue including the Record Date and Rights Entitlement Ratio, have been approved by a resolution passed by our Board at its meeting held on May 27, 2022.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, detailed information included in the section "*Terms of the Issue*" beginning on page 123 of this Letter of Offer.

Equity Shares proposed to be issued by our Company	99,91,187 Equity Shares of Face Value of ₹ 2/-each
Rights Entitlement	7 (Seven) Equity Share for every 30 (Thirty) Equity Shares held on the Record Date
Record Date	June 03, 2022
Issue Price per Equity Share	₹ 10/- per Rights Equity Share. The Issue Price has been arrived at in consultation between the Issuer and the Lead Manager
Issue Size	₹ 999.12 Lakhs
Equity Shares outstanding prior to the Issue (Paid up Equity Share Capital)	4,28,19,375 Equity Shares of ₹ 2/- each
Equity Shares outstanding after the Issue, assuming full subscription (Paid up Equity Share Capital)	5,28,10,562 Equity Shares of ₹ 2/- each
Security Codes for the Equity Shares	ISIN for Equity Shares: INE629F01025 BSE Scrip Code: 530201
ISIN for Rights Entitlement	INE629F20017
Terms of payment	100 percent of the issue price
Objects of the Issue	Please refer to section "Objects of the Issue" on page 33 of the Letter of Offer

For more information on the payment terms, refer to the Chapter titled "Terms of the Issue" on page 123 of this Letter of Offer.

GENERAL INFORMATION

Our Company was incorporated as Kallam Agros Limited on February 18, 1992 under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh. The name of our Company was changed to Kallam Spinning Mills Limited and fresh Certificate of Incorporation dated September 22, 1994 was issued. The name of our Company was further changed to Kallam Textiles Limited and fresh Certificate of Incorporation dated April 09, 2018 was issued. Corporate Identity Number: L18100AP1992PLC013860

Change in Registered Office of our Company

The Registered Office of our Company was changed from 2-14-133, Syamala Nagar, Guntur Andhra Pradesh to Door No. 21-4-61, Mangalivari Veedhi, Sangadigunta, Guntur on December 01, 1993. The Registered office of our Company was subsequently changed to our current address on June 30, 1994.

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

Registrar of Companies, Vijayawada – Andhra Pradesh
29-7-33, First Floor, Vishnuvardhanarao Street,
Suryaraopet, Vijayawada -520002, Andhra Pradesh.
Tel. No.: +91 866 - 2432346
E-mail: roc.vijayawada@mca.gov.in
Website: www.mca.gov.in

Board of Directors of our Company

Sr. No.	Name	Designation	Address	DIN
1.	Mr. Poluri Venkateshwara Reddy	Managing Director	Flat No.401, 402, Lakshmi Grand, Syamala Nagar, 4th Line, Guntur 522006 Andhra Pradesh	00018677
2.	Mr. Gurram Venkata Krishna Reddy	Joint Managing Director & CEO	Flat.No. 406, Krisals County, 12th Line, Syamala Nagar, Pattabhipuram, Guntur 522006 Andhra Pradesh	00018713
3.	Mr. Movva Venkata Subba Reddy	Whole Time Director	Flat No.202, Lakshmi Grand, Near Santhosh Matha Temple, 4th Line, Main Road, Syamala Nagar, Guntur 522006, Andhra Pradesh	00018719
4.	Mr. Suryanarayana Murty Vaddadi	Independent Director	I-1, Essar Apartments, West Marredpalli, Secunderabad 500026, Telangana	00021952
5.	Mr. Ramagopal Varanasi	Independent Director	Flat No.105, Tranquil Towers, Whitefield, SreeTirumala Construction, Kondapur, Serilingampally, K V Rangareddy Hyderabad - 500084, Telangana	02889497
6.	Mrs. Bhargavi Vangala	Independent Director	D.No.5-13-13, 2/12 Brodipeta, Guntur 522002, Andhra Pradesh	06950741

For details of our Directors, refer to section titled “Our Management” on page 53 of this Letter of Offer.

Company Secretary & Compliance Officer
Mr. Golagani Ramesh Kumar
Kallam Textiles Limited
N.H 5, Chowdavaram,
Guntur, Andhra Pradesh – 522 019
Tel. No.: + 91 863 2344016
Fax No.: + 91 863 2344000
Email: corp@ksml.in

Lead Manager to the Issue
SMC Capitals Limited
11/6B, Ground Floor, Shanti Chamber,
Pusa Road, New Delhi – 110005
Telephone: +91-11-30111000/40753333
Fax: +91-11-25754365
Email: rights.kallam@smccapitals.com
Website: www.smccapitals.com
Investor Grievance: investor-grievance@smccapitals.com
Contact Person: Sri Krishna Tapariya
SEBI Reg No: INM000011427

Legal Advisor to the Issue
Jampani Nageswara Rao
5th Line, Between 14-15th Cross Roads,
Brodipet, Guntur – 522 002
Tel: +91 863 2350825
Email: jnraoadvocat@gmail.com
Contact Person: Jampani Nageswara Rao

Statutory Auditors of our Company
M/s Chevuturi Associates, Chartered Accountants
D. No. 33-25-33/B, Govinda Rajulu Naidu Street,
Suryaraopet, Vijayawada – 520 002
Andhra Pradesh
Tel.: +91 98499 10509
Contact Person: Raghunadha Rao Balineni
Firm Registration No.: 000632S
Peer Review Certificate: 013021 dated April 01, 2021 valid upto March 31, 2024

Registrar to the Issue
Bigshare Services Private Limited
SEBI Regn. No.: INR000001385
Office No. S6-2, 6th Floor, Pinnacle Business Park,
Next to Ahura Centre, Mahakali Caves Road,
Andheri (East), Mumbai – 400 093, Maharashtra
Tel.: +91 22 6263 8200/22
Fax: +91 22 6263 8299
E-mail: rightsissue@bigshareonline.com
Investor Grievance e-mail id: investor@bigshareonline.com
Website: www.bigshareonline.com
Contact Person: Vijay Surana

Investor Grievances

Investors may contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-Issue or post- Issue related matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the Applicant, number of Rights

Securities applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the Application Form, or the plain paper application, as the case may be, was submitted by the ASBA Investors. For details on the ASBA process, see "*Terms of the Issue*" on page 123 of this Letter of Offer.

Experts

Our Company has received consent from our Statutory Auditors, M/s Chevuturi Associates through its letter dated December 11, 2021 to include their names as required under Section 26(1)(v) of the Companies Act, 2013 in this Letter of Offer and as an "expert" as defined under Section 2(38) of the Companies Act, 2013 in respect of the Limited Review Financial Information, the Audited Financial Statements and Statement of Tax Benefits, respectively, and such consents have not been withdrawn as of the date of this Letter of Offer.

Change in Statutory Auditors

There has not been any change in the Statutory Auditor of our Company in last three years.

Banker to the Issue & Refund Banker

Our company has appointed Axis Bank Limited as Banker to the Issue and Refund Banker. The details are as below:

Axis Bank Limited
D No. 5-25-92, 3/7,
Brodipet, Guntur
Andhra Pradesh – 522002
Tel No. - +91 – 8142200702
Email ID: guntur.operationshead@axisbank.com

Self-Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA process is provided on SEBI website at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes and updated from time to time. For a list of branches of the SCSBs named by the respective SCSBs to receive the ASBA Forms from the Designated Intermediaries, please refer to the above-mentioned link.

Banker to our Company

Union Bank of India
Guntur Main Branch
Gowri Sankar Theatre Road,
Kothapet, Guntur
Andhra Pradesh
Tel.: +91 863 2227420, 2351005, 2229966
Fax: +91 863 2321919, 2350522
E-mail: bm0150@unionbankofindia.com

Indian Bank
Guntur Main Branch
10-1-1, 1st Line, Sambasivapet
Naaz Centre, Guntur – 522 001
Andhra Pradesh
Tel.: +91 863 2220061, 2220804
Fax: +91 863 2237473
E-mail: guntur@indianbank.co.in

Bank of Baroda
Guntur Branch,
Rajiv Bhavan,

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

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

Debenture Trustee
As the Issue is of Rights Equity Shares, the appointment of a debenture trustee is not required.

Appraising Agency
The issue has not been appraised.

Monitoring Agency
Since the issue size is less than Rs. 100 Crore, appointment of Monitoring Agency is not required.
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Underwriting / Standby agreement
Our Company has not entered into any underwriting / standby agreement.

Issue Schedule

Last date for credit of Rights Entitlement	Wednesday, June 22, 2022
Issue Opening Date	Thursday, June 23, 2022
Last date for On Market Renunciation*	Monday, July 04, 2022
Issue Closing Date	Thursday, July 07, 2022
Finalisation of Basis of Allotment (on or about)	Thursday, July 14, 2022
Date of Allotment (on or about)	Friday, July 15, 2022
Date of credit (on or about)	Thursday, July 21, 2022
Date of listing (on or about)	Friday, July 22, 2022

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.
Further, no withdrawal of Application shall be permitted by an Applicant after the Issue Closing Date.

Inter-se Allocation of Responsibilities

SMC Capitals Limited being the sole Lead Manager will be responsible for all the responsibilities related to co-ordination and other activities in relation to the Issue. Hence a statement of inter se allocation of responsibilities is not required.

Minimum Subscription

The Object of the Issue does not involve financing of capital expenditure and our Promoters have confirmed their intention to subscribe to the full extent of their aggregate rights entitlement in the Issue and not renounce their Rights Entitlements except to the extent of renunciation within the Promoter Group, the minimum subscription criteria mentioned under the SEBI ICDR Regulations will not be applicable to the Issue.

Filing

This Letter of Offer is being filed with the BSE as per the provisions of the SEBI ICDR Regulations. Further, in terms of SEBI ICDR Regulations, our Company will simultaneously, file the Letter of Offer with SEBI at 2nd Floor, K Towers, D. No. 32-6-140, T.N. Rao Street, Visalandhra Road, Prajashakti Nagar, Vijayawada – 520010, Andhra Pradesh.

Prohibition by SEBI

The Company, its directors, its promoter and promoter group, other companies promoted by the promoter and companies with which the Company's directors are associated as director have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

Further, none of the directors of our Company are associated with the securities market in any manner, and SEBI has not initiated any action against any entity, with whom the directors of the Company are associated.

CAPITAL STRUCTURE

The share capital of our Company as at the date of this Letter of Offer, and the details of the Equity Shares proposed to be issued in the Issue, and the issued, subscribed and paid-up share capital after the Issue, are set forth below:

(Rs. In Lakhs unless otherwise stated)

	Share Capital	Aggregate value at face value	Aggregate Value at Issue Price
A.	**Authorised Share Capital**		
	10,00,00,000 Equity Shares of Rs. 2/- each	2,000.00	
B.	**Issued, Subscribed and Paid Up Share Capital**		
	4,28,19,375 Equity Shares of Rs. 2/- each	856.39	
C.	**Present Issue in terms of the Letter of Offer**		
	99,91,187 Equity Shares at an Issue Price of Rs. 10/- per Equity Share	199.82	999.12
D.	**Subscribed and Paid-up capital after the Issue, assuming full subscription**		
	5,28,10,562 Equity Shares of Rs. 2/- each fully paid-up	1,056.21	
E.	**Share Premium Account:**		
	Before the Issue	-	
	After the Issue	799.29	

Notes to the Capital Structure

1. **Shareholding Pattern of our Company as per the last filing with the Stock Exchange in compliance with the provisions of the SEBI Listing Regulations:**

   i) The shareholding pattern of our Company, as on March 31, 2022, can be accessed on the website of the BSE at : https://www.bseindia.com/stock-share-price/kallam-textiles-ltd/kallam/530201/qtrid/113.00/shareholding-pattern/Mar-2022/

   ii) The statement showing holding of Equity Shares of persons belonging to the category "Promoters and Promoter Group" as on March 31, 2022, can be accessed on the website of the BSE at https://www.bseindia.com/corporates/shpPromoterNGroup.aspx?scripcd=530201&qtrid=113.00&QtrName=March%202022 . Further, none of the shares of Promoters and Promoter Group are under lock-in, pledge of or encumbrance thereon. However, in view of demise of Shri Kallam Harinadha Reddy, founder and one of the members of our Promoter Group on May 15, 2022, his name has to be excluded in the list of Promoter and Promoter Group.

2. **List of Shareholders holding more than 1 % of the share capital of our Company as on March 31, 2022**

Name	Number of shares held	Total percentage
Gurram Venkata Krishna Reddy	35,13,733	8.21
Kallam Mohan Reddy	29,44,625	6.88
Prathyusha Kallam	28,80,957	6.73
Kallam Agro Products & Oils Private Limited	20,38,684	4.76
Kallam Hara Mohan Bharadwaj	18,66,625	4.36
Sivanagendramma Poluri	14,26,903	3.33
Lakshminarayanan T	13,78,106	3.22
Hara Mohan Maadhur Kallam	12,91,789	3.02

Poluri Venkateshwara Reddy	11,51,250	2.69
Poluri Goverdhan Reddy	10,93,455	2.55
Venu Gopala Reddy Poluri	9,71,575	2.27
Nagireddy Kallam	7,36,250	1.72
Kallam Annapurna	6,43,750	1.50
Umasankara Reddy Movva	6,42,851	1.50
IEPF	5,98,919	1.40
Rajendra Prasad Nalli	5,62,483	1.31
P Kinnera	5,68,218	1.33
Devika Anand	5,50,942	1.29
Sunita Santosh Goenka	5,15,040	1.20
Vecha Sai Naga Padmasree	5,00,609	1.17
Mounica Vecha	5,00,609	1.17
Mahendra Girdharilal	4,74,115	1.11
Santosh Sitaram Goenka	4,72,565	1.10
Supriya Punit Agarwal	4,54,167	1.06

3. There are no specified securities acquired by our Promoters and Promoter Group in the last one year immediately preceding the date of filing of this Letter of Offer except that Late Shri Kallam Harinadha Reddy, one of the member of our Promoter Group, had gifted 30,67,289 equity shares to his grandsons, Mr. Hara Mohan Maadhur Kallam (12,43,789 Equity Shares) and Mr. Kallam Hara Mohan Bharadwaj (18,23,500 Equity Shares) as off – market inter se transfer on November 08, 2021. Same were reported to BSE as per regulations.

4. As on date of this Letter of Offer, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares. However, the Shareholders of Our Company, in its Annual General Meeting held on September 22, 2018 had approved two Employee Stock Option Plan, i.e, Kallam Textiles Ltd Employees Stock Option Plan 2018 I (ESOP-I 2018) and Kallam Textiles Ltd Employees Stock Option Plan 2018 II (ESOP-II 2018). A total of 4,28,194 (Four Lakh twenty eight thousand one hundred ninety four) Stock Options equivalent to 4,28,194 equity shares of our Company are proposed to be granted through each scheme. No Options have been granted so far under any of the ESOP Scheme.

5. Intention and extent of participation by our Promoter and Promoter Group in the Issue

Our Promoters, Mr. Poluri Venkateshwara Reddy and Mr. Gurram Venkata Krishna Reddy, on behalf of themselves and as representative of the Promoter Group have confirmed *vide* letter dated January 08, 2022, that they alongwith Promoter Group will subscribe to the full extent of the aggregate rights entitlement of the Promoter and Promoter Group, either through themselves or through other members of the Promoter and Promoter Group, including renunciation within the Promoter Group in the Issue. Further, our Promoter and Promoter Group may subscribe to additional Rights Securities.

Such subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Any such acquisition of additional Rights Equity Shares (including any unsubscribed portion of the Issue) shall be in accordance with Regulation 10(4) of SEBI Takeover Regulations and shall not result in a change of control of the management of our Company in accordance with provisions of the Takeover Regulations. Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

6. The ex-rights price of the Rights Equity Shares as per Regulation 10(4)(b) of the Takeover Regulations is ₹ 16.88 per equity share.

OBJECTS OF THE ISSUE

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

1. Part Repayment of Outstanding Term Loans from Bank
2. General Corporate Purposes
3. Expenses for the Issue

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

Details of Objects of the Issue

Sr. No.	Particulars	Amount (in Rs. Lakhs)
1	Part Repayment of outstanding Term Loans from Bank	800.00
2	General Corporate Purposes	157.59
3	Expenses for the Issue	41.53
Total		999.12

Means of Finance

Particulars	Amount (in Rs. Lakhs)
Gross Proceeds from the Issue	999.12
Less: Issue related expenses	41.53
Net Proceeds from the Issue	957.59

Our Company proposes to meet the requirement of funds for the proposed objects of the Issue from the Net Proceeds. Accordingly, our Company confirms that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Issue. The Objects of the Issue involves financing other than financing of capital expenditure for project. Our Promoters have confirmed that they alongwith Promoter Group will subscribe to the full extent of the aggregate rights entitlement of the Promoter and Promoter Group.

The fund requirement and deployment are based on our management estimates and has not been appraised by any bank or financial institution or any other independent agencies. The fund requirement above is based on our current business plan and our Company may have to revise these estimates from time to time on account of various factors beyond our control, such as market conditions, competitive environment and interest or exchange rate fluctuations. Consequently, our Company's funding requirements and deployment schedules are subject to revision in the future at the discretion of our management, subject to necessary approvals, and such rescheduling, if any, shall be within the objects of the Issue.

Details of use of Issue Proceeds:

1. Part Repayment of Outstanding Term Loans from Bank

Our Company has entered into financial arrangements with three Banks, namely Indian Bank, Union Bank of India and Bank of Baroda. However, the outstanding term loans are from Indian Bank and Union Bank of India and as on April 30, 2022, the outstanding term loans from these two banks are Rs. 9,621.40 Lakhs and Rs. 8,757.27 Lakhs respectively. We propose to utilize Rs. 800 Lakhs from the Net Proceeds of the issue towards part repayment of one of the outstanding Term Loan availed from Indian Bank for the following facility.

Name of the Lender	Nature of the Loan	Amount Sanctioned (Rs. Lakhs)	Amount outstanding (as on April 30, 2022)	Rate Of Interest (%)	Terms of Repayment
Indian Bank	Term Loan	10,692.00 on August 10, 2011	3,193.29	11.05%	Quarterly

The repayment will help reduce our outstanding indebtedness and debt servicing costs and enable utilization of our internal accruals for further investment in business growth and expansion. In addition, we believe that the leverage capacity of our Company will improve our ability to raise further resources in the future for business purpose.

2. General Corporate Purpose

We propose to utilize the remaining amount after repayment of term loan and issue related expenses towards general corporate purposes but same will not exceed 25% of the gross proceeds of the Issue. Our Board will have flexibility in applying the balance amount towards general corporate purposes including but not restricted to general maintenance, marketing, sales promotion and meeting expenditure in the ordinary course of business or contingencies in ordinary course of business which may not be foreseen or any other purposes as approved by our Board of Directors.

3. Expenses for the Issue

The Issue related expenses consist fees payable to the Stock Exchange, Lead Manager, advertisement and marketing expenses , Registrar to the Issue, stationery printing and dispatch charges , depositories fees and all other incidental and miscellaneous expenses in respect of Rights Issue and Listing of additional equity shares on the Stock Exchange. We intend to use approximate Rs 41.53 Lakhs towards these expenses which are to be met out of issue proceeds.

Particulars	Estimated Expenses* (Rs. Lakhs)	% of Estimated Issue Size	% of Estimated Issue expenses
Stock Exchange Fees	6.49	0.65%	15.62%
Lead Manager Fees	11.80	1.18%	28.41%
Advertising,and marketing expenses	3.54	0.35%	8.52%
Registrar, Printing and dispatch charges	3.95	0.40%	9.52%
Other expenses (including but not limited to legal counsel fees, , depository fees, auditor fees, advisory fees, ASBA Bankers, travelling and out of pocket reimbursements, etc.)	15.75	1.58%	37.93%
Total (including GST)	**41.53**	**4.16%**	**100.00%**

*Given figures are Estimated issue related expenses. In case of any difference between the estimated Issue related expenses and actual expenses incurred, the shortfall or excess shall be adjusted with the amount allocated towards general corporate purposes.

Estimated Schedule of Deployment of Funds

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

(Rs. In Lakhs)

Particulars	**Funds already deployed (upto May 09, 2022)**	**FY 2022-23 (May 09, 2022 onwards)**	**Total**
Part Repayment of outstanding Term Loans from Bank	-	800.00	800.00
General Corporate Purposes	-	157.59	157.59
Expenses for the Issue	19.74	21.79	41.53
Total	19.74	979.38	999.12

Deployment of Funds towards the Objects of the Issue

We have incurred Rs. 19.74 lakhs upto May 09, 2022 towards the Objects of the Issue which has been certified by M/S Chevuturi Associates (Firm Registration No.: 000632S), Chartered Accountants, vide its certificate dated May 09, 2022. The same has been incurred towards issue related expenses and have been financed through internal sources.

Interim Use of Proceeds

Pending utilization for the objects described above, we intend to deposit the net proceeds only in Scheduled Commercial Banks.

Appraisal

None of the Objects of the Issue have been appraised by any bank or financial institution.

Bridge Financing Facilities

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

Monitoring of Utilization of Funds

Since the Issue is for an amount less than ₹ 10,000 lakhs, in terms of Regulation 82(1) of the SEBI ICDR Regulations, our Company is not required to appoint a monitoring agency for the purposes of the Issue. As required under the SEBI Listing Regulations, the Audit Committee appointed by the Board shall monitor the utilization of the proceeds of the Issue. We will disclose the details of the utilization of the Net Proceeds of the Issue, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements.

Further, in terms of Regulation 32 of the SEBI Listing Regulations, we will furnish to the Stock Exchange(s) on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the objects stated in the Letter of Offer. Further, this information shall be furnished to the Stock Exchange(s) along with the interim or annual financial results submitted under Regulations 33 of the SEBI Listing Regulations and be published in the newspapers simultaneously with the interim or annual financial results, after placing it before the Audit Committee in terms of Regulation 18 of the SEBI Listing Regulations.

Key Industry Regulations for the proposed objects of the issue: Not Applicable

No issue proceeds will be utilized for payment to our Promoters, Directors, Key Managerial Personnel and Associate Companies of our Company.

STATEMENT OF TAX BENEFITS

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

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

Dear Sirs,

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

1. We hereby confirm that the enclosed Annexure, prepared by M/s. Kallam Textiles Limited ('the Company'),provides the possible tax benefits available to the Company and to the shareholders of the Company under the Income-tax Act, 1961 ('the Act'), presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfill.

2. The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

3. We do not express any opinion or provide any assurance as to whether:

   (i) the Company or its shareholders will continue to obtain these benefits, in future;
   (ii) the conditions prescribed for availing the benefits have been/would be met with;
   (iii) the revenue authorities/courts will concur with the views expressed herein.

4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

5. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. The views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We would not assume responsibility to update the view, consequence to such change.

6. We shall not be liable to Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith of intentional misconduct.

7. The enclosed annexure is intended for your information and for inclusion in the Draft Prospectus/ Prospectus in connection with the proposed issue of equity shares and is not to be used, referred to or distributed for any other purpose without our written consent.

Place: Vijayawada
Date: 11th December, 2021

CHEVUTURI ASSOCIATES
Firm Regn. No. 000632S
VIJAYAWADA-2
CHARTERED ACCOUNTANTS

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

B. Raghunadha Rao

Raghunadha Rao Balineni
Partner
ICAI Memb. No. : 28105

ANNEXURE

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

SPECIAL TAX BENEFITS

I. Benefits available to the Company

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

II. Benefits available to the Shareholders

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

Place: Vijayawada
Date: 11th December, 2021

CHEVUTURI ASSOCIATES
Firm Regn. No. 000632S
VIJAYAWADA-2
CHARTERED ACCOUNTANTS

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

B. Raghunadha Rao

Raghunadha Rao Balineni
Partner
ICAI Memb. No. : 28105

SECTION IV – ABOUT OUR COMPANY

INDUSTRY OVERVIEW

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

INDIAN ECONOMY OVERVIEW:

India was among the fastest-growing economies in the world in the decade before the COVID-19 pandemic, lifting millions out of poverty. While the economy was moderating prior to the COVID-19 shock, the pandemic implied unprecedented challenges. Two COVID-19 waves caused a health and economic crisis however, the economy is gradually recovering. Following the first wave, GDP contracted an unprecedented 7.3 percent in FY2020/21. The second wave resulted in another sharp fall in activity, albeit smaller and shorter.

Estimates suggest that the Indian economy is expected to witness real GDP expansion of 9.2 per cent in 2021-22 after contracting in 2020-21. This implies that overall economic activity has recovered past the pre-pandemic levels. Almost all indicators show that the economic impact of the "second wave" in first quarter of FY 2021-22 was much smaller than that experienced during the full lockdown phase in 2020-21 even though the health impact was more severe.

Agriculture and allied sectors have been the least impacted by the pandemic and the sector is expected to grow by 3.9 per cent in 2021-22 after growing 3.6 per cent in the previous year. Advance estimates suggest that the GVA (Gross Value Added) of Industry (including mining and construction) will rise by 11.8 per cent in 2021-22 after contracting by 7 per cent in 2020- 21. The Services sector has been the hardest hit by the pandemic, especially segments that involve human contact. This sector is estimated to grow by 8.2 per cent in FY 2021-22 following last year's 8.4 per cent contraction.

India is focusing on renewable sources to generate energy. It is planning to achieve 40% of its energy from non-fossil sources by 2030, which is currently 30% and have plans to increase its renewable energy capacity from to 175 gigawatt (GW) by 2022. In line with this, in May 2021, India, along with the UK, jointly launched a 'Roadmap 2030' to collaborate and combat climate change by 2030.

India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report. It is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by 2040 as per a report by PricewaterhouseCoopers.

(Source: https://www.ibef.org/economy/indian-economy-overview; IMF Country Report No.21/230, October 2021/ ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; Economic Survey 2021-22, Government of India)

INDIAN TEXTILE INDUSTRY

India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital-intensive sophisticated mills sector on the other end. It is the 2nd largest producer of MMF (Man Made Fibre) after China. India is the 6th largest exporter of Textiles & Apparel in the world.

The decentralised power looms/ hosiery and knitting sector forms the largest component in the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce wide variety of products suitable for different market segments, both within India and across the world.

India's Textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country. It is source of employment for over 10 crore people indirectly. The industry contributed 7% to the industry output (by value) in 2018-19. The Indian textiles and apparel industry contributed 2% to the GDP, 12% to export earnings and held 5% of the global trade in textiles and apparel in 2018-19. Exports of textiles stood at US$ 22.89 billion between April 2021 and October 2021.

The Indian textiles market is expected to be worth more than US$ 209 billion by 2029. Cotton production is expected to reach 37.10 million bales and consumption is expected to reach 114 million bales in FY21—13% growth over the previous year.

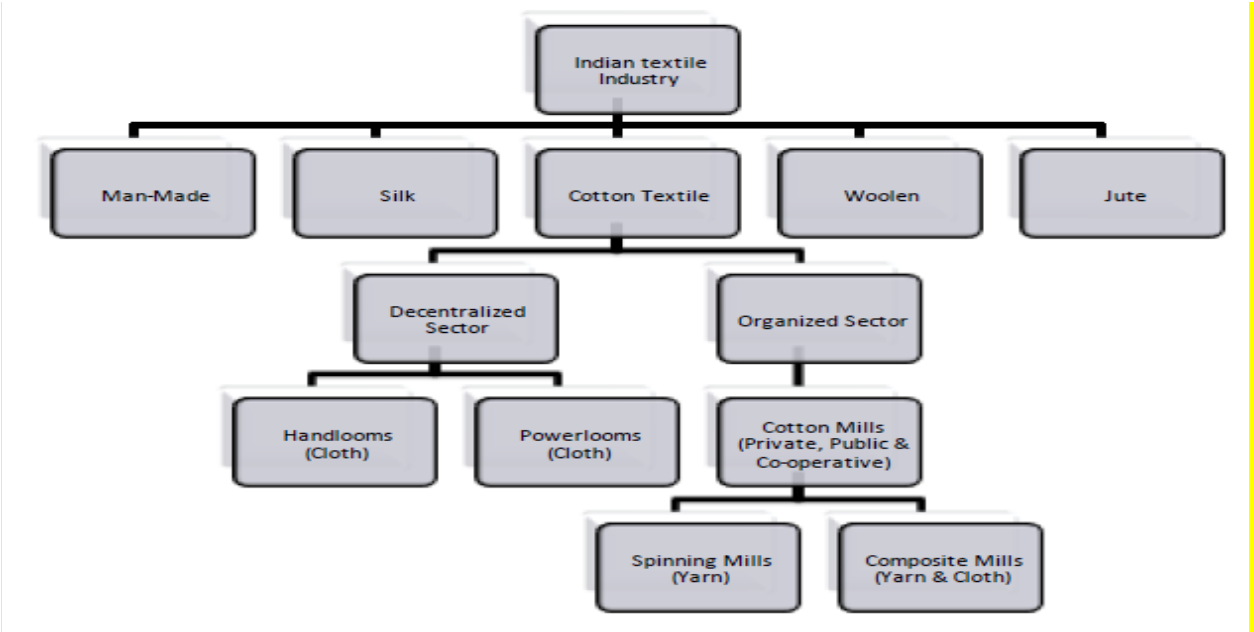
The production of raw cotton in India is estimated to have reached 35.4 million bales in FY20. India's home textile exports grew at a healthy rate of 9% in FY21 despite the pandemic.

The production-linked incentive (PLI) scheme for man-made fibre and technical textiles will help boost manufacturing, increase exports and attract investments into the sector.

Government of India has come up with several export promotion policies for the textiles sector. It has also allowed 100% FDI in the sector under the automatic route. The Rs. 10,683 crore (US$ 1.44 billion) PLI scheme is expected to be a major booster for the textile manufacturers. The scheme proposes to incentivize MMF Apparel, MMF Fabrics and 10 segments of Technical Textiles products.

Industry Structure

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



Import/Export

Exports: The Indian textile industry is the second largest producer of MMF Fibre after China. India is the 6th largest exporter of Textiles & Apparel in the world. India's textiles and clothing industry is one of the mainstays of the national economy. The share of textile and apparel (T&A) including handicrafts in India's total exports stands at a significant 11.8% in 2019-20. India has a share of 5% of the global trade in textiles and apparel. Major textile and apparel export destinations for India are EU-28 and USA with 50% share in total textile and apparel exports. The sector holds importance from the employment point of view as well. It provides direct employment of over 45 million people and source of livelihood for over 100 million people indirectly, including a large number of women and rural population. The sector has perfect alignment with Government's key initiatives of Make in India, Skill India, Women Empowerment and Rural Youth Employment. Export details of Textiles & Apparel are as under:

Particulars	FY 2017-18 (US$ Mn)	FY 2018-19 (US$ Mn)	FY 2019-20 (US$ Mn)	FY 2020-21 (Apr-Dec) (US$ Mn)
India Textile & Apparel	35,723	36,558	33,378	20,319
Handicrafts	3,573	3,804	3,564	2,268
Total T&A including Handicrafts	39,296	40,362	36,943	22,587
India's overall exports	3,03,376	3,29,536	3,13,139	2,01,295
% T&A Exports of overall exports	12.95%	12.25%	11.80%	11.22%

Exports of textile and Apparel products including handicrafts from India have decreased to US$ 36.9 billion during the year 2019-20 from US$ 40.4 billion during 2018-19, registering negative growth of 8.6%.

The decline in exports has been mainly due to the ongoing global slowdown, which got aggravated due to the Covid-19 crisis. The latter resulted in large scale disruptions in supply chains and demand resulting in cancellation of orders. Other main reason for decline is high tariffs faced by Indian exporters in key markets such as EU as compared to zero duty access given to competing nations like Bangladesh, Sri Lanka, Pakistan and Turkey has affected export performance.

India's textiles products, including handlooms and handicrafts, are exported to more than hundred countries. However, the USA and the EU, account for approximately 50% of India's textiles and apparel exports. The other major export destinations are China, U.A.E., Bangladesh, Sri Lanka, Saudi Arabia, Turkey, Pakistan and Vietnam etc.

Imports: India is a major textile and apparel exporting country and enjoys trade surplus. Bulk of import takes place for re-export or for industry requirement of raw material. Import of textiles and apparel products by India during April-Dec' 20 has decreased by 41% in comparison to corresponding period of 2019-20. The decline is mainly due to lockdown imposed due to Covid-19.

Particulars	FY 2018-19 (US$ Mn)	FY 2019-20 (US$ Mn)	FY 2019-20 (Apr-Dec) (US$ Mn)	FY 2020-21 (Apr-Dec) (US$ Mn)
Total Textile & Apparel import including Handicrafts	7,549	8,262	6,669	3,935

Government Initiatives

Some of the Government initiatives in textile sectors are as given below:

Amended Technology Fund Upgradation Scheme (ATUFS): ATUFS was notified in January 2016 with an outlay of Rs 17,822 crore to mobilize new investments of about Rs 95,000 crore and to create new employment for about 35 lakh persons by the 2022.

Samarth - Scheme for Capacity Building in Textile Sector: 'Samarth' was formulated under the broad skilling framework adopted by Ministry of Skill Development & Entrepreneurship with advanced features such as Aadhaar Enabled Biometric Attendance System (AEBAS), Training of Trainers (ToT), CCTV recording of training programme, dedicated call centre with helpline number, mobile app based Management Information System (MIS), on-line monitoring of the training process etc.

Scheme for Integrated Textiles Park (SITP): The 'Scheme for Integrated Textile Parks (SITP)' has been under implementation since 10th Five Year Plan to provide the textile industry with worldclass infrastructure facilities. The project cost covers common infrastructure and buildings for production/ support depending on the needs of the ITP with total financial support of 40% of the project cost subject to a maximum of Rs.40 crore. There is flexibility in setting up ITPs to suit the local requirements. As of March 31, 2021, out of 56 sanctioned textile parks, 23 textile parks have been completed as per scheme guideline and remaining 33 are under various stages of implementation.

Scheme for Additional Grant for Apparel Manufacturing Units under SITP (SAGAM): Under the scheme, the Ministry provides additional grant of Rs. 10.00 Crore to Integrated Textile Parks under SITP to set up new / additional apparel units in the park.

Integrated Processing Development Scheme (IPDS): The objectives of the Scheme are to enable the textile processing sector in meeting environmental standards through appropriate technology including marine, riverine and Zero Liquid Discharge (ZLD).

Scheme for Incubation in Apparel Manufacturing (SIAM): The objective of the Scheme is to promote new entrepreneurs in apparel manufacturing by providing them an integrated workspace with complete ecosystem and plug and play facility which help them in reducing time, cost and efforts involved in setting up a new incubation centre.

Scheme for Textile Industry Workers' Accommodation (STIWA): The objective of the Scheme is to provide safe, adequate and conveniently located accommodation for textile and apparel industry workers in the proximity of areas of high concentration of textile and apparel industries.

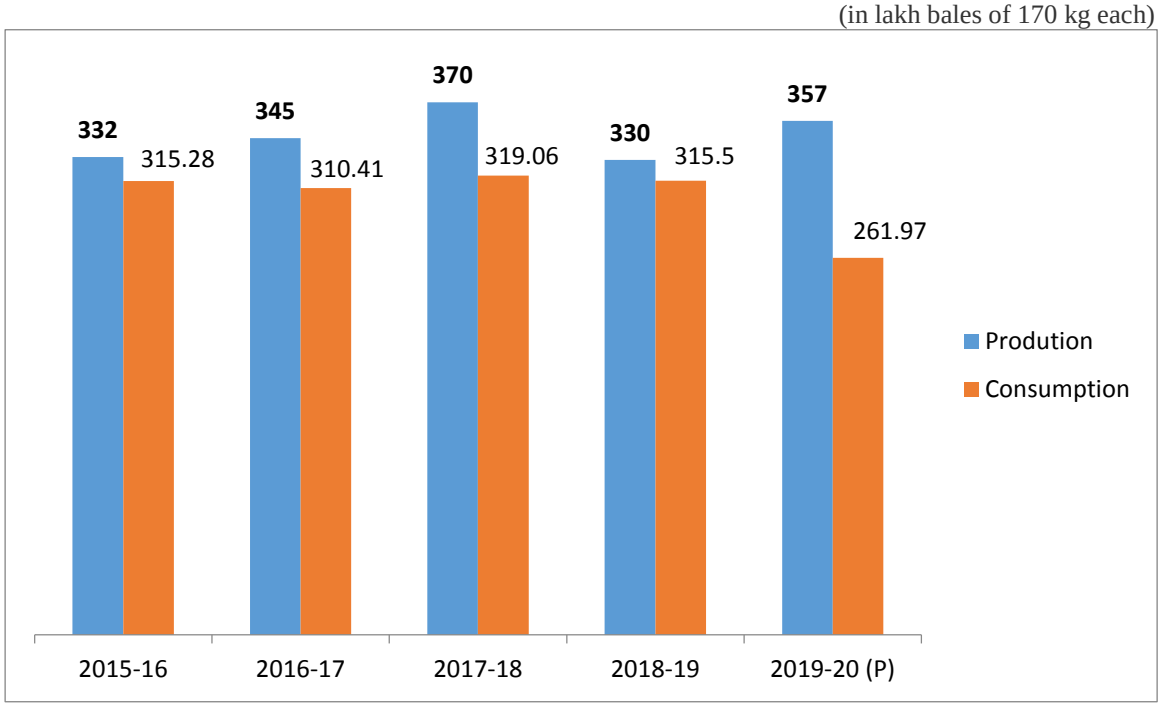
COTTON

Cotton is one of the principal crops of the country and is the major raw material for domestic textile industry. It provides sustenance to millions of farmers as also the workers involved in cotton industry, right from processing to trading of cotton. In the raw material consumption of the textile industry in India, the ratio of the use of the cotton to man-made fibres and filament yarn is 59:41.

Production & Consumption: In India, cotton is cultivated in three diverse agro-ecological zones; Northern zone comprising the States of Punjab, Haryana and Rajasthan, Central zone comprising the States of Madhya Pradesh, Gujarat, Maharashtra & Orissa and Southern zone comprising the States of Telangana, Andhra Pradesh, Karnataka and Tamil Nadu. Cotton is also cultivated in small areas of non-traditional states such as Uttar Pradesh, West Bengal and Tripura. India has brought about a quantitative and qualitative transformation in the production of cotton since independence. Production and productivity of cotton in India have improved significantly during the past decades. India has become one of the largest producers, consumers and exporters of cotton in the World.

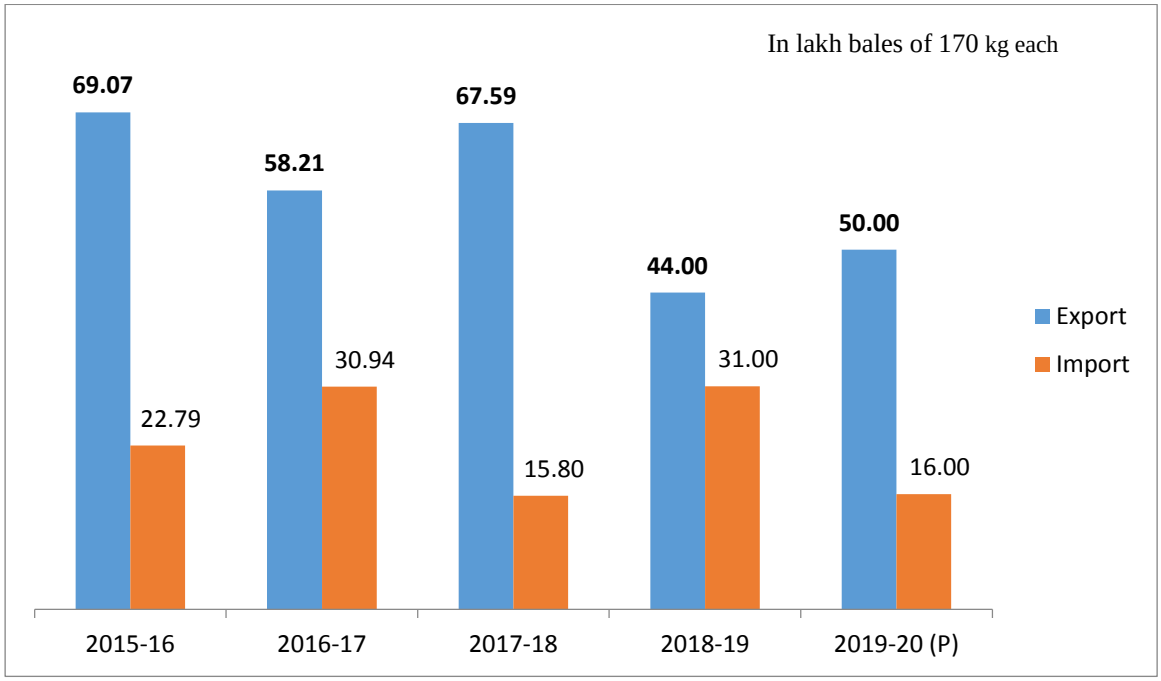
The details of production and consumption of cotton is given below:-

(in lakh bales of 170 kg each)



**P-Provisional*

Presently, Cotton is a freely exportable commodity from India. India exports cotton mainly to Bangladesh, China, Vietnam, Pakistan, Indonesia, Taiwan, Thailand etc, out of which Bangladesh & China are the largest importer of Indian cotton. Although India is a major producer and exporter of cotton, some quantity of extra-long staple variety of cotton, which is not available in the country, is imported.



**P-Provisional*

Minimum Support Price (MSP) Operations: The Cotton Corporation of India (CCI) has been nominated by the Government of India for undertaking MSP operations, in the event kapas prices of seed cotton (kapas) fall below the MSP level, for procuring entire quantity of kapas offered by the cotton farmers in various APMC (Agricultural Produce Market committee) market yards at MSP rates without any quantitative limit. MSP for two basic staple groups of cotton i.e. medium long staple variety (staple length 24.5mm to 25.5mm and Micronaire 4.3 to 5.1) and long staple cotton (staple length 29.5mm to 30.5mm and Micronaire value 3.5 to 4.3) with a view to give incentives to the Cotton farmers of the country is given below:

(Rs. per quintal)

Year	Medium Staple (staple length 24.5mm to 25.5mm with Micronaire value 4.3 to 5.1)	Long Staple (staple length 29.5mm to 30.5mm with Micronaire value 3.5 to 4.3)
FY 2015-16	3800	4100
FY 2016-17	3860	4160
FY 2017-18	4020	4320
FY 2018-19	5150	5450
FY 2019-20	5255	5550
FY 2020-21	5515	5825

(Source: Ministry of Textiles, Annual Report 2020-21 / IBEF website)

OUR BUSINESS

Our Company is primarily engaged in the business of Ginning of cotton, manufacturing of Cotton and Dyed yarn and weaving of grey and dyed fabrics. We produce cotton yarn through both Ring Spinning and Open End Spinning (with 59,280 spindles and 2,912 rotors respectively). Our Company also have facilities of yarn dyeing with a capacity of around 3000 Kgs per day, and for woven fabric capacity of 80,000 meters per day. Our manufacturing facilities comprising of Ginning, Spinning, Weaving and Dyeing Plants, are located in the state of Andhra Pradesh. We also have three Hydel Power Plants of total capacity of 4 MW located in the state of Telangana. Further, our Company also generates Solar Power for internal consumption with 2.0 MW capacity at spinning unit, Chowdavaram and 1.0MW capacity at weaving unit, Kunkupadu, Addanki.

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

During the Fiscal 2021 and Fiscal 2020, we sold 41,58,598 Kgs and 56,02,493 Kgs of cotton yarn, including inter-divisional transfer, respectively and 1,47,09,158 meters and 2,27,66,614 meters of grey fabric, respectively.

We have received many accreditations such as ISO 9001: 2015 accreditation by TUV Nord CERT GmbH, Germany for management system for manufacture and supply of cotton yarn, BCI (Better Cotton Initiative) certification for our Company units since December 2015 for procuring Cotton from farmers with better cotton practices who have been certified by the BCI as a registered farmers. Our Company is a One Star Export House recognized by the Ministry of Commerce, Government of India in accordance with foreign trade policy, 2015-2020 which is valid for a period of five years till August 2022. We export Yarn and Fabric to various countries including Bangladesh, China etc

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

In Fiscal 2021 and Fiscal 2020, we have generated total income of Rs. 24,226.53 lakhs and Rs. 29,333.48 lakhs respectively and net loss after tax of Rs. 789.62 lakhs and Rs. 1,208.88 Lakhs respectively. Further, as per unaudited financial results for nine months ended December 31, 2021, we have generated total income of Rs. 32,940.99 lakhs and net profit after tax of Rs. 805.59 lakhs.

OUR COMPETITIVE STRENGTHS:

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

We have over 25 years of experience in the spinning industry, delivering steady growth over a period of time. We have gradually expanded our operations to cover the textile value chain from manufacturing of yarn to woven fabric using yarn produced in-house. The manufacturing operations were commenced from Cotton ginning. Thereafter, we had set up spinning division in 1995, open end division in 2009, weaving division in 2014, and dyeing division in 2015. As on date, our operations include ginning, spinning (ring spinning and open-end spinning), weaving and dyeing in the textile segment. Our longstanding presence has enabled us to understand the changing needs and demands of the textile industry and our customers, both in India and internationally. This has helped us in getting repeat business from our customers.

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

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

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

Implementation of stringent Quality control measures

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

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

Wide range of products across cotton yarn and woven fabrics businesses

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

Experienced management team with strong industry expertise

Our Promoter directors have long experience in Cotton and Textile industry. Our Managing Director, Mr. Poluri Venkateshwara Reddy, has in-depth knowledge in selection of Kapas and Cotton lint. He has more than 40 years of experience in ginning business. Mr. Gurram Venkata Krishna Reddy, Joint Managing Director and CEO, is a technocrat and is a highly qualified Engineer. He has more than 25 years of experience in cotton and textile industry. He is actively involved in marketing and finance management of our Company. Further, Mr. MV Subba Reddy has long experience in procurement of cotton from market / farmers and sale of cotton waste. For further details, please see "Our Management" on page 53 of this Letter of Offer.

OUR STRATEGY

Enhancement in range of our Products:

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

Expansion of our operations:

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

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

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

MARKETING APPROACH AND MARKETING SET UP

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

MANUFACTURING FACILITIES:

The details of our manufacturing facilities are as given below:

Ginning, Ring Spinning & Open End Plants – Our Ginning, Ring Spinning and Open End plants are located at NH 16, Chowdavaram, Guntur, Andhra Pradesh, spread in an area of **23.14 acres**. We operate 59,280 spindles of Ring Spinning out of which 34,416 are compact & 24,864 are Non-Compact and 2,912 rotors for manufacturing open end yarn. Ginning Division has a capacity to press 6,000 bales per month. Ring Spinning Division has a production capacity of 420 tons per month whereas our Open end Division has a capacity of 500 tons per month. The different kinds of yarns manufactured by us are detailed as follows:

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

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

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

Our weaving capacity is 80,000 meters per day of woven fabric including 70% yarn dyed shirting and 30% of bottom weight fabric. We have the state of art machineries in weaving preparatory, weaving loom shed and sophisticated testing equipment and instruments.

Hydel Plants – Our Company has three hydroelectric plants with a total capacity of **4.0 MW,** two with the capacity of 1.6 MW each and one with 0.8 MW. The plants are located at Kotha Kothur Village, Nelakondapalli Mandal, District - Khammam, Telangana spread in an area of **39.06 acres**. These plants are on 16th & 17th branch canal of Nagarjuna Sagar project left to main canal. The first two power plants of 0.8 MW and 1.6 MW were commissioned in January 2002 and third hydroelectric power plant of 1.6 MW was commissioned in March 2011.

All the generators produce electricity at 6.6 KV voltage level. The generated voltage is enhanced to 33 KV by a power transformer and fed to the state electricity grid. The hydel power generation is solely dependent on the canal water flow. The canal flows for 7 to 8 months in a year. Typically the canal opens in August / September and close by April end every year. We have employed experienced electrical and mechanical engineering team at the hydroelectric plants.

During the Fiscal 2021 and 2020, we have generated 25,27,700 Units and 16,25,900 Units of power.

Further, our Company also generates Solar Power for internal consumption with 2.0 MW capacity at spinning unit, Chowdavaram and 1.0MW capacity at weaving unit, Kunkupadu , Addanki.

CAPACITY AND CAPACITY UTILISATION:

Given below are details of Capacity and Capacity Utilization of our divisions for last three financial years:

Manufacturing facility	**FY 2020-21**		**FY 2019-20**		**FY 2018-19**	
	Installed capacity	**Capacity Utilization**	**Installed Capacity**	**Capacity Utilization**	**Installed Capacity**	**Capacity Utilisation**
Ginning Division	28 Gins	10%	28 Gins	50%	28 Gins	50%
Spinning Division	59,280 Spindles	88.69%	59,280 Spindles	94.79%	58,096 Spindles	95.85%
Open End Division	2,912 Rotors	79.20%	2,912 Rotors	99.62%	2,912 Rotors	99.55%
Weaving Division	248 Looms	60.02%	248 Looms	97.52%	248 Looms	96.35%
Dyeing Division	3,000 KG/P.A	29.55%	3,000 KG/P.A	55.19%	3,000 KG/P.A	69.14%
Hydel Plant	4MW	12.24%	4MW	14.67%	4MW	9.43%

MANUFACTURING PROCESS:

- **Ginning**

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

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

- **Ring Spinning**

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

- **Open End Spinning**

  Cotton Lint & Ring Spinning waste is used as Raw Material to prepare OE yarn.

- **Weaving**

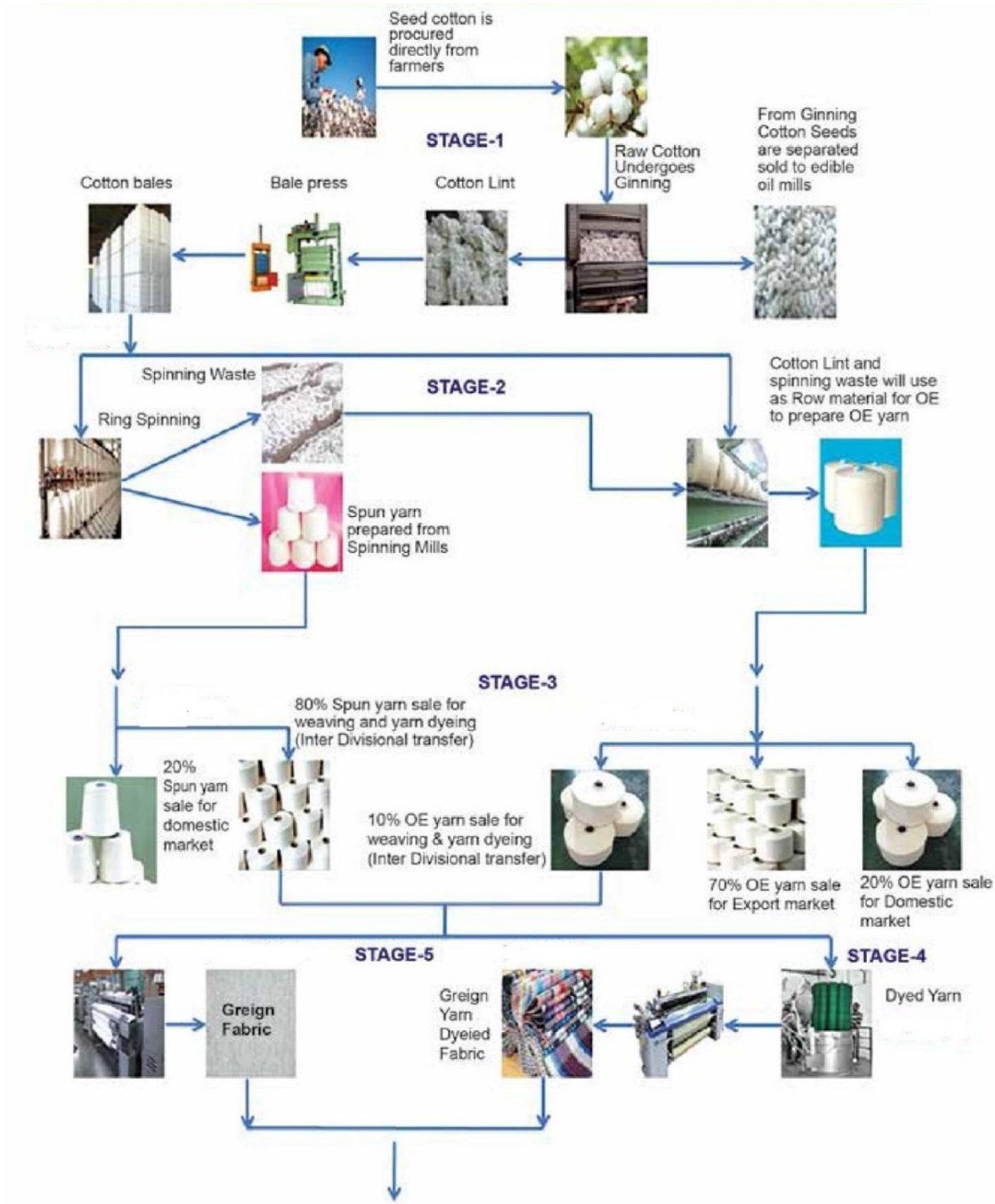
  Weaving is a method of textile production in which two distinct sets of yarns or threads are interlaced to form a fabric or cloth. We have the state of art machinery from various leading manufacturers around the world. We use machineries from various recognized vendors such as Karl Mayer, Germany for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

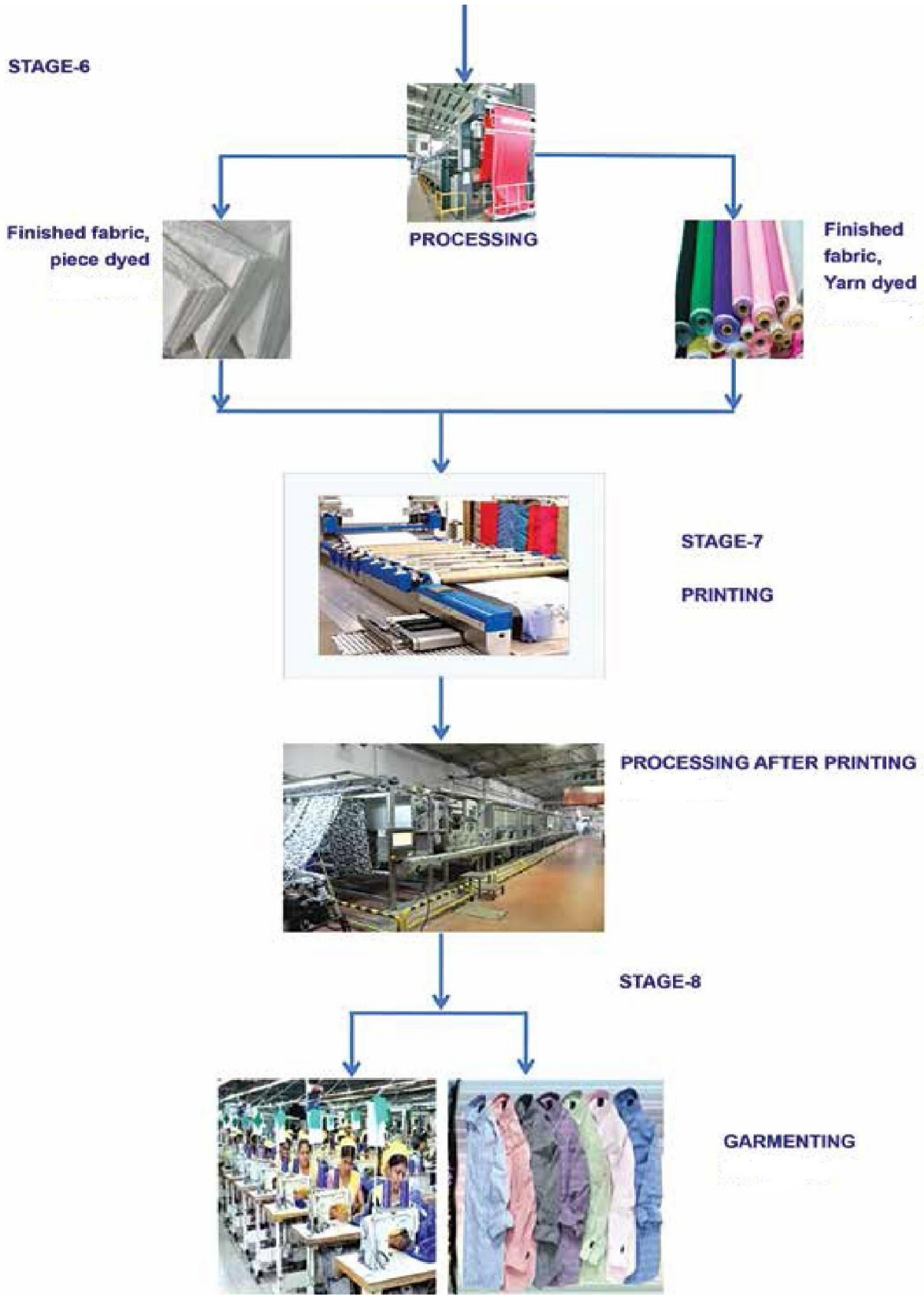
- **Dyeing**

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

Manufacturing Process Flowchart:

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




STAGE-6
PROCESSING
Finished fabric, piece dyed
Finished fabric, Yarn dyed
STAGE-7
PRINTING
PROCESSING AFTER PRINTING
STAGE-8
GARMENTING

MACHINERIES AND EQUIPMENTS:

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

Ginning Division

Major Machineries & equipments in Ginning division includes Ginning Machines, Cotton Bale Press, Cotton Seed Storage Tanks, Bulk Flow Conveyor, Lattice feeder, Cotton Conveying & Seed Blowing System etc.

Spinning Division

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

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Open End Division

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

Weaving Division

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

Dyeing Division

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

Hydel Plants

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

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

INTELLECTUAL PROPERTY
We have no trademarks registered in our name.

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

JOINT VENTURES
Our Company does not have any Joint Ventures.

OUR MANUFACTURING FACILITIES AND OTHER IMMOVABLE PROPERTIES

DETAILS OF PROPERTIES OWNED BY US

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

S. No.	Division	Documents Executed	Name of the Seller	Details of Property	Area (In Acres)	Consideration Amount in Rs.
1.	Corporate Office, Ginning & Spinning Division	18 Sale Deeds	From various owners	NH 5Chowdavaram, Guntur -522 019, Andhra Pradesh	23.14	14,10,785
2.	Weaving& Dyeing Division	39 Sale Deeds	From various owners	Kunkupadu - 523265, Addanki, District – Prakasam, Andhra Pradesh	130.29	1,90,47,638
3.	Hydel Power Plant	3 Sale Deeds	From various owners	Singareddypalem (V), Khammam District ,Telangana	5.43	5,41,198
4.	Hydel Power Plant	13 Sale Deeds	From various owners	. Nelakondapalli (V), Khammam District ,Telangana	21.30	28,58,427
5.	Hydel Power Plant	6 Sale Deeds	From various owners	Bhiravunipalli (V), Khammam District ,Telangana	12.33	16,69,211

OUR MANAGEMENT

Our Company functions under the Control of Board of Directors. The day-to-day affairs of our Company are looked after by qualified key personnel under the supervision of Mr. Poluri Venkateshwara Reddy, Managing Director and Mr. Gurram Venkata Krishna Reddy, Joint Managing Director and CEO. Presently, we have 6 Directors on our Board. The constitution of the Board is as under:

Sr. No	Name, Designation, Date of Birth, Address, Occupation, DIN, Date of Appointment and Tenure	Age (in years)	Nationality	Directorship / Partnership in other entities (including foreign companies)
1.	**Mr. Poluri Venkateshwara Reddy** Managing Director **Date of Birth**: August 14, 1951 **Address**: Flat No.401, 402, Lakshmi Grand, Syamala Nagar, 4th Line, Guntur 522006 Andhra Pradesh **Occupation**: Business **DIN**: 00018677 **Date of Reappointment**: June 29, 2021 **Tenure:** 3 years	70	Indian	• Nil
2.	**Mr. Gurram Venkata Krishna Reddy** Joint Managing Director & CEO **Date of Birth**: September 11, 1957 **Address**: Flat.No. 406, Krisals County, 12th Line, Syamala Nagar, Pattabhipuram, Guntur 522006, Andhra Pradesh **Occupation**: Business **DIN**: 00018713 **Date of Reappointment**: June 29, 2021 **Tenure:** 3 years	64	Indian	• Nil
3.	**Mr. Movva Venkata Subba Reddy** Whole Time Director **Date of Birth**: August 09, 1957 **Address**: Flat No.202, Lakshmi Grand, Near Santhosh Matha Temple, 4th Line, Main Road, Syamala Nagar, Guntur 522006 Andhra Pradesh **Occupation**: Business **DIN**: 00018719 **Date of Reappointment**: June 01, 2017 **Tenure:** 5 years	64	Indian	• Nil
4.	**Mr. Suryanarayana Murty Vaddadi** Independent Director **Date of Birth**: November 30, 1939 **Address**: I-1, Essar Apartments, West Maredpalle, Secunderabad 500026 Telangana **Occupation**: Retired CGM (Finance & Accounts) APIDC **DIN**: 00021952 **Date of Appointment**: September 21, 2019 **Tenure:** 5 years	82	Indian	• Sarvaraya Textiles Limited • Raj Packaging Industries Limited • Kallam Brothers Cottons Private Limited • Sri Sarvaraya Sugars Limited

Sr. No	Name, Designation, Date of Birth, Address, Occupation, DIN, Date of Appointment and Tenure	Age (in years)	Nationality	Directorship / Partnership in other entities (including foreign companies)
5.	**Mr. Ramagopal Varanasi** Independent Director **Date of Birth**: December 19, 1951 **Address:**Flat No.105, Tranquil Towers, Whitefield, Sree Tirumala Construction, Kondapur, Serilingampally, K V Rangareddy Hyderabad - 500084, Telangana **Occupation**: Retired Executive Director of Indian Bank **DIN**: 02889497 **Date of Appointment**: September 29, 2017 **Tenure:** 5 years	70	Indian	• Nil
6.	**Mrs. Bhargavi Vangala** Independent Director **Date of Birth**: July 07, 1986 **Address**: D.No.5-13-13, 2/12 Brodipet, Guntur 522002, Andhra Pradesh **Occupation**: Practicing Chartered Accountant **DIN**: 06950741 **Date of Reappointment**: September 21, 2019 **Tenure:** 5 years	35	Indian	• Nil

Brief Biography of our Directors:

Mr. Poluri Venkateshwara Reddy, aged 70 years is the Managing Director of our Company since September 28, 2002. He handles purchase of Raw cotton, Ginning, Civil Construction and Administration of Spinning Unit at Chowdavaram. He had been instrumental in setting up and developing Ginning Business and has in depth knowledge in selection of Kapas and Cotton Lint. Mr. Poluri Venkateshwara Reddy has more than 48 years of rich experience in cotton trading, Ginning and Spinning.

Mr. Gurram Venkata Krishna Reddy, aged 64 years, is Joint Managing Director & CEO of our Company. He is a graduate in Mechanical Engineering from Andhra University and completed his M.Sc (Marine Engineering) from Royal Naval Engineering College, Plymouth, UK. He is a fellow member of Institute of Engineers and Institute of Marine Engineers.

Mr. GVK Reddy has served in Indian Navy for over fifteen years in a number of positions, before joining our Company in 1993. He was instrumental in commissioning of three Hydro Electric plants of our Company. Currently, he looks after day to day administration of Weaving and Dyeing Units, Marketing Management of our Company. He has more than 28 years of experience in Cotton Yarn and Fabric industry.

Mr. Movva Venkata Subba Reddy, aged 64 years is Whole Time Director and Chief Financial Officer of our Company. He is associated with our Company since 1996. He is responsible for overall finance, accounts and taxation functions of our Company. He is also involved in raw material procurement and looks after day to day administration of Spinning and Ginning Unit at Chowdavaram.

Mr. Suryanarayana Murty Vaddadi, aged 82 years is the Independent Director of our Company. He is a Post Graduate in Commerce from Andhra University, Visakhapatnam. He joined Andhra Pradesh Industrial Development Corporation Ltd (APIDC) and was actively associated in various diversification programmes of APIDC. In 1997, he retired as Chief General Manager in APIDC.

Mr. Ramagopal Varanasi, aged 70 years is the Independent Director of our Company. He has a Master's Degree in Bio-Chemistry. He joined as Probationary Officer in Indian bank in 1973. He later joined Andhra Bank in 1976. He was appointed as Executive Director in Indian Bank in 2009 and retired in 2011.

Mrs. Bhargavi Vangala, aged 35 years, is the Independent Director of our Company. She graduated in B.Com and is also F.C.A, DISA (Diploma in Information System Audit). She is a practicing Chartered Accountant. Mrs. Bhargavi qualified as a CA in the year 2011 and is practicing in Guntur, in the areas of Taxation, Auditing & Banking.Her Area of Specialization is Indirect Taxes. She is a Managing Committee member for the Guntur Branch of SIRC (Southern India Regional Council) of ICAI.

Confirmations

None of our Directors is, or was a director of any listed company during the last five years preceding the date of filing of this Letter of Offer, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

None of our Directors is or was a director of any listed company during the last ten years immediately preceding the date of filing this Letter of Offer, which has been, or was delisted from any stock exchange during the term of their directorship in such company.

Key Managerial Personnel (KMP)

In addition to Mr. Poluri Venkateshwara Reddy, Managing Director; Mr. Gurram Venkata Krishna Reddy,Joint Managing Director and CEO; and Mr. Movva Venkata Subba Reddy, Whole Time Director and CFO, our KMP includes Mr. Golagani Ramesh Kumar, Company Secretary and Complaince Officer, whose details are set out below:

Mr. Golagani Ramesh Kumar, aged 35 years, is the Company Secretary and Compliance Officer of our Company. He is a member of Institute of Company Secretaries of India (ICSI) and B.com Graduate. He is having 4 Years Post qualification experience as a Qualified Company Secretary. He was previously associated with M S Ramayya Constructions Private Limited as Company Secretary.

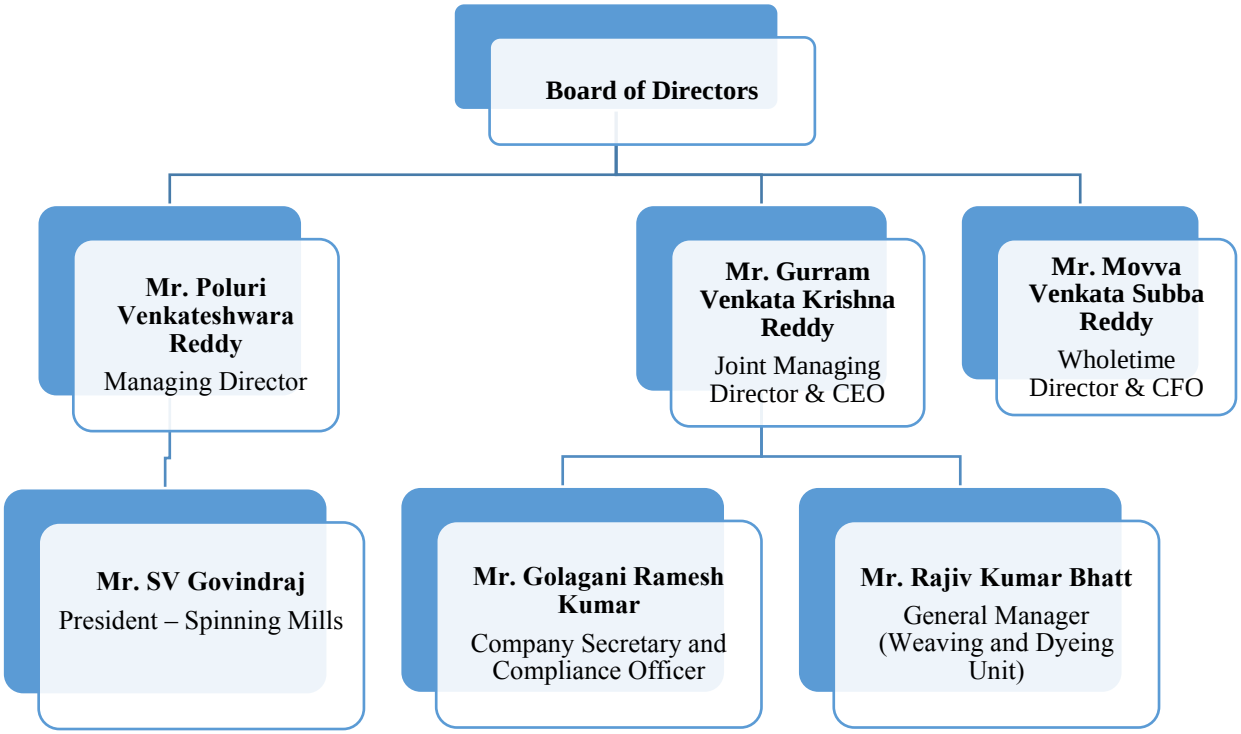
Other Senior Managerial Personnel

The following are Senior Managerial Personnel of our Company.

Name	Designation	Age (years)	Qualification	Experience (years)	Date of Joining
Mr. S V Govindraj	President – Spinning Mills	60	Masters in Business Administration	38	02.02.2002
Mr. Rajiv Kumar Bhatt	General Manager – Weaving & Dyeing Unit	57	Bachelors in Technology	35	13.06.2016

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

Management Organization Structure:



SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Particulars	Page No
Audited Financial Statements for the FY 2020-21	58 to 104
Unaudited Financial results for quarter and nine months ended December 31, 2021 wirh Limited Review Report of the Auditor	105 to 107

Independent Auditors' Report

TO THE MEMBERS OF THE KALLAM TEXTILES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of KALLAM TEXTILES LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, the Loss and total comprehensive Loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit matter	How the matter was addressed in our audit
1	Recognition and measurement of subsidies from government The company has recognised government grants in the nature of power subsidy and Interest subsidy which involve significant judgment in assessing their recognition and realizability. We considered this matter to be significant to our audit due to the quantum of the grants receivable from government, their period of outstanding and its tax effects on recognition of said income.	We evaluated the accounting treatment of government grants in terms of Ind AS- 20 in particular about its recognition based on its complying with the conditions attached to the grant and the possibility of the realisation of grant from the government. For this, we obtained copies of relevant orders sanctioning the grants from the management and reconciled the amounts recognised with the eligibility criteria. We also verified the letter of communication by the management with the sanctioning authorities of the grant which were acknowledged and confirms that the government authorities endorsed and accepted the claims of the company. With regard to their realizability, we verified the copies of the minutes of meeting held by the trade association with the government and noted the assurance made by the government for release of grants in due time. Considering all these, we found that the judgment made by the management in recognising the grants are found to be appropriate.

Sl. No.	Key Audit matter	How the matter was addressed in our audit
2	Recoverability of deferred tax asset related to unabsorbed losses under Income-tax The Company has significant deferred tax asset in respect of unabsorbed losses under Income-tax and there is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which the deferred tax assets are or not recognised.	We evaluated the reasonableness of key tax assumptions, timing of reversal of temporary differences as well as evaluated the reasonableness of the forecasts of future taxable profits with reference to the historical forecasting accuracy considering the potential risk of management bias. These assumptions were based on the knowledge of the tax and operating environment in which the company operates. Considering the management estimates and forecasts of profitability, the tax credits as recognised is considered to be appropriate.

Emphasis of Matter

Attention is drawn to Note no. 34 wherein the Hon'ble Supreme Court of India allowed the appeal filed by APTRANSCO which confirm the enhancement of wheeling charges. Consequent to the said order, the company has received demand from APCPDCL amounting to Rs.329.71 lakhs. However, the company filed a representation before the authorities questioning the manner of arriving the quantum of demand. Pending outcome of the proceedings, no provision of the said liability has been made in the financial statements.

Our opinion is not modified in respect of the above matter.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit 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 it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

      In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.

      ii. The company didnot have any long term contracts including derivative contracts for which they were any material foreseeable losses.

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure-A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Chevuturi Associates
Chartered Accountants
Firm Registration No.000632S

Place:Camp: Guntur

Date : 29-06-2021

UDIN : 21028105AAAABH5706

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

ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in paragraph 2 under "Report on other legal and regulatory requirements" section of our report to the members of KALLAM TEXTILES LIMITED for the year ended March 31, 2021.

We report that:

1. In respect of its fixed assets:

   a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   b) According to the information and explanations furnished to us, the Company has not physically verified its fixed assets during the year. However, the Company has adopted a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

   c) According to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties are held in the name of the company.

2. In respect of its inventories:

   a) According to the information and explanations furnished to us, the Company has physically verified its inventories during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable.

3. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act. Consequently, clauses (iii)(a), (b) and (c) of paragraph 3 of the Order are not applicable.

4. The company has not advanced any loans or made any investments or provided any guarantees during the year. Hence the reporting requirements in terms of clause (iv) of paragraph 3 of the Order regarding reporting on compliance with the provisions of section 185 and 186 of the Act with respect to the loans, investments and guarantees does not arise.

5. The company has borrowed interest free loans from directors and their relatives in pursuance of the stipulation imposed by Banks at the time of lending and the amount outstanding against such borrowings on 31st March, 2021 was Rs.320 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, GST and any other statutory dues applicable to it. There were no undisputed statutory dues in arrears as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.

   b) According to the information furnished to us, and records of the company examined by us, at the date of the Balance Sheet, there were no amounts of VAT, GST, Customs Duty, Excise Duty, Cess, Income Tax and Service Tax that were disputed by the company and hence were not remitted to the concerned authorities.

8. In our opinion and according to the information and explanations furnished to us by the Company, considering the moratorium of instalments allowed by the RBI due to disruption of business on account of COVID-19, there were no defaults in repayment of dues to banks, except an amount of Rs. 1051.06 lakhs due on March 31, 2021 and the period and the amount of default, lender wise, has been furnished below. The company has not borrowed any loans from financial institutions, or raised any funds by way of issue of debentures.

(Amount is Rs. Lakhs)

Name of the lender (Term loans)	Amount of default as on date 31.3.2021 (Rs.)	Period of default (in days)	Remarks
Union bank of India	263.60	5-9 days	Paid in the month of April, 2021
Indian bank	718.71	3-6 days	Paid in the month of April, 2021
Bank of Baroda	68.75	5 days	Paid in the month of April, 2021

9. The company has not raised monies by way of initial public offer or further public offer (including debt instruments) during the year. In respect of term loans borrowed during the year from banks, the proceeds were applied for the purpose for which the said loans were raised.

10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year.

11. According to the information and explanation given to us and based on examination of the records of the company, the company has paid/provided remuneration for managerial personnel in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V of the Act.

12. The company is not a nidhi company. Accordingly reporting under provisions of para 3(xii) of the Order is not applicable to the company.

13. According to the information and explanations given to us and based on examination of records of the company, transactions with the related parties are in compliance with the provisions of section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

14. During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the company.

15. According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the company.

16. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Chevuturi Associates
Chartered Accountants
Firm Registration No.000632S

Place:Camp: Guntur

Date : 29-06-2021

UDIN : 21028105AAAABH5706

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

Annexure "B" to the Independent Auditors' Report

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

We have audited the internal financial controls over financial reporting of KALLAM TEXTILES LIMITED ("the Company") as of 31st March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not

be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Chevuturi Associates
Chartered Accountants
Firm Registration No.000632S

Place:Camp: Guntur

Date : 29-06-2021

UDIN : 21028105AAAABH5706

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

KALLAM TEXTILES LIMITED

(Formerly known as Kallam Spinning Mills Limited)

Balance Sheet as at 31st March, 2021 *(Amount in Rs.)*

		Particulars	Note No.	As at 31st March, 2021	As at 31st March, 2020
	A	**ASSETS**			
1		Non-Current Assets			
		(a) Property, Plant and Equipment	4	3,94,01,07,771	3,94,16,18,059
		(b) Intangible Assets	4	6,07,530	8,12,121
		(c) Capital Work-in-progress	4	2,63,34,196	11,66,47,714
		(d) Financial Assets			
		(i) Investments	5	13,00,000	-
		(ii) Loans	6	-	-
		(iii)Other financial assets	7	5,73,06,765	6,51,37,065
		(e) Other Non-current Assets	8	5,18,843	12,98,581
		Total Non-Current assets		***4,02,61,75,105***	***4,12,55,13,540***
2		Current Assets			
		(a) Inventories	9	1,02,62,07,180	90,95,09,735
		(b) Financial Assets			
		(i) Trade receivables	10	19,18,89,043	21,17,95,757
		(ii) Cash and cash equivalents	11	3,79,13,799	39,33,183
		(iii) Other Bank balances	11	18,01,268	1,52,24,445
		(iv) Loans	6	14,91,023	7,32,969
		(v) Other financial assets	7	7,14,711	7,14,711
		(c) Current tax assets (Net)	21	12,92,470	7,93,977
		(d) Other Current assets	8	69,43,10,271	59,96,74,436
		Total Current Assets		***1,95,56,19,765***	***1,74,23,79,213***
		Total Assets		**5,98,17,94,870**	**5,86,78,92,753**
	B	**EQUITY AND LIABILITIES**			
1		**Equity**			
		(a) Equity Share Capital	12	8,56,38,750	8,56,38,750
		(b) Other Equity	13	1,90,19,16,855	1,97,30,42,237
		Total Equity		**1,98,75,55,605**	**2,05,86,80,987**
		Liabilities			
2		**Non-current liabilities**			
		(a) Financial Liabilities			
		(i) Long-term borrowings	14	1,53,68,68,589	1,26,91,23,759
		(ii) Other financial liabilities	15	-	-
		(b) Provisions	16	2,05,31,685	1,98,23,857
		(c) Deferred Tax liabilities (Net)	17	18,75,27,124	24,73,37,046
		(d) Other non-current liabilities	18	8,18,70,714	8,64,73,863
		Total Non-current liabilities		**1,82,67,98,112**	**1,62,27,58,525**

		Particulars	Note No.	As at 31st March, 2021	As at 31st March, 2020
3		**Current liabilities**			
		(a) Financial Liabilities			
		(i) Short-term borrowings	19	1,38,83,71,296	1,56,27,52,545
		(ii) Trade payables	20		
		- Total outstanding dues of micro and small enterprises		-	-
		- Total outstanding dues of creditors other than micro and small enterprises		8,31,19,736	16,64,03,054
		(iii) Other financial liabilities	15	66,59,18,720	44,55,56,653
		(b) Other current liabilities	18	2,88,25,179	1,08,28,004
		(c) Provisions	16	12,06,221	9,12,985
		(d) Current tax liabilities (Net)	21	-	-
		Total Current liabilities		**2,16,74,41,152**	**2,18,64,53,241**
		Total Liabilities		**3,99,42,39,264**	**3,80,92,11,766**
		Total Equity and Liabilities		**5,98,17,94,870**	**5,86,78,92,753**

Corporate information 1
Basis of preparation and Significant accounting policies 2-3
The accompanying notes form an integral part of the financial statements.

As per our report of even date
For **CHEVUTURI ASSOCIATES**
Firm's Registration Number: 000632S
Chartered Accountants

Sd/-
(Raghunadha Rao Balineni)
Partner
Membership Number: 028105

Place : Guntur

Date : 29-06-2021

UDIN : 21028105AAAABH5706

For and on behalf of the Board

Sd/-
P. Venkateswara Reddy
Managing Director

Sd/-
G.V.Krishna Reddy
Joint Managing Director

Sd/-
M.V. Subba Reddy
Whole Time Director & CFO

Statement of Profit and Loss for the Year ended 31st March, 2021

(Amount in Rs.)

	Particulars	Note No.	Year ended	
			31st March, 2021	31st March, 2020
I	Revenue from Operations	22	2,40,61,96,965	2,91,61,07,399
II	Other Income	23	1,64,55,682	1,72,40,841
III	**Total Income (I+II)**		**2,42,26,52,647**	**2,93,33,48,240**
IV	Expenses			
	Cost of Materials consumed	24	1,51,73,06,795	1,83,75,42,851
	Purchases of Stock-in-Trade	25	1,31,69,792	2,53,543
	Changes in inventories of Finished goods, work-in- Progress and Stock-in-trade	26	(1,56,59,888)	58,46,467
	Employee benefits expense	27	14,20,76,718	20,09,18,800
	Finance costs	28	24,96,55,682	24,23,58,893
	Depreciation and Amortization expense	29	15,24,92,339	15,64,66,220
	Other expenses	30	49,73,70,265	66,11,26,409
	Total Expenses (IV)		**2,55,64,11,703**	**3,10,45,13,183**
V	**Profit / (Loss) before exceptional items and tax (III-IV)**		**(13,37,59,056)**	**(17,11,64,943)**
VI	Exceptional Items		-	-
VII	**Profit / (Loss) before tax (V-VI)**		**(13,37,59,056)**	**(17,11,64,943)**
VIII	Tax expense:	21		
	Current tax		-	-
	Short provision of current tax		78,629	32,08,271
	Deferred tax charge/(Credit)		(5,48,75,256)	(5,34,85,459)
IX	**Profit / (Loss) for the year (VII-VIII)**		**(7,89,62,429)**	**(12,08,87,755)**
X	Other Comprehensive Income			
	A. Items that will not be re-classified to statement of Profit and loss			
	a) Remeasurement of defined employee benefit plans		29,02,382	(5,36,960)
	b) Deferred tax credit/(charge) on revaluation surplus		49,34,666	49,34,666
	Total Other comprehensive income		**78,37,048**	**43,97,706**
XI	**Total Comprehensive Income/(Loss) for the year (IX+X)**		**(7,11,25,381)**	**(11,64,90,049)**
XII	Earnings per Share - Basic and Diluted	44	(1.84)	(2.82)
	(Profit after tax and before OCI/Wt. average number of shares)			

As per our report of even date
For **CHEVUTURI ASSOCIATES**
Firm's Registration Number: 000632S
Chartered Accountants

(Raghunadha Rao Balineni)
Partner
Membership Number: 028105

Place : Guntur

Date: 29-06-2021

UDIN : 21028105AAAABH5706

For and on behalf of the Board

Sd/-
P. Venkateswara Reddy
Managing Director

Sd/-
G.V.Krishna Reddy
Joint Managing Director

Sd/-
M.V. Subba Reddy
Whole Time Director & CFO

Cash flow statement for the year ended 31.03.2021

(Amount in Rs.)

Particulars	For year ended 31-03-2021	For year ended 31-03-2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax	(13,37,59,056)	(17,11,64,943)
Add/Less: Adjustments for		
Depreciation	15,24,92,339	15,64,66,220
Interest expense	24,96,55,682	24,23,58,893
Interest income	(29,54,431)	(44,55,180)
Amortisation of Govt. grants	(46,03,149)	(46,03,149)
Remeasurement of employee defined benefit plans	29,02,382	(5,36,960)
(Profit)/Loss on on sale of assets	10,951	(17,112)
Operating profit before working capital changes	**26,37,44,718**	**21,80,47,769**
Add/Less: Adjustments for working capital		
Inventories	(11,66,97,445)	10,09,69,635
Trade and other receivables	(6,77,71,923)	(5,78,39,194)
Trade and other payables	(10,51,05,645)	15,06,51,376
Cash generated from operations	(2,58,30,295)	41,18,29,586
Less: Direct taxes paid	(3,17,666)	1,80,78,533
Net cash from (used in) operating activities (A)	**(2,55,12,629)**	**39,37,51,053**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in PPE and Capital WIP	(6,04,84,899)	(10,63,81,958)
Investment in securities	(13,00,000)	-
Proceeds from sale of fixed assets	10,000	49,107
Margin Money deposit with banks and other balances	1,34,23,177	(1,24,79,161)
Interest received	29,54,431	44,55,180
Net cash used in Investing activities (B)	**(4,53,97,291)**	**(11,43,56,832)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from/(Repayment of) borrowings	35,45,46,218	(2,68,65,436)
Dividend and tax paid	-	(1,03,24,215)
Interest and finance charges	(24,96,55,682)	(24,23,58,893)
Net cash from financing activities (C)	**10,48,90,536**	**(27,95,48,544)**
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**3,39,80,616**	**(1,54,323)**
Cash and cash equivalents at the beginning of the Year	39,33,183	40,87,506
Cash and cash equivalents at the end of the Year	3,79,13,799	39,33,183
Net increase/(decrease) in cash and cash equivalents	**3,39,80,616**	**(1,54,323)**

i) The above cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) "Statement of Cash flows".

ii) Changes in Liabilities arising from financing Activities:

Disclosure under para 44A of Ind AS 7 "Cash flow statement"				
Particulars	As at 1.4.2020	Cash flows	Non cash changes	As at 31.3.2021
Borrowings:				
Long Term Borrowings	1,58,76,41,491	52,89,27,467	0	2,11,65,68,957
Short term borrowings	1,56,27,52,545	(17,43,81,249)	0	1,38,83,71,296
	3,15,03,94,036	**35,45,46,218**	**-**	**3,50,49,40,253**

The accompanying notes form an integral part of the financial statements.

As per our report of even date
For **CHEVUTURI ASSOCIATES**
Firm's Registration Number: 000632S
Chartered Accountants

(Raghunadha Rao Balineni)
Partner
Membership Number: 028105

Place : Guntur
Date: 29-06-2021
UDIN : 21028105AAAABH5706

For and on behalf of the Board

Sd/-
P. Venkateswara Reddy
Managing Director

Sd/-
G.V.Krishna Reddy
Joint Managing Director

Sd/-
M.V. Subba Reddy
Whole Time Director & CFO

A. Equity share capital

Statement of Changes in Equity as at 31st March, 2021

Particulars	No's	INR
As at 31st March, 2019	**4,28,19,375**	**8,56,38,750**
Changes in equity during the year	-	-
As at 31st March, 2020	**4,28,19,375**	**8,56,38,750**
Changes in equity during the year	-	-
As at 31st March, 2021	**4,28,19,375**	**8,56,38,750**

B. Other Equity

Statement of Changes in Equity as at 31st March, 2021

Particulars	Reserves and Surplus			Items of Other Comprehensive Income		Total
	General Reserve	Retained earnings	Revaluation surplus	Revaluation surplus	Actuarial Gains/ (Losses)	
Balance at the end of reporting period 31st March, 2019	**1,60,36,486**	**96,51,01,118**	**60,81,86,602**	**50,87,55,343**	**17,76,952**	**2,09,98,56,501**
Add: Profit/(Loss) for the year 19-20	-	(12,08,87,755)		-	-	(12,08,87,755)
Other Comprehensive Income/(Loss)					(5,36,960)	(5,36,960)
Add: Deferred tax on OCI				49,34,666		49,34,666
Total Comprehensive Income/(Loss) for the year		**(12,08,87,755)**		**49,34,666**	**(5,36,960)**	**(11,64,90,049)**
Less: Appropriations:						
Proposed Dividend and Dividend tax for the year 2018-19		1,03,24,215				1,03,24,215
Transfer to General Reserve	-	-	-	-	-	-
Balance at the end of reporting period 31st March, 2020	1,60,36,486	83,38,89,148	60,81,86,602	51,36,90,009	12,39,992	1,97,30,42,237
Add: Profit/(Loss) for the year 20-21	-	(7,89,62,429)		-	-	(7,89,62,429)
Other Comprehensive Income/(Loss)					29,02,382	29,02,382
Deferred tax on OCI				49,34,666		49,34,666
Total Comprehensive Income/(Loss) for the year		**(7,89,62,429)**		**49,34,666**	**29,02,382**	**(7,11,25,381)**
Less: Appropriations:						
Proposed Dividend		-				-
Transfer to General Reserve	-	-	-	-	-	-
Balance at the end of reporting period 31st March, 20201	**1,60,36,486**	**75,49,26,718**	**60,81,86,602**	**51,86,24,675**	**41,42,374**	**1,90,19,16,855**

The accompanying notes form an integral part of the financial statements.

For and on behalf of the Board

As per our report of even date
For **CHEVUTURI ASSOCIATES**
Firm's Registration Number: 000632S
Chartered Accountants

Sd/-
P. Venkateswara Reddy
Managing Director

(Raghunadha Rao Balineni)
Partner
Membership Number: 028105

Sd/-
G.V.Krishna Reddy
Joint Managing Director

Place : Guntur
Date: 29-06-2021
UDIN : 21028105AAAABH5706

Sd/-
M.V. Subba Reddy
Whole Time Director & CFO

COMPANY OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES 2020-21

Note No.1

I. CORPORATE INFORMATION

Kallam Textiles Limited (Formerly known as " Kallam Spinning Mills Limited ") is incorporated on 18th February, 1992. It is a leading textile company engaged in the business of Manufacturing of Cotton Yarn, Dyed Yarn, Grey Fabric and Dyed Fabric. The company is also engaged in the business of generation of electricity through Hydel and solar energy. The company has its Registered and Corporate office at Chowdavaram, Guntur.

Note No.2

II. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

i) Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with Ind AS as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Act.

b) Basis of measurement

These financial statements have been prepared on historical cost convention and on accrual basis of accounting except for certain financial instruments that are measured at fair values at the end of each reporting period, the provisions of the Companies Act, 2013 ('the Act') and guidelines issued by the Securities and Exchange Board of India (SEBI). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Accounting policies have been consistently applied except a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Operating cycle:

All assets have been classified as current and non-current as per the company's normal operating cycle and other criteria as set out in Schedule III to the Act and Ind AS-1 – Presentation of Financial Statements, based on the nature of the products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

c) Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS 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. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

The following are the critical judgements and estimates that have been made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

i) Depreciation and useful lives of property, plant and equipment and intangible assets:

Property, Plant and Equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technical or commercial obsolescence arising from changes or improvements in production or from a change in market demand of the product or service output of the asset. The Company also engages third party qualified valuers to ascertain the fair value of the Property, plant and equipment which requires estimation and judgment in determining the fair values which can be subject to change.

ii) Recoverability of trade receivable and Government grants:

Judgements are required in assessing the recoverability of overdue trade receivables and grants from government

and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, past history of receivables, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

iii) Fair value measurement of financial instruments:

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent available. Where Level 1 inputs are not available, the fair value is measured using valuation techniques, including the discounted cash flow model, which involves various judgments and assumptions. The Company also engages third party qualified valuers to perform the valuation in certain cases. The appropriateness of valuation techniques and inputs to the valuation model are reviewed by the Management.

iv) Provisions:

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

v) Impairment of non-financial assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Units (CGU's) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transaction are taken into account, if no such transactions can be identified, an appropriate valuation model is used.

vi) Impairment of financial assets:

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

vii) Income Taxes:

The Company's tax jurisdiction is India. Significant judgments are involved in estimating budgeted profits for the purpose of paying advance tax, determining the provision for income taxes, including amount expected to be paid/ recovered for uncertain tax positions.

viii) Defined benefit obligations:

The determination of company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognized in the statement of Profit and Loss and in other comprehensive income. Such valuation depend upon actuarial assumptions viz., discount rate, mortality rates, salary escalation rate etc., Information about such valuation is provided in the notes to the financial statements.

ix) Other estimates:

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

The judgments, estimates and underlying assumptions are made with the management's best knowledge of the business environment and are reviewed on an on going basis. Accounting estimates could change from period to period. Actual results could differ from these estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

x) Estimation of un certainties relating to the global health pandemic from Covid- 19:

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of assets, receivables and other

current assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the company, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts. The impact assessment of COVID-19 is a continuous process given the uncertainty associated with its nature and durations and accordingly the eventual outcome may be different from those estimates as on the date of approval of these Financial Statements.

ii) Significant accounting policies

a) PROPERTY, PLANT AND EQUIPMENT

An item of Property, Plant and Equipment that qualified as an asset is measured at initial recognition at Cost. Following initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any. Costs includes deemed cost which represents the carrying amount of assets recognized as at 1st April, 2016 measured as per Ind AS notified under section 133 of the Act read together with Rule 7 of the Companies (Accounts) Rules, 2014, which the company elected in accordance with Ind AS 101, except land where the company opted for fair value measurement. The excess amount of fair value of land over its carrying value as per books of accounts is credited to revaluation surplus and shown under Reserves and surplus. Subsequent to the measurement of assets at deemed cost on date of transition, the company, based on Independent technical valuers report, revalued its assets of Land and buildings on 31.3.2018 and excess of carrying value of land and of buildings is recognized in Other comprehensive income and accumulated under equity under the head Revaluation surplus. The fair values of land has been arrived out by technical valuer based on prevailing market rates by considering the existing market conditions and in case of buildings under replacement model.

Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by the management.

The company identifies and determines cost of each part of PPE separately, if the part has a cost which is significant to the total cost of that items of PPE and has useful life that is materially different from that of the remaining items.

Advances paid for acquisition of Property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets. Cost of the assets not put to use before such date are disclosed under 'Capital Work-in-progress'. Any subsequent expenditure relates to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred. Items of spare parts are recognized as Property, plant and equipment when they meet the definition of Property, plant and equipment. The cost and related depreciation are eliminated from the property, plant and equipment upon sale or retirement of the asset and the resultant gain or losses are recognized in statement of profit and loss.

b) INTANGIBLE ASSETS

Intangible assets are stated at cost of acquisition less accumulated amortization. Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis from the date they are available for use.

c) BORROWING COSTS

Borrowing Costs, that are directly attributable to the acquisition or construction of assets, that necessarily take a substantial period of time to get ready for its intended use, are capitalized as part of the cost of qualifying asset when it is possible that they will result in future economic benefits and the cost can be measured reliably.

d) DEPRECIATION

The company has computed depreciation on Property, plant and equipment based on the useful lives as specified in Schedule II of Companies Act, 2013 under straight line method.

The intangible assets, being Computer Software is amortized over a period of 5 years on Straight Line Method.

Depreciation methods, useful lives and residual values are reviewed periodically at the end of each financial year with the effect of any change in estimate accounted for on a prospective basis.

e) GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received

Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate. When the grant relates to an asset, it is recognized as deferred revenue in the Balance sheet and transferred to the statement of Profit and Loss on a systematic and rational basis over the useful lives of the related assets.

f) INVESTMENTS

Investments are stated at fair values.

g) IMPAIRMENT OF ASSETS

i) Financial assets (other than at fair value)

The company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The company recognizes lifetime expected losses for all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ii) Non financial assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount (i.e higher of the fair value less cost of sale and value in use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the statement of profit and loss.

An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount and the carrying amount of the asset is increased to its revised recoverable amount subject to maximum of carrying amount.

h) INVENTORIES

I. Textile division :

Inventories of raw materials, stores and spares, trading goods, work-in-progress and Finished stocks are valued at cost or net realizable value which ever is lower. Cotton Waste is valued at Net realizable Value.

The cost in respect of above items is measured as under:

Raw materials are valued at cost and is arrived at based on actual identification of material on stock.

Work-in-progress at raw material cost plus conversion cost depending on the stage of completion.

Finished goods at material cost plus conversion cost and other overheads incurred to bring the goods to their present condition and location.

Stores and spares at weighted average cost of purchase and other direct expenses incurred to bring the inventory to present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and costs incurred to make the products sold.

II. Power Division :

a) Stock of banked power is valued at cost or net realizable value whichever is lower.

i) 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 entity satisfies a performance obligation by transferring the promised goods to customers and the goods are transferred when the customer obtains control over the goods and the company retains no effective control over the goods sold. Revenue is measured at the fair value of the consideration taking into account contractually defined terms of payment. Revenue is reduced for discounts, rebates and other similar allowances.

When there is any uncertainty as to the measurement or collectability of consideration, revenue recognition to the extent of amount of uncertainty is postponed until such uncertainty is resolved.

ii) GST and other taxes is not received by the company on its own account as it is collected on behalf of government. Accordingly it is excluded from revenue.

iii) Inter unit transfer of goods is accounted at market price at which the similar goods are purchased from external party.

iv) Interest income is recognized using effective interest method.

j) TAXES ON INCOME

Income tax expense comprises the sum of tax currently payable and deferred tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current tax is determined at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or subsequently enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities are recognized as income or expense in the year of enactment. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as deferred tax asset if there is convincing evidence that the company will pay normal Income Tax. Accordingly, MAT is recognized as part of deferred tax asset in the balance sheet when it is probable that future economic associated with it will flow to the Company.

k) SEGMENT REPORTING

The operating segments of the entity are identified based on the revenues earned and expenses incurred whose operating results are regularly reviewed by the entity's decision maker to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

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

Inter segment revenue has been accounted for based on the market related prices.

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated expenses".

l) 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 company has not contributed any amounts to any fund. Remeasurement, comprising actuarial losses and gains, is reflected in the balance sheet with a charge or credit recognized in other comprehensive income in the period in which they occur. Such remeasurement losses/ gains are not reclassified to profit or loss subsequently.

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

m) FOREIGN EXCHANGE TRANSACTIONS

The functional currency of the company is the Indian rupee and the financial statements are presented in Indian rupee.

Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately, with the difference in the rate of exchange arising on actual receipt/payment during the year.

At each Balance Sheet date

i) Foreign currency denominated monetary items is translated into the relevant functional currency at exchange rate at the balance sheet date. The gains and losses resulting from such translations are included in net profit in the statement of profit and loss.

ii) Foreign currency denominated non-monetary items is reported using the exchange rate at which they were initially recognized.

   Transaction gains or losses realized upon settlement of foreign currency transactions are included in statement of profit and loss.

n) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when there is a present obligation as a result of past event, it is probable that the company will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Where the effect of time value of money is material, the amount of provision is the present value of the expenditure to be required to settle the obligation. 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 recognized in the financial statements since this may result in the recognition of income that may never be realized.

o) FINANCIAL INSTRUMENTS

Initial recognition:

The company recognizes financial assets and liabilities when it becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are recognized at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than the financial assets and liabilities at fair value through profit and loss) are added to or deducted from the fair value of financial assets and liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Subsequent measurement:

i) Financial assets carried at amortized cost:

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income.

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

(iii) Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories is subsequently fair valued through profit or loss.

<u>De-recognition of financial asset</u>

The company de-recognises financial assets when the contractual right to the cash flows from the asset expires or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

(iv) Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method. The effective method is a method of calculating the amortization cost of a financial liability and of allocating interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

<u>De-recognition of financial liability</u>

The company de-recognises financial liabilities when the company's obligations are discharged, cancelled or expired. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of profit and loss over the contractual terms using the effective interest method.

p) EARNING PER EQUITY SHARE

Basic earning per equity share is computed by dividing the net profit attributable to the equity shareholders of the company by the weighted average number of equity shares during the period. The company did not have any potentially dilutive securities in any of the years presented.

The number of equity shares are adjusted retrospectively for all periods presented for any share splits and bonus

shares issues including for changes effected prior to the approval of financial statements by the board of directors.

q) CASH FLOW STATEMENT

Cash flows are reported using indirect method whereby the profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financial activities of the company are segregated.

r) DIVIDENDS

Final dividends on shares are recorded as a liability on the date of approval by the shareholders i.e the year in which the dividends are approved and interim dividends are recorded as a liability on the date of declaration by the company's board of directors.

Note No.3

(A) Issue of Ind AS 117 – Insurance Contracts

Ind AS 117 supersedes Ind AS 104 Insurance contracts. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Under the Ind AS 117 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk.

Application of this standard is not expected to have any significant impact on the Company's financial statements.

(B) Amendments to existing Standards

Ministry of Corporate Affairs has carried out amendments to the following accounting standards:

1. Ind AS 103 – Business Combination
2. Ind AS 1, Presentation of Financial Statements and Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors
3. Ind AS 40 – Investment Property

The Company is in the process of evaluating the impact of the new amendments issued but not yet effective.

Note No.4

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

Particulars	As at 31st March, 2021	As at 31st March, 2020
Carrying Amounts of :		
Land	92,58,92,141	92,58,92,141
Factory Buildings	62,09,24,887	65,01,34,778
Office Buildings	49,94,88,912	51,03,70,126
Plant and Equipment	1,82,82,24,165	1,78,79,78,876
Electrical and Electronic Equipment	5,56,18,034	5,50,00,516
Borewells and Water pumps	7,15,770	4,61,766
Office and Other equipment	35,14,273	44,65,565
Furniture and Fixtures	3,45,211	4,65,924
Vehicles	53,84,384	68,48,367
	3,94,01,07,777	**3,94,16,18,059**
Capital Work-in-progress	**2,63,34,196**	**11,66,47,714**

Property, Plant and Equipment

Particulars	Land	Factory Buildings	Non-Factory Buildings	Plant and Equipment	Electrical and Electronic Equipment	Borewells and Water pumps	Office & Other Equipment	Furniture and Fixtures	Vehicles	Total
Gross Carrying value - At Deemed Cost/ Fair value										
As at 31st March, 2019	**92,58,92,141**	**71,98,53,008**	**53,09,34,630**	**2,16,28,79,525**	**11,11,44,058**	**20,19,059**	**1,15,76,877**	**11,53,935**	**1,24,25,670**	**4,47,78,78,903**
Additions during the year	-	-	29,80,600	30,75,985	7,44,344	-	10,12,861	-	-	78,13,790
Disposals	-	-	-	-	-	-	-	-	2,41,849	2,41,849
As at 31st March, 2020	**92,58,92,141**	**71,98,53,008**	**53,39,15,230**	**2,16,59,55,510**	**11,18,88,402**	**20,19,059**	**1,25,89,738**	**11,53,935**	**1,21,83,821**	**4,48,54,50,844**
Additions during the year		26,22,728		13,68,35,325	1,06,80,204	3,01,634	3,58,526			15,07,98,417
Disposals	-	-	-	-	-	-	-	-	37,156	37,156
As at 31st March, 2021	**92,58,92,141**	**72,24,75,736**	**53,39,15,230**	**2,30,27,90,835**	**12,25,68,606**	**23,20,693**	**1,29,48,264**	**11,53,935**	**1,21,46,665**	**4,63,62,12,105**
Accumulated Depreciation										
As at 31st March, 2019	**-**	**3,79,99,959**	**1,26,63,531**	**28,01,66,372**	**4,44,51,651**	**13,77,267**	**65,87,772**	**5,20,225**	**39,85,914**	**38,77,52,691**
Depreciation charge for the year	-	3,17,18,271	1,08,81,573	9,78,10,262	1,24,36,235	1,80,026	15,36,401	1,67,786	15,59,394	15,62,89,948
On disposals	-	-	-	-	-	-	-	-	2,09,854	2,09,854
As at 31st March, 2020	**-**	**6,97,18,230**	**2,35,45,104**	**37,79,76,634**	**5,68,87,886**	**15,57,293**	**81,24,173**	**6,88,011**	**53,35,454**	**54,38,32,785**
Depreciation charge for the year	-	3,18,32,619	1,08,81,214	9,65,90,036	1,00,62,686	47,630	13,09,818	1,20,713	14,43,032	15,22,87,748
On disposals	-	-	-	-	-	-	-	-	16,205	16,205
As at 31st March, 2021	**-**	**10,15,50,849**	**3,44,26,318**	**47,45,66,670**	**6,69,50,572**	**16,04,923**	**94,33,991**	**8,08,724**	**67,62,281**	**69,61,04,328**
Net carrying amount										
As at 31st March, 2021	**92,58,92,141**	**62,09,24,887**	**49,94,88,912**	**1,82,82,24,165**	**5,56,18,034**	**7,15,770**	**35,14,273**	**3,45,211**	**53,84,384**	**3,94,01,07,777**
As at 31st March, 2020	**92,58,92,141**	**65,01,34,778**	**51,03,70,126**	**1,78,79,78,876**	**5,50,00,516**	**4,61,766**	**44,65,565**	**4,65,924**	**68,48,367**	**3,94,16,18,059**
As at 31st March, 2019	**92,58,92,141**	**68,18,53,049**	**51,82,71,099**	**1,88,27,13,153**	**6,66,92,407**	**6,41,792**	**49,89,105**	**6,33,710**	**84,39,756**	**4,09,01,26,212**

Notes : *Terms Loans taken by the Company from Union Bank of India, Indian Bank and Bank of Baroda are secured by way of first charge on fixed assets of the company.*

Intangible assets *Note No.4*

Particulars	As at 31st March, 2021	As at 31st March, 2020
Carrying amount of:		
Computer software	6,07,530	8,12,121
Total	**6,07,530**	**8,12,121**
(A) Gross Carrying Value (At cost)		
Opening balance	9,94,635	7,59,635
Additions	-	2,35,000
Disposals/Adjustments	-	-
Closing balance	9,94,635	9,94,635
(B) Accumulated amortisation and impairment		
Opening balance	1,82,514	6,244
Amortisation for the year	2,04,591	1,76,270
On disposals	-	-
Closing balance	3,87,105	1,82,514
(C) Carrying Amount		
Balance at March 31, 2021		8,12,121
Balance at March 31, 2020	6,07,530	

Capital Work-in-Progress

Particulars	Amount
Carrying value - At Cost/Deemed Cost	
As at 31st March, 2019	**1,83,14,546**
Additions	10,63,81,958
Capitalised during the year	80,48,790
As at 31st March, 2020	**11,66,47,714**
Additions	6,04,84,894
Capitalised during the year	15,07,98,416
As at 31st March, 2021	**2,63,34,192**

Investments *Note No. 5*

Particulars	As at 31st March, 2021	As at 31st March, 2020
Non-current (At FVTOCI)		
a) Investment in Equity instruments (Trade and Unquoted)		
i) 1,30,000 Equity shares of Rs.10/- each in Vignatha Solar Pvt. Limited	13,00,000	-
Total	13,00,000	-
Total aggregate value of unquoted investments	**13,00,000**	**-**
Cost	13,00,000	0
Market value	13,00,000	0

Loans *Note No. 6*

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
Unsecured Considered Good				
a) Employee related advances	-	-	14,85,273	7,02,219
b) Other advances	-	-	5,750	30,750
Total	**-**	**-**	**14,91,023**	**7,32,969**

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

Of above:

Loans considered good- Secured	-	-	-	-
Loans considered good- Unsecured	-	-	14,91,023	7,32,969
Loans which have significant increase in credit risk	-	-	-	-
Loans - Credit impaired	-	-	-	-

Other Financial Assets *Note No. 7*

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
a) Security deposits with Govt. authorities and others	5,73,06,765	6,51,37,065	-	-
b) Claims receivable	-	-	7,14,711	7,14,711
Total	**5,73,06,765**	**6,51,37,065**	**7,14,711**	**7,14,711**

Other Assets

Note No. 8

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
Unsecured, Considered Good				
a) Advances for Capital goods	5,18,843	12,98,581		
b) Advances to creditors against supplies			2,51,48,868	1,26,80,020
c) Prepaid expenses			13,84,761	40,45,561
d) Balances with Statutory Authorities:				
IGST receivable			76,33,931	26,66,380
CGST Receivable			-	19,93,537
SGST receivable			71,95,215	28,94,530
Taxes paid under protest			-	-
Taxes refund receivable			19,46,600	19,46,600
e) EPCG Terminal Excise Duty refund receivable			26,09,828	26,09,828
f) Duty draw back refund receivable			16,85,540	14,40,261
g) Interest rebate receivable under TUF scheme			5,25,60,906	5,09,93,724
h) Interest subsidy receivable from AP government			36,75,36,412	30,93,03,840
i) Power Subsidy receivable			22,43,00,959	20,51,99,359
j) Accrued Interest			23,07,251	39,00,796
Total	**5,18,843**	**12,98,581**	**69,43,10,271**	**59,96,74,436**

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

Inventories (At lower of cost and net relisable value)

Note No. 9

Particulars	As at 31st March, 2021	As at 31st March, 2020
Spinning/Power:		
Raw materials	41,06,66,979	29,24,78,480
Work-in-progress	7,10,89,768	6,16,06,664
Finished goods	8,20,20,304	12,19,49,671
Stores and spares	3,82,82,378	4,26,43,934
Weaving/Dyeing unit:		
Raw materials	2,96,00,156	4,17,50,169
Work-in-progress	33,13,66,012	28,56,06,103
Finished goods	4,43,80,795	4,40,34,553
Stores and spares	1,88,00,788	1,94,40,161
Total	**1,02,62,07,180**	**90,95,09,735**

Note:

(i) The mode of valuation of inventories has been stated in Note No.g in Accounting Policies.

(ii) The cost of inventories recognised as an expense for the year ended 31st March, 2021 has been disclosed on the face of the statement of P&L in note no. 24,25,26 and 30.

(iii) All the above inventories are offered as security in respect of working capital loans availed by the company from all the banks.

(iv) There are no inventories expected to be liquidated after more than twelve months.

Trade receivables

Note No. 10

Particulars	As at 31st March, 2021	As at 31st March, 2020
Trade receivables considered good- Secured	-	-
Trade receivables considered good- Unsecured	19,18,89,043	21,17,95,757
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - Credit impaired	-	-
Total	**19,18,89,043**	**21,17,95,757**

Notes:

(i) The average credit period is 15-45 days. No interest is charged for overdue receivables.

(ii) The above amount does not include any amount due from related parties.

(iii) There is no customer who represents more than 10% of total balance of trade receivables.

iv) The company had used the practical expedient by computing the expected credit loss for doubtful trade receivables based on the ageing of receivables, history of recoverability from the customers, credit worthiness of the customers etc.,

v) During the year, the company has not recognised any loss allowance towards trade receivables.

Cash and cash equivalents

Note No. 11

Particulars	As at 31st March, 2021	As at 31st March, 2020
i) Balances with banks in Current accounts		
a. In Current accounts	3,68,01,932	9,89,025
ii) Cash on hand	11,11,867	29,44,158
Total	**3,79,13,799**	**39,33,183**

Other Bank Balances

Note No. 11

Particulars	As at 31st March, 2021	As at 31st March, 2020
a. Earmarked balances with banks held as margin money against LC and guarantees falls due for maturity within 12months from the date of Balance sheet.	2,50,000	1,36,73,777
b. Earmarked balances with banks towards unclaimed dividends	15,51,268	15,50,668
Total	**18,01,268**	**1,52,24,445**

Share Capital

Authorised Share Capital

Note No. 12

Particulars	Equity	
	No's	INR
As at 31st March 2019	**5,00,00,000**	**10,00,00,000**
Changes during the year	5,00,00,000	10,00,00,000
As at 31st March 2020	**10,00,00,000**	**20,00,00,000**
Changes during the year	-	-
As at 31st March' 2021	**10,00,00,000**	**20,00,00,000**

Issued Share Capital

Particulars	No's	INR
As at 31st March, 2019	**4,28,19,375**	**8,56,38,750**
Changes during the year	-	-
As at 31st March, 2020	**4,28,19,375**	**8,56,38,750**
Changes during the year	-	-
As at 31st March, 2021	**4,28,19,375**	**8,56,38,750**

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

Name of the Share Holder	As at 31st March, 2021		As at 31st March, 2020	
	No of Shares held	% out of total number of shares of the Company	No of Shares held	% out of total number of shares of the Company
Kallam Haranadha Reddy	30,70,329	7.18%	30,73,329	7.18%
Gurram Venkata Krishna Reddy	35,13,733	8.21%	35,13,733	8.21%
Kallam Agro products and Oils Pvt. Ltd	20,38,202	4.76%	20,38,202	4.76%
Kallam Mohan Reddy	29,44,625	6.88%	29,44,625	6.88%
Kallam Prathyusha	28,80,957	6.73%	28,80,957	6.73%

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

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

Other Equity

a) General Reserve

Note No. 13

Particulars	Amount
As at 31st March, 2019	**1,60,36,486**
Transfers during the year	-
As at 31st March, 2020	**1,60,36,486**
Transfers during the year	-
As at 31st March, 2021	**1,60,36,486**

b) Revaluation Reserve

Particulars	Amount
As at 31st March, 2019	**1,11,69,41,945**
Deferred tax on revaluation of assets now withdrawn	49,34,666
As at 31st March, 2020	**1,12,18,76,611**
Deferred tax on revaluation of assets now withdrawn	49,34,666
As at 31st March, 2021	**1,12,68,11,277**

c) Retained Earnings

Particulars	Amount
As at 31st March, 2019	96,68,78,070
Add: Total comprehensive income for the year transferred from statement of profit and loss	-12,14,24,715
Final dividend and dividend distribution tax for the year 2018-19	1,03,24,215
As at 31st March, 2020	83,51,29,140
Add: Total comprehensive income/(Loss) for the year transferred from statement of profit and loss	-7,60,60,047
Final dividend and dividend distribution tax for the year 2019-20	-
As at 31st March, 2021	75,90,69,093

Summary of Other Equity

Particulars	As at 31st March, 2021	As at 31st March, 2020
Revaluation surplus	1,12,68,11,277	1,12,18,76,611
General Reserve	1,60,36,486	1,60,36,486
Retained Earnings	75,90,69,093	83,51,29,140
	1,90,19,16,856	**1,97,30,42,237**

Nature of reserves:

a) General reserve

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

b) Revaluation surplus

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

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

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

c) Retained Earnings:

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

Long Term Borrowings *Note No. 14*

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
A. Secured				
i. Term loans				
a) From banks :				
i) Andhra Bank	69,64,20,571	47,91,78,231	17,43,63,822	8,57,26,066
ii) Indian Bank	79,34,01,441	71,45,15,528	26,87,30,291	21,21,66,666
iii) Bank of Baroda	1,49,91,577	4,33,75,000	3,15,00,000	2,06,25,000
Total (a)	**1,50,48,13,589**	**1,23,70,68,759**	**47,45,94,113**	**31,85,17,732**
B. Unsecured				
i) Loans from Promoters and their relatives	25,10,000	25,10,000	-	-
ii) Loans from Directors	2,95,45,000	2,95,45,000	-	-
Total (b)	**3,20,55,000**	**3,20,55,000**	**-**	**-**
Total (a+b)	**1,53,68,68,589**	**1,26,91,23,759**	**47,45,94,113**	**31,85,17,732**

I) SPINNING UNIT:

ii) UNION BANK (ANDHRA BANK):

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

b) The above loans carry interest @ 7.80% to 11.10%.

c) The above loans are repayable in following manner.

2021-22 : ₹17,43,63,821/- ; 2022-23 : ₹11,08,04,652/- ;
2023-24 : ₹17,42,70,486/-; 2024-25 : ₹16,04,94,233/- ;
2025-26 : ₹16,81,23,239 ; 2026-27 : ₹3,50,96,911/- ;
2027-28 : ₹1,71,68,605/-; 2028-29 : ₹1,53,08,293/-;
2029-30 : ₹1,51,54,142

ii) INDIAN BANK :

a) Term loans from Indian Bank are secured on pari passu basis by way of first charge on all the movable and immovable assets of spinning division (all units at Chowdavaram, Guntur Dist.) of the company. The loans are further secured by way of pari passu 2nd charge on inventories and book debts of the division. Further guaranteed by two directors in their personal capacities.

b) The above loans carry interest @ 9.50%

c) The above loans are repayable in following manner. 2021-22: ` 2,18,17,059/-

II. WEAVING UNIT :

i) INDIAN BANK :

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

b) The above loans carry interest @8.30% to 10.40%.

c) The above loans are repayable in following manner.

2021-22: ₹ 24,69,13,235/- ; 2022-23 ₹ 15,73,67,674/- ; 2023-24: ₹ 29,38,63,146/- ; 2024-25: ₹ 18,03,19,693/- and 2025-26: ₹ 16,18,50,928/-

III. DYEING UNIT :

i) BANK OF BARODA :

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

b) The above loan carry interest @11.50%.

c) The above loan is repayable in following manner.

2021-22: ₹ 3,15,00,000/- and 2022-23 ₹ 1,49,91,577/-

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

Other Financial Liabilities ***Note No. 15***

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
a) Current maturities of long-term debt (Refer note no.14)	-	-	47,45,94,114	31,85,17,732
b) Overdue instalments of term loans			10,51,06,255	-
c) Creditors for capital goods	-	-	1,50,43,128	6,86,98,786
d) Interest accrued and due	-	-	1,34,45,196	1,40,56,913
e) Unclaimed dividend	-	-	15,51,268	15,50,668
f) Employee related payments	-	-	1,93,26,573	1,84,39,841
g) Other Liabilities	-	-	3,68,52,186	2,42,92,713
Total	**-**	**-**	**66,59,18,720**	**44,55,56,653**

Notes to the Financial Statements ***Note No. 16***
Provisions

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
a) Provision for employee benefits - Group gratuity (Unfunded)	2,05,31,685	1,98,23,857	12,06,221	9,12,985
Total	**2,05,31,685**	**1,98,23,857**	**12,06,221**	**9,12,985**

EMPLOYEE BENEFITS

a. Defined contribution plans

The Company makes Provident Fund and Employees' State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. The Company recognised Rs. 30,79,472/- (Year ended March 31, 2020: Rs. 45,25,116/-) for provident fund and ESI contributions in the Statement of Profit and Loss.

b. Defined benefit plans

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

"These plans typically expose the Company to acturial risks such as interest rate risk, longevity risk and salary risk.

Risk Management:

Interest rate risk - The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Longetivity risk - The present value of defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk - The present value of the defined benefit plan is calculated with reference to the future salaries of participants under the plan. An increase in salary of the plan participants will increase the plan's liability.

(i) Balance Sheet

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

Particulars	As at 31st March, 2021	As at 31st March, 2020
Present value of obligation	2,17,37,906	2,07,36,842
Fair Value of plan assets*	-	-
(Asset)/Liability recognised in the Balance Sheet	2,17,37,906	2,07,36,842

** No asset or fund was held by the company to pay employee benefits.*

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

Particulars	Plan Obligation
As at March 31, 2019	1,57,87,062
Current service cost	32,15,143
Interest cost	12,51,437
Interest income	-
Actuarial (gain)/loss arising from changes in assumptions	5,36,960
Contributions by employer	-
Benefit payments	(53,760)
Return on plan assets, excluding interest income	-
As at March 31, 2020	2,07,36,842
Current service cost	30,93,802
Interest cost	13,88,383
Interest income	-
Actuarial (gain)/loss arising from changes in assumptions	(29,02,382)
Contributions by employer	-
Benefit payments	(5,78,739)
Return on plan assets, excluding interest income	-
As at March 31, 2021	2,17,37,906

(iii) Statement of Profit and Loss

The charge to the Statement of Profit and Loss comprises :

Particulars	2020-21	2019-20
Employee Benefit Expenses		
Current service cost	30,93,802	32,15,143
Past service cost	-	-
Interest cost	13,88,383	12,51,437
Interest income	-	-
Net impact on profit before tax	44,82,185	44,66,580
Remeasurement of the net defined benefit plans:		
Actuarial (gain)/loss arising from changes in assumptions	(29,02,382)	5,36,960
Return on plan assets excluding interest income	-	-
Net impact on other comprehensive income before tax	(29,02,382)	5,36,960

iv) Assets

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

Particulars	As at 31st March, 2021	As at 31st March, 2020
Unfunded	Nil	Nil

(v) Assumptions

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

Particulars	As at 31st March, 2021	As at 31st March, 2020
Discount rate	6.91%	6.79%
Salary escalation rate	12.00%	12.00%

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Demographic assumptions

Mortality in Service: Indian Assured Lives Mortality (2012-14) Ultimate table.

(vi) Sensitivity analysis

The sensitivity of the overall plan obligations to changes in the weighted key assumptions are :

Particulars	As at 31st March, 2021		As at 31st March, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	1,97,22,017	2,41,11,575	1,87,50,522	2,30,74,087
Salary escalation rate (1% movement)	2,39,48,041	1,98,23,366	2,29,02,176	1,88,58,064

The sensitivity analysis above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

vii) Discontinuance of liability

Amount payable upon discontinuance of all employees is Rs.1,26,25,875/-

viii) Best estimate of contribution during the next year

The best estimate contribution of the company during the next year would be Rs.Nil since the company is not contributing to any fund.

(ix) Maturity analysis

Maturity profile of defined benefit obligation :

Particulars	As at March 31, 2021
Within 1 year	12,06,221
1-2 year	12,76,567
2-3 year	17,47,935
3-4 year	12,63,204
4-5 year	14,58,350
5-10 year	85,25,886

Deferred Tax ***Note No.17***

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

Particulars	Components	
	As at 31st March, 2021	As at 31st March, 2020
Liability:		
Towards depreciation	60,03,47,247	60,21,38,777
Asset:		
On allowances under Income-tax	(4,20,79,203)	(3,90,53,454)
Unabsorbed losses as per Income tax Act	(20,70,21,956)	(15,20,29,313)
MAT Credit Entitlement	(16,37,18,964)	(16,37,18,964)
Total	**18,75,27,124**	**24,73,37,046**

Movement in Deferred Tax Assets/Liabilities

Component	As at 31st March, 2019	Charge/(Credit) in Statement of P&L	As at 31st March, 2020	Charge/(Credit) in Statement of P&L	As at 31st March, 2021
Deferred tax (liabilities)/assets in relation to:					
Depreciation	59,68,98,611	52,40,166	60,21,38,777	(17,91,530)	60,03,47,247
Expenses allowable under Income tax when paid	(3,89,57,402)	(96,052)	(3,90,53,454)	(30,25,749)	(4,20,79,203)
Unabsorbed Depreciation as per Income Tax Act	(8,84,65,074)	(6,35,64,239)	(15,20,29,313)	(5,49,92,643)	(20,70,21,956)
MAT Credit entitlment	(16,37,18,964)	-	(16,37,18,964)	-	(16,37,18,964)
	30,57,57,171	**(5,84,20,125)**	**24,73,37,046**	**(5,98,09,922)**	**18,75,27,124**

Other Liabilities ***Note No. 18***

Particulars	Non-Current		Current	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
a) Advances received from customers against supplies	-	-	2,19,90,143	34,84,990
b) Statutory Liabilities	-	-	21,73,387	26,81,365
c) Teak Plantation Deposits	-	-	58,500	58,500
d) Deferred government grants	8,18,70,714	8,64,73,863	46,03,149	46,03,149
Total	**8,18,70,714**	**8,64,73,863**	**2,88,25,179**	**1,08,28,004**

Note: The company received government grants in the nature of export incentives. During the year, the incentives so received in the form of duty draw back and MEIS Scrips were utilised against import of capital goods and capitalised to Property, plant and equipment.

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

Short Term Borrowings ***Note No.19***

Particulars	As at 31st March, 2021	As at 31st March, 2020
A. Secured		
Loans repayable on demand :		
Working Capital Loans :		
a) Cash Credit from banks		
i) From Andhra Bank	71,82,16,821	72,89,89,601
ii) From Indian Bank	59,99,33,126	60,38,50,939
III) From Bank of Baroda	5,02,21,349	4,91,27,925
b) Buyers credit facilities from banks		
i) From Andhra Bank	-	16,07,84,080
B. Unsecured		
Loans repayable on demand :		
a) From Directors'	2,00,00,000	2,00,00,000
Total	**1,38,83,71,296**	**1,56,27,52,545**

A.Secured

a) Working Capital Loan from Andhra Bank is secured by way of exclusive charge on current assets of spinning division of all units at Chowdavaram Village , Guntur Dt. This loan carries interest presently @ 9.70%.

b) Working Capital loan from Indian Bank is secured by way of Hypothecation of stocks of cotton, stock in process ,Finished Goods, Stores and Spares , Book Debts , Goods in Transit .This loan is also secured by way of Extension of EM/ Second and exclusive charge by way of EM of Land admeasuring AC 117.48 at Weaving Division of the Company at kunkupadu and Hypothecation of Plant&Machinery, Spares and Other assets acquired (Existing and Future).This Loan carries interest @ 7.55%.

c) Working Capital Loan from Bank of Baroda is secured by way of Hypothecation of Stocks and Book debts of dyeing division and further secured by way of personal guarantee of 2 Directors .This Loan carries interest @ 11.00%.

B. Unsecured

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

Trade Payables ***Note No.20***

Particulars	As at 31st March, 2021	As at 31st March, 2020
Dues to : Small and Micro Enterprises	-	-
: Other than Small and Micro Enterprises	8,31,19,736	16,64,03,054
Total	**8,31,19,736**	**16,64,03,054**

Note: The company has no information about the status of its creditors to identify their status under Micro, Small and Medium Enterprises Development Act, 2006. Consequently, the disclosure requirements u/s 22 of the said Act has not been made.

Current Income-Tax Liabilities (Net) ***Note No.21***

Particulars	As at 31st March, 2021	As at 31st March, 2020
Provision for Income-tax	2,77,87,949	2,77,87,949
Less: Advance Income-tax and TDS	2,90,80,419	2,85,81,926
Current tax liability / (Asset)	**(12,92,470)**	**(7,93,977)**

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

Particulars	As at 31st March, 2021	As at 31st March, 2020
Profit/(Loss) before tax	(13,37,59,056)	(17,11,64,943)
Enacted Tax Rates in India	34.61%	34.61%
Computed Tax expense (Nil, if loss)	-	-
Add: Tax effects of expenses which are not deductible in determining taxable profit		
- Earlier Years Short Provision	78,629	32,08,271
Current Tax provision (A)	**78,629**	**32,08,271**
Increase of Deferred tax liability on account of Fixed Assets	(17,91,530)	52,40,166
Decrease/(Increase) of Deferred tax Asset on account of expenses and losses	(5,80,18,392)	(6,36,60,291)
Deferred Tax Charges (Including Charge/Credit to OCI) (B)	**(5,98,09,922)**	**(5,84,20,125)**
Total Tax Charge/(Credit) (A+B)	**(5,96,52,664)**	**(5,20,03,583)**

Revenue From Operations ***Note No.22***

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Revenue from Operations		
Sale of goods	2,39,92,04,263	2,90,71,66,834
Other Operating Revenue		
Job work charges	4,97,905	500
Export Incentive	64,94,797	89,40,065
	2,40,61,96,965	**2,91,61,07,399**

Revenue from Operations from sale of goods include:

Particulars	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Qty(kgs.)	Revenue	Qty(kgs.)	Revenue
i) Cotton Yarn	41,58,598	94,13,79,941	56,02,493	1,26,95,38,882
ii) OE Yarn	39,13,224	52,54,81,007	42,43,215	54,66,28,708
iii) Cotton Waste	11,11,749	6,45,56,778	17,56,137	10,92,54,494
iv) OE Waste	5,61,808	1,00,40,793	9,06,119	1,48,00,133
v) Cotton Seed	25,710	5,11,014	62,34,476	14,09,58,984
vi) Cotton Lint	14,338	17,02,909	30,90,655	33,81,37,533
vii) Damaged Kappas	-	-	8,479	1,78,059
viii) Sale of Gray Fabric (Mtrs)	1,47,09,158	89,33,47,688	2,27,66,614	1,31,62,56,087
ix) Sale of Fabric Waste	76,001	31,45,846	1,14,037	59,62,506
x) Sale of Dyed Fabric (Mtrs)	12,56,206	11,75,50,570	29,83,816	28,84,04,940
xi) Sale of Dyed Yarn (Kgs)	3,12,657	11,21,80,417	5,79,764	20,75,29,108
xii) Sale of cut pieces cloth and shirts	-	-	813	1,70,177
xiii) Gray Yarn	1,34,229	2,64,25,040	7,73,718	22,28,01,429
xiv) Sale of Solar Power (KWH)	15,74,677	93,06,340	-	-
xv) Sale of Power (KWH)	46,18,395	2,15,47,492	60,36,955	2,84,42,118
		2,72,71,75,835		**4,48,90,63,158**
Less: Inter divisional transfers				
Cotton Yarn	3,31,930	10,08,58,871	23,35,294	65,67,19,769
OE yarn	1,25,294	1,83,02,803	4,20,028	5,79,26,654
Dyed yarn	3,12,657	11,21,80,417	5,69,910	20,34,83,523
Gray Yarn	1,34,229	2,64,25,040	7,73,718	22,28,01,429
Cotton Waste	10,15,690	5,91,95,192	15,41,683	10,28,27,416
Cotton Lint	14,338	17,02,909	30,90,655	33,81,37,533
Solar Power	15,74,677	93,06,340	-	-
		32,79,71,572		**1,58,18,96,324**
TOTAL		**2,39,92,04,263**		**2,90,71,66,834**

Other Income ***Note No.23***

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Interest from banks and others	29,54,431	44,55,180
Deferred Govt. grants credited back	46,03,149	46,03,149
Credit Balances Written back	759	28,371
Profit on sale of assets	-	17,112
Gain on exchange fluctuations	2,05,511	91,287
Miscellaneous receipts	86,91,832	80,45,742
TOTAL	**1,64,55,682**	**1,72,40,841**

Note: *Deferred govt. grant credited back represents amount recognised as income in proportion to the amount of depreciation charged to the Statement of Profit and Loss in respect of assets on which grants were received.*

Cost of Materials Consumed *Note No.24*

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Opening Stock	33,42,28,649	43,78,72,019
Add: Purchase of Raw Material	1,62,33,45,281	1,73,38,99,481
	1,95,75,73,930	**2,17,17,71,500**
Less : Closing Stock	44,02,67,135	33,42,28,649
TOTAL	**1,51,73,06,795**	**1,83,75,42,851**

Purchase of stock-in-trade *Note No.25*

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
	Amount	Amount
OE Yarn	1,31,69,792	2,53,543
TOTAL	**1,31,69,792**	**2,53,543**

Changes in inventories of finished goods, work -in- progress and stock-in-trade *Note No.26*

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Opening work-in-progress	34,72,12,767	40,04,20,565
Opening Finished goods	16,59,84,224	11,86,22,893
	51,31,96,991	**51,90,43,458**
Closing work-in-progress	40,24,55,780	34,72,12,767
Closing Finished goods	12,64,01,099	16,59,84,224
	52,88,56,879	**51,31,96,991**
Increase/(decrease) in inventories	**1,56,59,888**	**(58,46,467)**

Employee benefit expenses *Note No.27*

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Salaries and Wages	13,19,41,791	18,96,74,774
Contribution to provident and other funds	30,79,472	45,25,116
Staff welfare expenses	27,55,450	26,61,626
Contribution towards group gratuity	43,00,005	40,57,284
TOTAL	**14,20,76,718**	**20,09,18,800**

Finance costs

Note No.28

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Interest paid to banks and others	31,30,17,302	31,34,67,279
Other Borrowing Costs	-	-
Total Interest Cost	**31,30,17,302**	**31,34,67,279**
Less: Subsidy under TUF Scheme	51,29,048	53,02,386
Interest subsidy from AP Government	5,82,32,572	6,58,06,000
TOTAL	**24,96,55,682**	**24,23,58,893**

Depreciation and amortisation

Note No.29

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Depreciation and Amortization	15,24,92,339	15,64,66,220
TOTAL	**15,24,92,339**	**15,64,66,220**

Other expenses

Note No.30

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Consumption of Stores and Spares	11,57,76,353	16,32,58,469
Processing charges paid	-	12,18,733
Power and Fuel (Net of power subsidy	25,92,56,346	34,07,24,423
Rs.1,91,01,600/- (Pr. Year Rs.3,11,68,875/-)		
Repairs and Maintenance: Buildings	12,39,097	10,76,914
Machinery	3,08,53,817	4,60,76,282
Others	10,37,865	17,29,137
Insurance	52,40,745	56,18,562
Loading and Unloading charges	3,02,08,176	2,78,89,581
Commission on Sales	1,61,16,646	2,31,05,329
Rents - Office	-	24,000
Rates and taxes	86,48,980	1,23,70,142
Payments to auditors		
- Statutory audit	2,75,000	2,75,000
- Tax audit and taxation matters	50,000	50,000
- Cost audit	20,000	20,000
Directors Sitting Fee	1,95,000	1,80,000
Donations	1,17,463	4,05,000
CSR expenses	12,90,000	41,00,000
Loss on sale of assets	10,951	-
Debit Balances written off	3,972	7,214
Miscellaneous expenses	2,70,29,854	3,29,97,623
TOTAL	**49,73,70,265**	**66,11,26,409**

CIF value of imports ***Note No.31***

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
i) Stores & Spares	79,08,001	3,03,85,773
ii) Capital goods	0.00	6,87,28,794

Comparision between consumption of imported and indigenous raw materials Spares and components ***Note No.32***

Particulars	Year ended 31st March, 2021	%	Year ended 31st March, 2020	%
a) Raw material:				
Imported	46,51,965	0.31	23,84,76,335	12.98
Indigenous	151,26,54,830	99.69	159,90,66,516	87.02
Total	**151,73,06,795**	**100.00**	**183,75,42,851**	**100.00**
b) Spares & Components:				
Imported	79,08,001	6.83	2,75,49,944	16.88
Indigenous	10,78,68,352	93.17	13,57,08,525	83.12
Total	**11,57,76,353**	**100.00**	**16,32,58,469**	**100.00**

Expenditure incurred in Foreign Currency ***Note No.33***

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
a) Commission On Yarn & Fabric Sales	38,77,200	42,48,408
b) Foreign Travel	0.00	3,71,817

Contingent liabilities not provided for: ***Note No.34***

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
a) Estimated amounts of contracts remaining to be Executed on Capital accounts, and not provided for	0.00	0.00
b) State levies on Electricity (Includes demand towards differential wheeling charges Rs. 3,29,70,993/-)	4,16,00,410	1,10,86,246
c) Income-tax	0.00	38,405
d) Entry Tax	2,34,726	2,34,726

) *The Hon'ble Supreme Court of India allowed the appeal filed by APTRANSCO confirming the enhancement of wheeling charges. Consequent to the said order, the company has received demand from APCPDCL for differential wheeling charges amounting to Rs.3,29,70,993/- However, the company based on legal advice, filed a representation before the authorities questioning the manner of arriving the quantum of demand and is of opinion that the demand may be reduced substantially. Pending outcome of the proceedings, no provision of the said liability has been made in the financial statements

Note No.35

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

Note No.36

RELATED PARTY DISCLOSURES:

A) List of Related Parties:

1) Key Managerial Personnel:

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

2) Relatives of Key managerial Personnel who are under employment with the company:

1. Poluri Govardhana Reddy, Son of P.Venkateswara Reddy
2. M.Srinvivasa Nagarjuna Reddy, Son of M.V.Subba Reddy

3) Relative of Key Managerial Personnel:

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

B) Transactions with the related parties: (Figures in brackets relates to previous year)

I. Details of Transactions:

a. Remuneration Paid:		
1. P.Venkateswara Reddy, MD	31,70,925	(38,83,720)
-Short term employment benefits	30,81,412	(37,26,870)
-Post employment benefits	89,513	(1,56,850)
2. G.V.Krishna Reddy, JMD	33,50,323	(38,41,142)
-Short term employment benefits	32,98,775	(37,06,733)
-Post employment benefits	51,548	(1,34,409)
3. M.V.Subba Reddy,WTD	9,56,877	(12,00,547)
-Short term employment benefits	9,15,758	(10,82,529)
-Post employment benefit	41,119	(1,18,018)
Total	**74,78,125**	**(89,25,409)**
b. Salary paid:		
P. Govardhan Reddy	5,61,870	(6,22,926)
M. Srinivas Nagarjuna Reddy	2,64,358	(3,13,237)
c. Sale of Goods and Services:		
1. Kallam Brothers Cottons Pvt Ltd- Testing & Sale of Fabric	6,49,485	(1,67,125)
2. Kallam Agro products and Oils Pvt. Ltd Seed Sales	6,01,859	(6,33,98,986)
d. Purchases of Goods and Services:		
1. Kallam Brothers Cottons Pvt Ltd- Purchases Commission	1,65,63,932	(43,30,042)

II. Balance as at 31-03-2021 :

a) Unsecured loans form:		
1. P.Venkateswara Reddy, MD	1,71,55,000	(2,71,55,000)
2. G.V.Krishna Reddy, JMD	85,40,000	(1,75,40,000)
3. M.V.Subba Reddy, WTD	38,50,000	(48,50,000)
	2,95,45,000	**(4,95,45,000)**
b) Remuneration payable to:		
1. P.Venkateswara Reddy, MD	1,77,500	(2,37,997)
2. G.V.Krishna Reddy, JMD	1,22,500	(3,02,500)
3. M.V.Subba Reddy, WTD	87,110	(1,59,580)
	3,87,110	**(7,00,077)**
c) Trade dues from:		
1. Kallam Brothers cottons pvt Ltd., Guntur	0.00	(1,14,323)
2. Kallam Agro Products and Oils pvt Ltd., Guntur	0.00	(3,69,464)
III. Sitting fees paid to Non-executive and Independent director		
1. Varanasi Ramgopal	60,000	(60,000)
2. Vangala Bhargavi	75,000	(45,000)
3. Suryanarayana Murthy Vaddadi (Non-excutive nominee director)	60,000	(30,000)

Segment Information: ***Note No.37***

Particulars	(Amount in Lacs) Year 2020-21	Year 2019-20
Segment Revenue:		
1. Spinning	14,851.19	19,836.24
2. Weaving	10,194.75	16,146.42
3. Dyeing	1,386.05	4,303.20
4. SolarPower	93.06	0.00
5. Power	215.47	284.42
	26,740.52	**40,570.38**
Less: Inter segment Revenue	2,678.55	11,409.31
Net Revenue from Operation	24,061.97	29,161.07
Segment Results (Profit before Tax and Interest)		
1. Spinning	517.86	-348.19
2. Weaving	461.80	874.87
3. Dyeing	26.04	85.86
4. Solar Power	76.80	0.00
5. Power	75.95	99.40
	1,158.45	**711.94**
Less: Interest (net)	2,496.35	2,423.59
Net Loss before Tax	**1,338.11**	**-1,711.65**
Capital Employed: (Segment Assets-Segment Liabilities)		
1. Spinning	25249.54	25449.93
2. Weaving	24760.43	23318.69
3. Dyeing	1497.89	1719.61
4. Solar	1128.17	316.19
5. Power	1238.04	1286.33
Total	**52090.75**	**52090.75**
Capital Expenditure		
1. Spinning	6.47	91.51
2. Weaving	0.13	33.30
3. Dyeing	0.00	0.77
4. Solar Power	1501.38	938.24
5. Power	0.00	0.00
Depreciation:		
1. Spinning	666.60	707.43
2. Weaving	702.32	705.96
3. Dyeing	77.94	77.94
4. Solar Power	16.87	0.00
5. Power (Hydal)	61.19	73.33

Corporate Social Responsibility ***Note No.38***

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Amount required to spent during the year	12,61,800	40,71,727
Amount actually spent	12,90,000	41,00,000
Short Fall	NIL	NIL

Disclosure as per Regulation 53(F) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015: ***Note No.39***

i) Loans and advances in the nature of loans given to Companies in which Directors are interested ₹ Nil (March 31, 2020: ₹ Nil)

ii) Details of investments made under Section 186 of the Companies Act, 2013 Rs. Nil.
There are no loans / guarantees issued under Section 186 of the Companies Act, 2013.

Foreign exchange earnings ***Note No.40***

Foreign exchange earnings on exports during the year calculated on FOB basis ₹ 35,77,94,035 (Previous year ₹ 39,21,66,887).

Category-wise classification of Financial instruments ***Note No.41***

The Carrying amounts and fair value of financial instruments by categories as at 31st March, 2021 and 31st March, 2020 are as follows:

Particulars	Carrying value		Fair value	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
Financial assets				
Measured at Amortised cost				
(i) Loans and Advances	14,91,023	7,32,969	14,91,023	7,32,969
(ii) Other financial assets	5,80,21,476	6,58,51,776	5,80,21,476	6,58,51,776
(iii) Trade receivables	19,18,89,043	21,17,95,757	19,18,89,043	21,17,95,757
(iv) Cash and cash equivalents	3,79,13,799	39,33,183	3,79,13,799	39,33,183
(v) Other bank balances	18,01,268	1,52,24,445	18,01,268	1,52,24,445
Total assets	**29,11,16,609**	**29,75,38,130**	**29,11,16,609**	**29,75,38,130**
Financial liabilities				
Measured at Amortised cost				
(i) Borrowings (including current maturities of Long term borrowings)	3,50,49,40,254	3,15,03,94,036	3,50,49,40,254	3,15,03,94,036
(ii) Other financial liabilities	8,62,18,351	12,70,38,921	8,62,18,351	12,70,38,921
(iii) Trade payables	8,31,19,736	16,64,03,054	8,31,19,736	16,64,03,054
Total liabilities	**3,67,42,78,341**	**3,44,38,36,011**	**3,67,42,78,341**	**3,44,38,36,011**

Fair value hierarchy ***Note No.42***

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

The categories used are as follows:

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

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

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

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

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

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

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

Financial Risk Management ***Note No.43***

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

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

A. Credit Risk

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

Receivables from customers

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

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

Other financial assets

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

The Company's maximum exposure of credit risk as at March 31, 2021 and March 31, 2020 is the carrying value of each class of financial assets.

B. Foreign currency risk management

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

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

The carrying amounts of the company's foreign currency denominated monetary items are as follows :

Particulars	31st March, 2021	31st March, 2020
Assets :		
Trade Receivables	-	-
Cash and Cash Equivalents	-	-
Liabilities :		
Trade and Other Payables	10,09,478	44,29,426
Net Assets / (Liabilities)	**-10,09,478**	**-44,29,426**

Foreign currency sensitivity analysis

A 5% strengthening of the INR against key currencies to which the Company is exposed would have led to approximately an additional Rs. 50,474/- gain in the Statement of Profit and Loss. A 5% weakening of the INR against these currencies would have led to an equal but opposite effect.

C. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has availed credit limits with banks. The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended March 31, 2021 and March 31, 2020 . Cash flow from operating activities provides the funds to service the financial liabilities on a day to day basis.

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

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

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

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

The table summarises the maturity pattern of the company's financial liabilities based on contractual undiscounted payments.

Particulars	within 1 year Amount (₹)	1-5 years Amount	> than 5 years Amount	Total Amounts
As on 31.3.2021				
Long term borrowings	57,97,00,369	1,53,68,68,589		2,11,65,68,958
Short term borrowings (Repayable on demand)	1,38,83,71,296			1,38,83,71,296
Trade payables	8,31,19,736			8,31,19,736
Other financial liabilities	8,62,18,351			8,62,18,351
As on 31.3.2020				
Long term borrowings	31,85,17,732	1,26,91,23,759		1,58,76,41,491
Short term borrowings (Repayable on demand)	1,56,27,52,545			1,56,27,52,545
Trade payables	16,64,03,054			16,64,03,054
Other financial liabilities	12,70,38,921			12,70,38,921

D. Interest risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, the managment performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

According to the Company, interest rate risk exposure is only for floating rate borrowings. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Exposure to Interest rate risk

Particulars	31st March, 2021	31st March, 2020
Total Borrowings	3,50,49,40,254	3,15,03,94,036
(All the said loans are with floating rate of interest)		
Interest rate sensitivity		
A change of 50 bps in interest rates would have following Impact on profit before tax		
An increase in 50 bps will decrease the profit by	1,47,35,701	1,57,51,970
A decrease in 50 bps will increase the profit by	1,47,35,701	1,57,51,970

E. Capital Management

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

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

The Management and the Board of Directors monitors the return on capital as well as the level of dividends to shareholders. The Company may take appropriate steps in order to maintain, or is necessary, adjust its capital structure. The funding requirement is met through a mixture of equity, internal fund generation and other non current borrowings. The company monitors capital using geraing ratio which is debt divided by total capital.

Particulars	31st March, 2021	31st March, 2020
Interest bearing loans and borrowings (Long term and short term borrowings)	3,50,49,40,254	3,15,03,94,036
Total debt	**3,50,49,40,254**	**3,15,03,94,036**
Equity share capital	8,56,38,750	8,56,38,750
Other equity	77,51,05,579	85,11,65,626
Total capital	86,07,44,329	93,68,04,376
Total debt and capital	**4,36,56,84,583**	**4,08,71,98,412**
Capital geraing ratio (Debt/Total capital) (in no. of times)	4.07	3.36

Calculation of Earnings per Share **Note : 44**

Particulars	31st March, 2021	31st March, 2020
Basic and Diluted Earning per share: No. of shares at the beginning of the year	4,28,19,375	4,28,19,375
Total Weighted average number of shares at the end of the Year	4,28,19,375	4,28,19,375
Net Profit after tax before OCI as per Statement of Profit and Loss	(7,89,62,429)	(12,08,87,755)
Basic and diluted Earning per share	**(1.84)**	**(2.82)**

45 " The Ministry of Home Affairs vide order no. 40-3/2020-DM-I(A) dated March 24, 2020 announced a nationwide lockdown as a measure to contain the spread of COVID 19 which was declared a global pandemic by the World Health Organisation. Owing to the lockdown, the operations of the Company were impacted due to shutting down of all plants and offices. The Company has resumed operations in a phased manner as per directives issued by the Government and is closely monitoring the impact of the pandemic on all aspects of its business. The Company is taking appropriate measures to ensure the safety and well-being of all its employees and ensuring full compliance with the directives issued by the Government in this regard. The Management has exercised due care, in concluding on significant accounting judgements and estimates,

interalia, recoverability of assets, receivables and other current assets based on the information available to date, both internal and external, to the extent relevant, while preparing these financial statements as of and for the year ended March 31, 2020. Based on the assessment of current indicators of future economic conditions, the Management does not envisage any significant impact on its financial statements as on March 31, 2020. The impact assessment of COVID 19 is a continuing process given the uncertainties associated with its nature and duration, and accordingly, the eventual outcome may be different from those estimated as on the date of approval of these financial statements."

46. Previous year figures have been regrouped where ever necessary.

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

As per our report of even date
For **CHEVUTURI ASSOCIATES**
Firm's Registration Number: 000632S
Chartered Accountants

Sd/-
(Raghunadha Rao Balineni)
Partner
Membership Number: 028105

For and on behalf of the Board

Sd/-
P. Venkateswara Reddy
Managing Director

Sd/-
G.V.Krishna Reddy
Joint Managing Director

Place : Guntur
Date : 29-06-2021
UDIN : 21028105AAAABH5706

INDEPENDENT AUDITORS' REVIEW REPORT ON UNAUDITED FINANCIAL RESULTS PURSUANT TO THE REGULATION 33 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

TO THE BOARD OF DIRECTORS OF
KALLAM TEXTILES LIMITED

1. We have reviewed the accompanying Statement of Unaudited financial results of **KALLAM TEXTILES LIMITED** ("the Company"), for the Quarter and Nine months ended 31st December, 2021 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This Statement is the responsibility of the Company's Management and approved by the Board of Directors in their meeting held on 9th February, 2022 has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard-34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the results included in the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in Accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. Based on our review conducted as stated above, nothing has come to our attention that causes us to believe that the results included in the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Place: Guntur
Date: 9.02.2022
UDIN: 22028105AAYULL8737

For CHEVUTURI ASSOCIATES
Chartered Accountants
(Firm's Registration No. 000632S)
B. Raghunadha Rao
Raghunadha Rao Balineni
Partner
Membership No. 028105

33-25-33B, Govindarajulu Naidu Street, Suryaraopet, Vijayawada-520 002 -Andhra Pradesh- India
Phones: 0866-2444593, 2444594 Mobile: 98499 10509

Kallam Textiles Limited

CIN : L18100AP1992PLC013860 & GST No.37AAACK9363M1ZY
Chowdavaram, GUNTUR - 522 019. A.P., INDIA.
Ph: 0863-2344010,16 Fax: 0091 - 863 - 2344000
E-mail: corp@ksml.in & accsp@ksml.in

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER, 2021

(Rs. In Lakhs, except per share data)

S.NO	PARTICULARS	Quarter Ended			Nine Months Ended		Year Ended
		31.12.2021	30.09.2021	31.12.2020	31.12.2021	31.12.2020	31.03.2021
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income						
	(a) Revenue from Operations	12666.79	11164.12	7327.24	32685.24	14264.09	23992.04
	(b) Other Operating Income	83.83	64.99	14.92	185.25	41.03	69.93
	Total Revenue from operations	**12750.62**	**11229.11**	**7342.16**	**32870.49**	**14305.12**	**24061.97**
2	Other Income	26.39	23.04	30.09	70.50	74.24	164.56
	Total Income (1+2)	**12777.01**	**11252.15**	**7372.25**	**32940.99**	**14379.36**	**24226.53**
3	**Expenses**						
	a) Cost of Material Consumed	8276.32	7089.14	4593.84	21314.37	9057.17	15173.07
	b) Purchase of Stock-in-trade	0.25	0.17	53.69	0.43	68.13	131.70
	c) Changes in inventories of Finished goods,Work- in - Progress and Stock-in-trade	(7.76)	(84.92)	(390.78)	(546.75)	224.82	(156.60)
	d) Employee benefits expenses	495.57	492.24	443.91	1465.37	884.76	1420.77
	e) Depreciation and amortisation expenses	394.21	393.75	379.87	1179.49	1134.96	1524.92
	f) Finance costs	899.54	852.30	587.93	2538.25	1830.09	2496.56
	g) Other expenses	2086.48	1759.79	1796.14	5434.88	3273.00	4973.70
	Total expenses	**12144.61**	**10502.47**	**7464.60**	**31386.04**	**16472.93**	**25564.12**
4	**Profit/(Loss) before Tax and exceptional items (1+2-3)**	**632.40**	**749.68**	**(92.35)**	**1554.95**	**(2093.57)**	**(1337.59)**
	Less/(Add) : Exceptional items	**(18.51)**	**0.00**	**0.00**	**142.81**	**0.00**	**0.00**
	Profit/(Loss) before tax and after exceptional items	**650.91**	**749.68**	**(92.35)**	**1412.14**	**(2093.57)**	**(1337.59)**
5	**Tax expenses**						
	a) Current Tax	119.66	127.06	0.00	246.73	0.00	0.78
	b) Deferred Tax charge/(Credit) (Net of MAT Credit entitlement)	190.45	470.46	(19.16)	359.82	(677.99)	(548.75)
6	**Net Profit/(Loss) for the period after tax (4-5)**	340.80	152.16	(73.19)	805.59	(1415.58)	(789.62)
7	**Other comprehensive Income (Net of tax expense)**						
	a) Deferred Tax on revaluation of properties	12.34	12.34	12.34	37.01	37.01	49.35
	b) Remeasurement of defined employee benefit plans	0.00	0.00	0.00	0.00	0.00	29.02
	Total comprehensive income	12.34	12.34	12.34	37.01	37.01	78.37
8	**Total comprehensive income/(Loss)**	353.14	164.50	(60.85)	842.60	(1378.57)	(711.25)
9	Paid - up Equity Share Capital (Face Value of the Share Rs. 2/-)	856.38	856.38	856.38	856.38	856.38	856.38
10	Reserves (Excluding Revaluation reserves as per Balance Sheet)						7751.24
11	Earning per equity Share (Face value Rs. 2/- each) - Basic & Diluted	0.80	0.36	(0.17)	1.88	(3.31)	(1.84)

Kallam Textiles Limited

Segment Results for the Quarter and Nine Months ended 31st December, 2021

S.No.	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31.12.2021 Unaudited	30.09.2021 Unaudited	31.12.2020 unaudited	31.12.2021 unaudited	31.12.2020 unaudited	31.03.2021 Audited
1	**Segment Revenue:**						
	a) Spinning	8299.45	6905.41	4578.52	21463.07	9336.85	14851.19
	b) Weaving	5851.25	4975.77	3103.19	14043.37	5459.05	10194.75
	c) Dyeing	1046.62	605.95	410.95	2032.73	840.52	1386.05
	d) Solar Power	55.74	81.23	0.00	230.96	0.00	93.06
	e) Hydel Power	67.03	32.25	70.79	127.79	130.38	215.47
	Total	15320.09	12600.61	8163.45	37897.92	15766.80	26740.52
	Less: Inter Segment Revenue	2569.47	1371.50	821.29	5027.43	1461.68	2678.55
	Net sales /Income from operations	**12750.62**	**11229.11**	**7342.16**	**32870.49**	**14305.12**	**24061.97**
2	**Segment Results Profit/(Loss):**						
	Before tax and interest from each segment						
	a) Spinning	696.23	1018.07	231.85	2638.22	(323.65)	518.38
	b) Weaving	688.08	520.36	229.07	1180.62	35.87	461.80
	c) Dyeing	76.02	17.23	20.42	101.59	0.38	26.04
	d) Solar Power	29.28	58.10	0.00	163.62	0.00	76.80
	e) Hydel Power	60.84	(11.78)	14.24	(133.66)	23.92	75.95
	Total	1550.45	1601.98	495.58	3950.39	(263.48)	1158.97
	Less : Finance costs	899.54	852.30	587.93	2538.25	1830.09	2496.56
	Total Profit/(Loss) before Tax	**650.91**	**749.68**	**(92.35)**	**1412.14**	**(2093.57)**	**(1337.59)**
3	Capital Employed						
	(Segment Assets - Segment Liabilities)						
	a) Spinning	28197.80	25338.51	23665.93	28197.80	23665.93	25731.16
	b) Weaving	22611.82	22859.95	24306.77	22611.82	24306.77	25260.95
	c) Dyeing	628.70	762.31	1549.87	628.70	1549.87	1566.64
	d) Solar Power	1228.08	1246.86	1344.66	1228.08	1344.66	1128.17
	e) Hydel Power	1062.84	1001.99	1144.47	1062.84	1144.47	1238.04
	Total	**53729.24**	**51209.62**	**52011.70**	**53729.24**	**52011.70**	**54924.96**

Notes:

1 The above Financial Results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at their respective meeting held on 09th February 2022.These results are as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015, as amended.The statutory auditors have caried out an audit of these financial results and have issued an unmodified opinion on these results.

2 The company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment and receivables. In assessing the recoverability of the assets, the company has considered the internal and external sources of information available at the time of approval of the financial statements and is of view that the carrying amount of the assets will be realized. The impact of COVID-19 on the company's financial results may differ from that estimate as at the date of approval of these financial results and would be recognized prospectively.

3 Exceptional items of Rs.18.51 lakhs (Credit) and Rs.142.81 lakhs for the quarter and nine months ended 31.12.21 represents liability provided in respect of enhanced wheeling charges as per the demand raised by APCPDCL which was paid subsequently.

4 Figures for the previous periods have been regrouped and reclassified wherever necessary to conform to current period classification.

Place :Chowdavaram

Date :09.02.2022

(P. VENKATESWARA REDDY)

MANAGING DIRECTOR.

DIN: 00018677

ACCOUNTING RATIOS

The following tables present certain accounting ratios derived from Company's audited financial statements for the year ending March 31, 2021 and March 31, 2020 and unaudited financial statements for nine months ended December 31, 2021 included in the financial statements on page 57 of this Letter of Offer.

S. No.	Particulars	For nine months ended December 31, 2021 (Unaudited)	For the year ended March 31, 2021 (Audited)	For the year ended March 31, 2021 (Audited)
1.	**Return on Net Worth (%)**	8.56%	(8.84%)	(12.96%)
2.	**Earnings per Share (in Rs.)**			
	Basic	1.88	(1.84)	(2.82)
	Diluted	1.88	(1.84)	(2.82)
3.	**Net Asset Value Per Share (Rs.)**	21.98	20.10	21.88
4.	**EBITDA (in Rs. Lakhs)**	5,129.88	2,683.89	2,276.60

Return on Net worth (%): (Net Profit or (loss) after Tax/Net worth at the end of the year) x 100 (Net profit includes OCI but excludes surplus on revaluation of assets net of deferred tax)
Earnings per share Basic & Diluted: Net profit or (loss) as attributable for equity shareholders/Weighted average number of equity shares(Nos.)
Net asset Value per share: Net Worth/No. of ordinary Shares
Net worth: Equity Share Capital + Other Equity (Excl. surplus on revaluation of assets net of deferred tax)
EBITDA: Earnings before interest, taxes, Depreciation and Amortization

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the "Financial Statements" beginning on page 57 of this Letter of Offer.

Some of the information contained in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should also read "Risk Factors" and "Forward Looking Statements" beginning on page 12 *and 9, respectively of this Letter of Offer, which discuss a number of factors and contingencies that could affect our financial condition and results of operations.*

Our financial statements included in this Letter of Offer are prepared in accordance with Ind AS, which differs in certain material respects from other accounting standards such as IFRS. Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are for the 12 months ended March 31 of that year. Unless otherwise indicated or the context requires, the financial information for Fiscal 2021 included herein is based on the Audited Financial Statements included in this Letter of Offer. For further information, see "Financial Statements" beginning on page 57 *of this Letter of Offer.*

Neither we, nor the Lead Manager, any of their affiliates or advisors, nor any other person connected with the Issue has independently verified such information.

Business Overview:

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

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

MATERIAL DEVELOPMENTS SINCE DATE OF LAST AUDITED FINANCIALS, I.E, MARCH 31, 2021

To the knowledge of our Company and except as disclosed herein, since the date of the last audited financial statements contained in this Letter of Offer, i.e, for FY 2021, no other circumstances have arisen which would materially and adversely affect or which would be likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 (twelve) months.

- Mr. Golagani Ramesh Kumar was appointed as Company Secretary and Compliance Officer of our Company with effect from October 01, 2021.
- Board of Directors of our Company in its meeting held on November 09, 2021 approved raising of funds through Rights Issue of Equity Shares of size upto Rs. 1,000.00 Lacs
- Our Company's Long term bank facilities were rated IVR B+/Stable and Short Term bank facilities were rated IVR A4 by Infomerics Ratings vide their rating release dated February 15, 2022.
- On May 15, 2022, our founder and one of the members of our Promoter Group, Shri Kallam Harinadha Reddy, expired. He was not associated in the operations of our Company.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by numerous factors and uncertainties, including those discussed in the section titled *'Risk Factors'* on page 12 of this Letter of Offer. The following is a discussion of certain factors that have had or may have a significant effect on our financial condition and results of operations:

Impact of COVID-19

Beginning in March 2020 our Company experienced a substantial reduction in demand due to the nationwide lockdown implemented on March 25, 2020, quarantines, stay-at-home and shelter-in-place orders, the promotion of social distancing, and other restrictions. However, pursuant to easing of restrictions, we had seen major recovery in the second half of FY 2020-21. However, due to re-imposition of restrictions pursuant to second wave of COVID 19 in India, our operations were once again hampered. The impact of the COVID-19 pandemic on our business, operations and financial performance have included and may continue to include significant decline in revenue from operations in case of any further surge in COVID 19 which may lead to lockdowns or other restrictions . We experienced and may continue to be subject to temporary as well as permanent closures and reduced factory-level operations such as reduced operating hours, as mandated by regulatory authorities. Our Company's total revenue from operations decreased by approximately 18% from ₹ 29,161.07 Lakhs in FY 2020 to ₹ 24,061.97 Lakhs in FY 2021. The impact of the ongoing pandemic, particularly any more communicable strains of the virus may also result in an adverse impact on our profitability. We also incurred and may continue to incur additional expenses in complying with evolving government regulations, including with respect to social distancing measures and sanitization practices.

Apart from the above some of the other factors that may have an impact on our results of operations includes:

- Any adverse changes in central or state government policies;
- Any adverse development that may affect our operations in Andhra Pradesh or Telangana;
- Any qualifications or other observations made by our statutory auditors which may affect our results of operations;
- Loss of one or more of our key customers and/or suppliers;
- An increase in the productivity and overall efficiency of our competitors;
- Any adverse development that may affect the operations of our manufacturing units;
- Our ability to maintain and enhance our brand image;
- Our reliance on third party suppliers for our products;
- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in technology and our ability to manage any disruption or failure of our technology systems;
- Our ability to attract and retain qualified personnel;
- Availability of Labour
- Changes in political and social conditions in India or in countries that we may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally;
- Any adverse outcome in the legal proceedings in which we are involved;
- Occurrences of natural disasters or calamities affecting the areas in which we have operations;
- Market fluctuations and industry dynamics beyond our control;
- Our ability to compete effectively, particularly in new markets and businesses;
- Changes in foreign exchange rates or other rates or prices;
- Conflict of interest with our Promoter / Promoter Group company and other related parties;
- Changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry;
- Termination of customer contracts without cause and with little or no notice or penalty
- Inability to obtain, maintain or renew requisite statutory and regulatory permits and approvals or noncompliance with and changes in, safety, health and environmental laws and other applicable regulations, may adversely affect our business, financial condition, results of operations and prospects.

SIGNIFICANT ACCOUNTING POLICIES

For details of our significant accounting policies, please refer section titled *"Financial Statements"* on page 57 of this Letter of Offer.

CHANGE IN ACCOUNTING POLICIES

Except as mentioned in chapter "Financial Statements" on page 57 of this Letter of Offer, there has been no change in accounting policies in last 2 years.

RESERVATIONS, QUALIFICATIONS AND ADVERSE REMARKS

For details, see section titled "Financial Statements" on page 57 of this Letter of Offer.

RESULTS OF OUR OPERATIONS:

The following table sets forth, for the periods indicated, certain items from audited financial statements, in each case also stated as a percentage of our total income:

(Rs. Lakhs wherever applicable)

Particulars			FY ended March 31, 2021	% age of Total Income	FY ended March 31, 2020	% age of Total Income
I	Revenue from operations		24,061.97	99.32%	29,161.07	99.41%
II	Other income		164.56	0.68%	172.41	0.59%
III	**Total income (I+II)**		**24,226.53**	**100.00%**	**29,333.48**	**100.00%**
IV	**Expenses**					
	Cost of Materials Consumed		15,173.07	62.63%	18,375.43	62.64%
	Purchases of stock-in-trade		131.70	0.54%	2.54	0.01%
	Changes in inventories of finished goods, work-in-progress and stock-in-trade		(156.60)	-0.65%	58.46	0.20%
	Employee benefits expense		1,420.77	5.86%	2,009.19	6.85%
	Finance costs		2,496.56	10.31%	2,423.59	8.26%
	Depreciation and amortisation expense		1,524.92	6.29%	1,564.66	5.33%
	Other expenses		4,973.70	20.53%	6,611.26	22.54%
	Total expenses (IV)		**25564.12**	**105.52%**	**31045.13**	**105.84%**
V	**Profit/ (Loss) before exceptional items and tax (III-IV)**		**(1337.59)**	**-5.52%**	**(1711.65)**	**-5.84%**
VI	**Exceptional items**		-	0.00%	-	0.00%
VII	**Profit / (Loss) before tax (V-VI)**		**(1337.59)**	**-5.52%**	**(1711.65)**	**-5.84%**
VIII	**Tax expense**					
	(1)	Current tax	-	0.00	-	0.00
	(2)	Short provision of current tax	0.79	0.00%	32.08	0.11%
	(3)	Deferred tax charge / (Credit)	(548.75)	-2.27%	(534.85)	-1.82%
IX	**Profit / (Loss) for the year**		**(789.62)**	**-3.26%**	**(1208.88)**	**-4.12%**
X	**Other comprehensive income**					
	(i)	Items that will not be reclassified to				

		profit or loss				
		(a) Remeasurements of the defined benefit plan	29.02	0.12%	(5.37)	-0.02%
		(b) Deferred tax credit/(charge) on revaluation surplus	49.35	0.20%	49.35	0.17%
Total other comprehensive income			**78.37**	**0.32%**	**43.98**	**0.15%**
XI	**Total comprehensive income / (loss) for the year**		**(711.25)**	**-2.94%**	**(1164.90)**	**-3.97%**

Principal components of our statement of profit and loss account

Total income

Our total revenue comprises of:

Revenue from operations: Our revenue from operations consists of sale of goods and other operating revenue including export incentive. Sale of goods primarily consists of sale of cotton yarn, OE yarn, Grey Fabric, Dyed Fabric, Sale of Power etc. Our total revenue for the Fiscal 2021 was ₹ 24,061. 97 lacs as compared to ₹ 29,161.07 lacs for the Fiscal 2020, representing a decrease of 17.49%. It was primarily due to COVID 19 related lockdowns and restrictions which had affected our operations including Exports.

Other Income: Other income primarily comprises of Interest from Banks, Deferred Government Grants Credited Back and other miscellaneous receipts. Other income for the Fiscal 2021 was ₹ 164.56 lacs as compared to ₹ 172.41 lacs for the Fiscal 2020, representing a decrease of (4.55%).

Expenses

Our total expenditure for Fiscal 2021 was ₹ 25,564.12 lacs as compared to ₹ 31,045.13 lacs in Fiscal 2020. Our expenses primarily comprise cost of materials consumed such as cotton for spinning units, yarn for weaving unit, power and fuel cost, employee benefit expenses, finance costs, depreciation and amortization expenses and other expenses.

Cost of Materials Consumed: Cost of materials consumed comprises of purchase of Raw Material such as cotton/kapas for spinning units, yarn for weaving unit etc. We incurred ₹ 15,173.07 lacs and ₹ 18,375.43 lacs in Fiscal 2021 and Fiscal 2020 respectively in respect of Cost of Material consumed, a decrease of (17.43%). The same was majorly on account of COVID 19 restrictions.

Purchase of stock-in-trade: Purchase of Stock-in-trade comprises of purchase of OE Yarn. The Purchase of Stock-in-trade for Fiscal 2021 was ₹ 131.70 lacs as compared to ₹ 2.54 lacs in Fiscal 2020.

Changes in inventories of finished goods, work -in- progress and stock-in-trade: Changes in inventories of finished goods, work -in- progress and stock-in-trade comprises of difference in closing balance *vis-a-vis* opening balance of above items. For Fiscal 2021, the same was ₹ (156.60) lacs as compared to ₹ 58.46 lacs in Fiscal 2020.

Employee benefit expenses: Employee benefit expenses primarily comprises of Salaries and Wages, Contribution to provident and other funds, Staff welfare expenses and Contribution towards group gratuity. Employee benefit expense for the Fiscal 2021 was ₹ 1,420.77 lacs as compared to ₹ 2,009.19 lacs for the Fiscal 2020, representing a decrease of (29.29)%.

Finance costs: Finance Costs comprises of Interest paid to Banks and other lenders less any Interest Subsidy under any Scheme or by Government. Finance cost for the Fiscal 2021 was ₹ 2,496.56 lacs as compared to ₹ 2,423.59 lacs for the Fiscal 2020, representing an increase of 3.01%.

Depreciation and amortization: Depreciation and amortization expense comprises of depreciation on building, plant and machinery, office equipment, furniture & fixtures, vehicles, computers, servers & network etc. Depreciation and amortization expense for the Fiscal 2021 was ₹ 1,524.92 lacs as compared to ₹ 1,564.44 lacs for the Fiscal 2020, representing a decrease of (2.53%).

Other Expenses: Other Expenses majorly includes Power and Fuel Charges, Consumption of Stores and Spares, Repair, Maintenance and other expenses. Other expenses for the Fiscal 2021 were ₹ 4,973.70 lacs as compared to ₹ 6,611.26 lacs for the Fiscal 2020, representing a decrease of (24.77%). The same was majorly on account of less consumption of Stores and Spares; and also lesser Power and Fuel consumption due to reduced Operations because of COVID 19.

Tax Expense

Tax expense comprises of current tax and deferred tax. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with applicable tax rates and the provisions of applicable tax laws. Deferred tax liability or credit is recognized based on the difference between taxable profit and book profit due to the effect of timing differences and treatment of expenses.

Cashflows

The table below summarizes our Cashflows for FY 2020 - 21 and FY 2019-20:

(Rs. Lakhs)

Particulars	FY 2020-21	FY 2019-20
Net cash generated from Operating activities	(255.13)	3,937.51
Net cash (used in) / generated from Investing activities	(453.97)	(1,143.57)
Net cash (used in) / generated from Financing activities	1,048.91	(2,795.49)
Net cashflow during the year	**339.81**	**(1.54)**

Borrowing

As on March 31, 2021, we had long term borrowings of Rs. 15,368.69 Lakhs and short term borrowings of Rs. 13,883.71 Lakhs. As on March 31, 2020 we had long term borrowings of Rs. 12,691.24 Lakhs and short term borrowings of Rs. 15,627.53 Lakhs.

Our Business Segments:

Our Business Segments majorly includes Spinning, Weaving, Dyeing, Solar Power and Power. However, Solar Power is used for internal consumption only and is not sold. Our Segment wise revenue for FY 2020-21 and FY 2019-20 including inter segment revenue is given below:

(Rs. Lakhs)

Segment	Revenue for FY 2020-21	Revenue for FY 2019-20
Spinning	14,851.19	19,836.24
Weaving	10,194.75	16,146.42
Dyeing	1,386.05	4,303.20
Power	215.47	284.42
Solar Power	93.06	-

Seasonality of our Business

Cultivation of cotton/kapas, which is our major raw material, is started in July every year with onset of monsoon, Cotton packing from the fields start in November and continues till February. Best quality kapas is procured in the months of November - March only. 80% of the entire cotton procurement completes by March every year. Therefore, most of the raw material is procured in the months of November to March. Further, our business may see increase during the festive periods and various seasons across the globe.

Significant dependence on a Single or Few Suppliers or Customers

We source Kapas and Cotton Bales, our major raw material, directly from farmers and as such are not dependent on a single or few suppliers.

Related Party Transactions

For details of Related Party Transactions, please refer to Chapter on "*Financial Statements*" on Page 57 of this Letter of Offer.

Summary of Changes to Significant Accounting Policies

For details of changes to Significant Accounting Policies of our Company, if any, please refer to Chapter on "*Financial Statements*" on Page 57 of this Letter of Offer.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Our Company is subject to various legal proceedings from time to time. Except as disclosed below, there are no outstanding litigation with respect to (i) issues of moral turpitude or criminal liability on the part of our Company; (ii) "material" violations of statutory regulations by our Company; (iii) economic offences where proceedings have been initiated against our Company;(iv) any pending matters, which if they result in an adverse outcome, would materially and adversely affect our operations or our financial position. For the purpose of determining the materiality, our Company has formulated a Materiality Policy which was passed by the Board of Directors of our Company on November 09, 2021, stating that only those Outstanding Litigations' may be considered material, if the amount involved in such outstanding litigations exceeds 1% of the Revenue of the Company as per audited financial statements for financial year 2020-21. As such, we have considered those pending litigations as material if the amount involved in such litigation exceeds Rs. 242.27 Lakhs.

All terms defined in a particular litigation are for that particular litigation only.

LITIGATIONS AGAINST THE COMPANY

Type	Name of the Parties	Case Number/ Court/ Authority	Brief Facts of the Case	Amount Involved (In Rs.)	Present Status
Civil Case	M/s Money Market Services India Pvt. Ltd. V/s Kallam Textiles Ltd	O.S 41 of 2018 in the Court of Additional City Civil Court, Secunderabad	The Suit is filed by M/s Money Market Services India Pvt. Ltd. against our Company and Others for a declaration that the plaintiff is entitled to shares set out in schedule A-1 & 2 of the plaint and to pass consequent order of Mandatory injunction against Defendant- 1 i.e., Kallam Spinning Mills Limited, not to transfer any of the Share certificates in respect of shares set out in 1 to 9 of Schedule A 1 owned by Defendant- 46 and 54 and to issue duplicate share certificate in favour of plaintiff etc. The contention is that the Suit is not Maintainable and the plaintiff is put to strict proof about his right to claim relief as prayed in the suit. Our Company has No Objection to act as per direction of the court	Not Applicable. However, 4128 equity shares of our Company are involved in the case.	The case stand posted on June 17, 2022 for pending call with Interim Applications and order.

LABOUR CASES

- A lady worker, Ms. Vasimalla Samadanam, suffered an injury to her hand in the course of her duties out of employment. She filed a case before Commissioner for Employees Compensation and Deputy Commissioner of Labour, Guntur (WC Case No. 08/2019) under Indian Worksmen's Compensation act, 1923 (WC Act) claimimg the compensation against our Company and insurance company, The New India Assurance Company Limited.

Company covered the risk under WC Act with insurance company. The amount of compensation is yet to be decided. The amount of compensation ordered by the Court shall be payable by Insurance Company. The Liability of our Company is Nil.

LITIGATIONS BY THE COMPANY

Type	Name of the Parties	Case Number/ Court/ Authority	Brief Facts of the Case	Amount Involved (In Rs.)	Present Status
Civil Case	Small Hydro Power Developers Association (for which Kallam Textiles Ltd. is one of the member) V/s A.P. Transco, presently known as T S Transco	Civil Appeal No. 1376-1385 of 2013 CA 10448/2014 in Supreme Court	Based upon the undertaking given by A.P. Transco to purchase the Power generated at Hydro Electric Power Projects @ Rs. 2.25/Unit with escalation of 5% every year with 1994-95 as base year and to be revised 1st April at every year up to 2003-2004, our Company has commissioned Power projects at Three places in the state. However, A.P Transco did not adhere to the aforementioned. The Small Hydro power Developers Association filed a case in High Court and was provided some relief but AP Transco preferred appeal to Hon'able Supreme Court. Hon'able Supreme Court directed the case to Hon'able Appellate Tribunal of the electricity, New Delhi. The Hon'able Appellate Tribunal partly allowed the appeal preferred by the Association. The Tribunal fixed the parameters and directed the A.P. Electricity regulatory Commission to fix tariff to be payable to Non-Conventional Energy developers for the Period from 2004 to 2009 and further directed to pay the difference of the amount together with interest @ 12% p.a with quarterly rests. Accordingly, the A.P. Electricity Regulatory Commission fixed a Tariff and A.P.Transco paid the differential amount between the old and revised tariff. Accordingly, the amount to be paid alongwith interest was calculated around	About 50,00,000	The rate of interest payable to our Company on principal amount paid by AP Transco is subject matter which is pending before Supreme Court.

			Rs. 110 Lakhs out of which the Principal was paid by AP Transco. However A.P. Transco preferred appeal before the Hon'able Supreme Court questioning the validity of granting of interest @ 12% p.a with quarterly rests and the same is pending disposal before the Hon'able Supreme Court.		

Tax Related Matters

Tax proceedings involving our Company

Nature of tax involved	Number of cases outstanding	Amount involved in such proceedings *(Rs. in Lakh)*
Direct Tax (A)		
Income Tax	1	67.85

MATERIAL DEVELOPMENTS SINCE DATE OF LAST AUDITED FINANCIALS, I.E, MARCH 31, 2021

For details, please refer to the chapter titled "Management's Discussion and Analysis of Financial Position and Results of Operations" on page 109 of this Letter of Offer.

GOVERNMENT AND OTHER APPROVALS

Our Company has obtained necessary consents, licenses, permissions and approvals from governmental and regulatory authorities that are material for carrying on our present business activities. Some of the approvals and licenses that our Company requires for our business operations may expire in the ordinary course of business, and our Company will apply for their renewal from time to time.

The Board of our Company has, pursuant to resolutions passed at its meeting held on November 09, 2021 authorized the Rights Issue. We are not required to obtain any licenses or approvals from any government or regulatory authority in relation to the objects of this Issue.

OTHER REGULATORY AND STATUTORY INFORMATION

Authority for the Issue

The Issue has been authorized by our Board by a resolution passed at its meeting held on November 09, 2021 pursuant to Section 62 of the Companies Act, 2013.

The Issue Price of Rs. 10/- per Rights Equity Share and the Rights Entitlement of 7 (Seven) Rights Equity Share for every 30 (Thirty) fully paid-up Equity Shares held on the Record Date, i.e. June 03, 2022 has been determined by the Board in its meeting held on May 27, 2022. The Issue Price has been arrived at in consultation with the Lead Manager.

Our Company has received in-principle approvals from the BSE under Regulation 28 of the SEBI LODR Regulations, 2015 for listing of the Rights Equity Shares to be allotted in the Issue pursuant to its letter DCS/RIGHT/CP/FIP/2138/2022-23 dated April 22, 2022.

Our Company will also make application to BSE to obtain its trading approval for the Rights Entitlements as required under the SEBI Rights Issue Circulars.

Prohibition by RBI, SEBI or other governmental authorities

Our Company, Promoters, members of Promoter Group and directors, have not been or are not prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of the Directors is associated with the Securities Market in any manner except buying or selling of stocks in normal circumstances. There is no outstanding action initiated by SEBI against any of our Directors.

None of the companies with which our Promoter or our directors are associated as promoter or directors have been debarred from accessing the capital market under any order or direction passed by SEBI or any other regulatory or governmental authority.

None of our Company, Promoter or director has been identified as wilful Defaulters by the RBI. None of our Directors are associated with the securities market in any manner. Neither our Promoter nor our directors are declared as Fugitive Economic Offenders.

None of our Directors hold current or have held directorship(s) in the last five years in a listed company whose shares have been or were suspended from trading on any Stock Exchange or in a listed company which has been / was delisted from any stock exchange.

We confirm that there are no proceedings initiated by SEBI, Stock Exchange or ROC, etc. on our Company/Promoters/Directors/Group Companies.

Eligibility for the Issue

The Equity Shares of our Company are presently listed on the BSE. Our Company undertakes to make an application to the Stock Exchange for listing of the Rights Equity Shares to be issued pursuant to this Issue.

Compliance with Regulation 61 and 62 of the SEBI ICDR Regulations

Our Company is in compliance with requirements of Regulation 61 and 62 of the SEBI ICDR Regulations to the extent applicable. Further, in relation to compliance with Regulation 62(1)(a) of the SEBI ICDR Regulations, our Company undertakes to make an application to stock exchange for listing of the Rights Equity Shares to be issued pursuant to the Issue.

Compliance with Part B of Schedule VI of SEBI Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations as explained below:

- Our Company has been filing periodic reports, statements and information in compliance with the Listing Agreement or the SEBI Listing Regulations, as applicable for the last one year immediately preceding the date of filing of the Letter of Offer with the SEBI and until date.
- The reports, statements and information referred to above are available on the websites of stock exchange.
- Our Company has an investor grievance-handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of power by our Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

As our Company satisfies the conditions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations, disclosures in this Letter of Offer have been made in terms of Clause (4) of Part B of Schedule VI of SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

This Letter of Offer is being filed with SEBI in terms of SEBI ICDR Regulations for dissemination purpose only.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of the Issue will be BSE.

Disclaimer Clause of the BSE

"BSE Limited ("the Exchange") has given vide its letter dated April 22, 2022, permission to this Company to use the Exchange's name in this Letter of Offer as the stock exchange on which this Company's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- Warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever."

Disclaimer clauses from our Company and the Lead Manager

Our company and the lead manager accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or any other material issued by or at the instance of our company and that anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the issue will be deemed to have been represented by our Company and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire equity shares of our company, and are relying on independent advice / evaluation as to their ability and quantum of investment in this issue.

Caution

Our Company and the Lead Manager shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with BSE.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Letter of Offer. You must not rely on any unauthorized information or representations. This Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. Except mentioned otherwise, the information contained in this Letter of Offer is current only as of its date.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Guntur, Andhra Pradesh only.

Filing

The Draft Letter of Offer was filed with BSE at Listing Operations, PJ Towers, Dalal Street, Fort, Mumbai – 400 001 for its observations. BSE vide its letter DCS/RIGHT/CP/FIP/2138/2022-23 dated April 22, 2022 issued its in-principle approval and the Letter of Offer has been filed with BSE, the Designated Stock Exchange. The Letter of Offer has been simultaneously filed with SEBI for its information as per the provisions of the SEBI ICDR Regulations.

Listing

The existing Equity Shares are listed on the BSE. The Equity Shares to be issued through the Letter of Offer are proposed to be listed on the BSE. We have received in-principle approval from the BSE vide its letter DCS/RIGHT/CP/FIP/2138/2022-23 dated April 22, 2022 in respect of the Equity Shares being offered in terms of the Issue. The application for obtaining permission for listing and trading of the Equity Shares will be made to the BSE, the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the securities is not granted by the Stock Exchange mentioned above, we shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer.

We will issue and dispatch Allotment advice / demat credit and / or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date.

In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Consents

Consents in writing of the Promoter, Directors, Compliance Officer, Lead Manager to the Issue, Legal Counsel, Registrar to the Issue, Bankers to the Company, Statutory Auditors and Banker to the Issue to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of the Letter of Offer.

Expert opinion

Except for (i) the reports of the Statutory Auditors on the audited Financial Information and Limited Review Report, and (ii) the Statement of Tax Benefits available to our Company and its Shareholders included in this Letter of Offer, we have not obtained any expert opinions.

Investor Grievances and Redressal System

We have adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Regulations. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI Circular no. CIR/OIAE/2/2011 dated June 3, 2011. Consequently, investor grievances are tracked online by our Company.

Our Company's investor grievances arising out of the Issue will be handled by Bigshare Services Pvt Ltd, the Registrar to the Issue. The Registrar to the Issue will have a separate team of Personnel handling only post – Issue correspondence. All the pre-issue /post-issue grievances relating to the Issue may be addressed to our Company or Registrar. The average time taken for attending to routine grievances will be 7 to 10 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavor of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the investor grievances in a time bound manner.

Bigshare Services Private Limited
SEBI Regn. No.: INR000001385
Office No. S6-2, 6th Floor, Pinnacle Business Park,
Next to Ahura Centre, Mahakali Caves Road,
Andheri (East), Mumbai – 400 093, Maharashtra
Tel.: +91 22 6263 8200/22
Fax: +91 22 6263 8299
E-mail: rightsissue@bigshareonline.com
Investor Grievance e-mail id: investor@bigshareonline.com
Website: www.bigshareonline.com
Contact Person: Vijay Surana

Mr. Golagani Ramesh Kumar
Compliance Officer & Company Secretary
Kallam Textiles Limited
N.H 5, Chowdavaram,
Guntur, Andhra Pradesh – 522 019
Tel. No.: + 91 863 2344016
Fax No.: + 91 863 2344000
E-mail: corp@ksml.in

Our Board has constituted the Stakeholders Relationship Committee. This committee currently comprises of 3 members, namely Mrs. Vangala Bhargavi, Mr. Gurram Venkata Krishna Reddy and Mr. Movva Venkata Subba Reddy. Our Stakeholders Relationship Committee oversees the reports received from the registrar and transfer agent and facilitates the prompt and effective resolution of complaints from our shareholders and investors.

SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

This section is for the information of the Eligible Investors proposing to apply in this Issue. The Eligible Investors should carefully read the provisions contained in the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form, before submitting the Application Form. Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors are advised to make their independent investigation and ensure that the Application Form is accurately filled up in accordance with instructions provided therein and the Letter of Offer. Unless otherwise permitted under the SEBI ICDR Regulations read with the SEBI Relaxation Circulars, the Investors proposing to apply in this Issue can apply only through ASBA as disclosed in the Letter of Offer.

*Please note that in accordance with the provisions of the SEBI Circular SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020 ("**SEBI – Rights Issue Circular**"), all investors (including renouncees) shall make an application for a rights issue only through ASBA facility.*

OVERVIEW

This Issue is proposed to be undertaken on a rights basis and is subject to the terms and conditions contained in the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association of our Company, the provisions of the Companies Act, 2013, the FEMA, the FEMA Rules, the SEBI ICDR Regulations, the SEBI Listing Regulations and the guidelines, notifications, circulars and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, approvals, if any, from RBI or other regulatory authorities, the terms of the Listing Agreements entered into by our Company with BSE and the terms and conditions as stipulated in the Allotment Advice.

DISPATCH AND AVAILABILITY OF ISSUE MATERIALS

In accordance with the SEBI ICDR Regulations and the SEBI Relaxation Circulars, the Letter of Offer, Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided their email address and / or Indian address and are located in jurisdictions where the offer and sale of the Rights Entitlement or Rights Equity Shares is permitted under laws of such jurisdiction and does not result in and may not be construed as, a public offering in such jurisdictions.

Further, the Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided their email address and/or Indian address and who have made a request in this regard, on a reasonable effort basis.

Investors can access the Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Equity Shares under applicable laws) on the websites of:

(i) Our Company at http://ksml.in/ ;
(ii) The Registrar at www.bigshareonline.com. ;
(iii) The Lead Manager at https://www.smccapitals.com ;and
(iv) The Stock Exchange at www.bseindia.com ;

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e;* www.bigshareonline.com) by entering their DP ID and Client ID or Folio Number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company (*i.e*, http://ksml.in/).

Please note that neither our Company nor the Registrar nor the Lead Manager shall be responsible for non-dispatch of physical copies of Issue materials, including the Letter of Offer, the Abridged Letter of Offer, the

Rights Entitlement Letter and the Application Form or delay in the receipt of the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form attributable to non-availability of the e-mail addresses of Eligible Equity Shareholders or electronic transmission delays or failures, or if the Application Forms or the Rights Entitlement Letters are delayed or misplaced in the transit.

The distribution of this Letter of Offer, Abridged Letter of Offer, the Rights Entitlement Letter and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. No action has been, or will be, taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Letter of Offer is being filed with BSE and SEBI. Accordingly, the Rights Entitlements and Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form or any Issue related materials or advertisements in connection with this Issue may not be distributed, in any jurisdiction, except in accordance with and as permitted under the legal requirements applicable in such jurisdiction. Receipt of the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form must be treated as sent for information only and should not be acted upon for making an Application and should not be copied or re-distributed.

Accordingly, persons receiving a copy of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form should not, in connection with the issue of the Rights Equity Shares or the Rights Entitlements, distribute or send the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form in or into any jurisdiction where to do so, would, or might, contravene local securities laws or regulations or would subject our Company or its affiliates or the Lead Manager or their respective affiliates to any filing or registration requirement (other than in India). If this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to make an Application or acquire the Rights Entitlements referred to in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form. Any person who makes an application to acquire Rights Entitlements and the Equity Shares offered in the Issue will be deemed to have declared, represented and warranted that such person is authorized to acquire the Rights Entitlements and the Equity Shares in compliance with all applicable laws and regulations prevailing in such person's jurisdiction and India, without requirement for our Company or our affiliates or the Lead Manager or their respective affiliates to make any filing or registration (other than in India).

PROCESS OF MAKING AN APPLICATION IN THE ISSUE

In accordance with Regulation 76 of the SEBI ICDR Regulations, the SEBI Rights Issue Circulars and the ASBA Circulars, all Investors desiring to make an Application in this Issue are mandatorily required to use ASBA process. Investors should carefully read the provisions applicable to such Applications before making their Application through ASBA.

The Application Form can be used by the Eligible Equity Shareholders as well as the Renouncees, to make Applications in this Issue basis the Rights Entitlement credited in their respective demat accounts or demat suspense escrow account, as applicable. For further details on the Rights Entitlements and demat suspense escrow account, see "*Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*" on Page 134 of this Letter of Offer.

Please note that one single Application Form shall be used by Investors to make Applications for all Rights Entitlements available in a particular demat account or entire respective portion of the Rights Entitlements in the demat suspense escrow account in case of resident Eligible Equity Shareholders holding shares in physical form as on Record Date and applying in this Issue, as applicable. In case of Investors who have provided details of demat account in accordance with the SEBI ICDR Regulations, such Investors will have to apply for the Equity Shares from the same demat account in which they are holding the Rights Entitlements and in case of multiple demat accounts, the Investors are required to submit a separate Application Form for each demat account.

Investors may apply for the Rights Equity Shares by submitting the Application Form to the Designated Branch of the SCSB or online/electronic Application through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors are also advised to ensure that the Application Form is correctly filled up stating therein the ASBA Account (in case of Application through ASBA process) in which an amount equivalent to the amount payable on Application as stated in the Application Form will be blocked by the SCSB.

Applicants should note that they should very carefully fill-in their depository account details and PAN in the Application Form or while submitting application through online/electronic Application through the website of the SCSBs (if made available by such SCSB). Please note that incorrect depository account details or PAN or Application Forms without depository account details shall be treated as incomplete and shall be rejected. For details see "*Grounds for Technical Rejection*" given on page 130 of this Letter of Offer. Our Company, the Lead Manager, the Registrar and the SCSBs shall not be liable for any incomplete or incorrect demat details provided by the Applicants.

Additionally, in terms of Regulation 78 of the SEBI ICDR Regulations, Investors may choose to accept the offer to participate in this Issue by making plain paper Applications. Please note that SCSBs shall accept such applications only if all details required for making the application as per the SEBI ICDR Regulations are specified in the plain paper application and that Eligible Equity Shareholders making an application in this Issue by way of plain paper applications shall not be permitted to renounce any portion of their Rights Entitlements. For details, see "- *Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" given on page 126 of this Letter of Offer.

Options available to the Eligible Equity Shareholders

The Rights Entitlement Letter will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to.

If the Eligible Equity Shareholder applies in this Issue, then such Eligible Equity Shareholder can:

a) apply for its Rights Equity Shares to the full extent of its Rights Entitlements; or
b) apply for its Rights Equity Shares to the extent of part of its Rights Entitlements (without renouncing the other part); or
c) apply for Rights Equity Shares to the extent of part of its Rights Entitlements and renounce the other part of its Rights Entitlements; or
d) apply for its Rights Equity Shares to the full extent of its Rights Entitlements and apply for additional Rights Equity Shares; or
e) renounce its Rights Entitlements in full.

Making of an Application through the ASBA process

Investors wishing to participate in this Issue (i.e, through the ASBA facility) are required to have an ASBA enabled bank account with an SCSB, prior to making the Application. Investors desiring to make an Application in this Issue through ASBA process, may submit the Application Form in physical mode to the Designated Branches of the SCSB or online/ electronic Application through the website of the SCSBs (if made available by such SCSB) for authorizing such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors should ensure that they have correctly submitted the Application Form and have provided an authorisation to the SCSB, *via* the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Money mentioned in the Application Form, as the case may be, at the time of submission of the Application.

For the list of banks which have been notified by SEBI to act as SCSBs for the ASBA process, please refer to https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34.

Please note that subject to SCSBs complying with the requirements of the SEBI circular bearing reference number CIR/CFD/DIL/13/2012 dated September 25, 2012, within the periods stipulated therein, Applications may be submitted at the Designated Branches of the SCSBs. Further, in terms of the SEBI circular bearing reference number

CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making Applications by SCSBs on their own account using ASBA facility, each such SCSB should have a separate account in its own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making an Application in this Issue and clear demarcated funds should be available in such account for such an Application.

The Lead Manager, our Company, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc., in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts.

Do's for Investors applying through ASBA:

(a) Ensure that the necessary details are filled in the Application Form including the details of the ASBA Account.
(b) Ensure that the details about your Depository Participant, PAN and beneficiary account are correct and the beneficiary account is activated as the Rights Equity Shares will be allotted in the dematerialized form only.
(c) Ensure that the Applications are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application.
(d) Ensure that there are sufficient funds (equal to {number of Rights Equity Shares (including additional Rights Equity Shares) applied for} X {Application Money of Rights Equity Shares}) available in ASBA Account mentioned in the Application Form before submitting the Application to the respective Designated Branch of the SCSB.
(e) Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the Application Form, in the ASBA Account, of which details are provided in the Application Form and have signed the same.
(f) Ensure that you have a bank account with an SCSB providing ASBA facility in your location and the Application is made through that SCSB providing ASBA facility in such location.
(g) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the Application Form in physical form or plain paper Application.
(h) Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Formand the Rights Entitlement Letter.
(i) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated February 13, 2020 read with press release dated June 25, 2021 and September 17, 2021.

Don'ts for Investors applying through *ASBA:*

(a) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
(b) Do not submit the Application Form after you have submitted a plain paper Application to a Designated Branch of the SCSB or *vice versa*.
(c) Do not send your physical Application to the Lead Manager, the Registrar, the Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not an SCSB), a branch of the SCSB which is not a Designated Branch of the SCSB or our Company; instead submit the same to a Designated Branch of the SCSB only.
(d) Do not instruct the SCSBs to unblock the funds blocked under the ASBA process upon making the Application.
(e) Do not submit Application Form using third party ASBA account.

Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process

An Eligible Equity Shareholder in India who is eligible to apply under the ASBA process may make an Application to subscribe to this Issue on plain paper in case of non-receipt of Application Form as detailed above. In such cases of non-receipt of the Application Form through e-mail or physical delivery (where applicable) and the Eligible Equity Shareholder not being in a position to obtain it from any other source may make an Application to subscribe to this Issue on plain paper with the same details as per the Application Form that is available on the website of the Registrar, Stock Exchange(s) or the Lead Manager. An Eligible Equity Shareholder shall submit the plain paper Application to the Designated Branch of the SCSB for authorising such SCSB to block Application Money in the said bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any Eligible Equity Shareholder who has not provided an Indian address or is a U.S. Person or in the United States.

Please note that the Eligible Equity Shareholders who are making the Application on plain paper shall not be entitled to renounce their Rights Entitlements and should not utilize the Application Form for any purpose including renunciation even if it is received subsequently.

The Application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with his/her bank, must reach the office of the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

a) Name of our Company, being Kallam Textiles Limited;
b) Name and address of the Eligible Equity Shareholder including joint holders (in the same order and as per specimen recorded with our Company or the Depository);
c) Folio Number (in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date)/DP and Client ID;
d) Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights EquityShares applied for pursuant to this Issue
e) Number of Equity Shares held as on Record Date;
f) Allotment option – only dematerialised form;
g) Number of Rights Equity Shares entitled to;
h) Number of Rights Equity Shares applied for within the Rights Entitlements;
i) Number of additional Rights Equity Shares applied for, if any (applicable only if entire Rights Entitlements have been applied for);
j) Total number of Rights Equity Shares applied for;
k) Total amount paid at the rate of ₹ 10/- per Equity Share;
l) Details of the ASBA Account such as the SCSB account number, name, address and branch of the relevant SCSB;
m) In case of non-resident Eligible Equity Shareholders making an application with an Indian address, details of the NRE/FCNR/NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
n) Authorisation to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account;
o) Signature of the Eligible Equity Shareholder (in case of joint holders, to appear in the same sequence and order as they appear in the records of the SCSB); and
p) All such Eligible Equity Shareholders are deemed to have accepted the following:

"*I/ We will not offer, sell or otherwise transfer any of the Rights Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for Shareholders in investments of the type subscribed for herein imposed by the jurisdiction of our residence.*

I/ We understand and agree that the Rights Entitlement and Rights Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/ We (i) am/ are, and the person, if any, for whose account I/ we am/ are acquiring such Rights Entitlement and/ or the Rights Equity Shares is/ are, outside the U.S., (ii) am/ are not a "U.S. Person" as defined in ("Regulation S"), and (iii) is/ are acquiring the Rights Entitlement and/ or the Rights Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/ We acknowledge that the Company, the Lead Manager, its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements. "

In cases where Multiple Application Forms are submitted for Applications pertaining to Rights Entitlements credited to the same demat account or in demat suspense escrow account, as applicable, including cases where Investors submit Application Forms along with a plain paper Application, such Applications shall be liable to be rejected.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an Application being rejected, with our Company, the Lead Manager and the Registrar not having any liability to the Investors. The plain paper Application format will be available on the website of the Registrar at www.bigshareonline.com.

Our Company, the Lead Manager and the Registrar shall not be responsible if the Applications are not uploaded by the SCSB or funds are not blocked in the Investors' ASBA Accounts on or before the Issue Closing Date.

Making of an Application by Eligible Equity Shareholders holding Equity Shares in physical form

Eligible Equity Shareholders holding Shares in Physical Form shall be required to provide their Demat Account details to Registrar to the Issue / Company for Credit of Rights Entitlement not later than two working days prior to the issue closing date, such that credit of rights entitlement in their demat account takes place at least one day before the issue closing date. This is to ensure that applications made by the Shareholders are not rejected due to non-availability of Rights Entitlement in their Demat account, as on issue closing date.

Prior to the Issue Opening Date, the Rights Entitlements of those Eligible Equity Shareholders, among others, who hold Equity Shares in physical form, and whose demat account details are not available with our Company or the Registrar, shall be credited in a demat suspense escrow account opened by our Company.

Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have opened their demat accounts after the Record Date, shall adhere to following procedure for participating in this Issue:

a) The Eligible Equity Shareholders shall send a letter to the Registrar containing the name(s), address, e-mail address, contact details and the details of their demat account along with copy of self-attested PAN and self-attested client master sheet of their demat account either by e- mail, post, speed post, courier, or hand delivery so as to reach to the Registrar no later than two Working Days prior to the Issue Closing Date;

b) The Registrar shall, after verifying the details of such demat account, transfer the Rights Entitlements of such Eligible Equity Shareholders to their demat accounts at least one day before the Issue Closing Date;

c) The remaining procedure for Application shall be same as set out in "*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" mentioned on Page 126 of this Letter of Offer.

Resident Eligible Equity Shareholders who hold Equity Shares in physical form as on the Record Date will not be allowed renounce their Rights Entitlements in the Issue. However, such Eligible Equity Shareholders, where the dematerialized Rights Entitlements are transferred from the suspense escrow demat account to the respective demat accounts within prescribed timelines, can apply for additional Rights Equity Shares while submitting the Application through ASBA process.

Application for Additional Equity Shares

Investors are eligible to apply for additional Equity Shares over and above their Rights Entitlements, provided that they are eligible to apply for Equity Shares under applicable law and they have applied for all the Equity Shares forming part of their Rights Entitlements without renouncing them in whole or in part. Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made as per the Basis of Allotment finalised in consultation with the Designated Stock Exchange. Applications for additional Equity Shares shall be considered and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner as set out in "*Basis of Allotment*" mentioned on Page 142 of this Letter of Offer.

Eligible Equity Shareholders who renounce their Rights Entitlements cannot apply for Additional Rights Equity Shares. Non-resident Renouncees who are not Eligible Equity Shareholders cannot apply for Additional Rights Equity Shares.

Additional general instructions for Investors in relation to making of an Application

(a) Please read the Letter of Offer carefully to understand the Application process and applicable settlement process.

(b) Please read the instructions on the Application Form sent to you. Application should be complete in all

respects. The Application Form found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form are liable to be rejected. The Application Form must be filled in English.

(c) In case of non-receipt of Application Form, Application can be made on plain paper mentioning all necessary details as mentioned under the section entitled "Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process" on page 126.

(d) Applications should be submitted to the Designated Branch of the SCSB or made online/electronic through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts, Please note that on the Issue Closing Date, Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchange(s).

(e) Applications should not be submitted to the Bankers to the Issue or Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not an SCSB), our Company or the Registrar or the Lead Managers.

(f) All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention their PAN allotted under the Income-tax Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, Applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for credit" and no Allotment and credit of Rights Equity Shares pursuant to this Issue shall be made into the accounts of such Investors.

(g) Ensure that the demographic details such as address, PAN, DP ID, Client ID, bank account details and occupation ("Demographic Details") are updated, true and correct, in all respects. Investors applying under this Issue should note that on the basis of name of the Investors, DP ID and Client ID provided by them in the Application Form or the plain paper Applications, as the case may be, the Registrar will obtain Demographic Details from the Depository. Therefore, Investors applying under this Issue should carefully fill in their Depository Account details in the Application. These Demographic Details would be used for all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor and/or refund. The Demographic Details given by the Investors in the Application Form would not be used for any other purposes by the Registrar. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants. **The Allotment Advice and the intimation on unblocking of ASBA Account or refund (if any) would be mailed to the address of the Investor as per the Indian address provided to our Company or the Registrar or Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Equity Shares are not Allotted to such Investor. Please note that any such delay shall be at the sole risk of the Investors and none of our Company, the SCSBs, Registrar or the Lead Managers shall be liable to compensate the Investor for any losses caused due to any such delay or be liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that match three parameters, (a) names of the Investors (including the order of names of joint holders), (b) DP ID, and (c) Client ID, then such Application Forms are liable to be rejected.**

(h) By signing the Application Forms, Investors would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Detailsas available on its records.

(i) For physical Applications through ASBA at Designated Branches of SCSB, signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in any such language or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the Application as per the specimen signature recorded with the SCSB.

(j) Investors should provide correct DP ID and Client ID/ Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) while submitting the Application. Such DP ID and Client ID/ Folio number should match the demat account details in the records available with Company and/or Registrar, failing which such Application is liable to be rejected. Investor will be solely responsible for any error or inaccurate detail provided in the Application. Our Company, the Lead Managers, SCSBs or the Registrar will not be liable for any such rejections.

(k) In case of joint holders and physical Applications through ASBA process, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the SCSB. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.

(l) All communication in connection with Application for the Rights Equity Shares, including any change in contact details of the Eligible Equity Shareholders should be addressed to the Registrar prior to the date of Allotment in this Issue quoting the name of the first/sole Applicant, Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date)/DP ID and Client ID and Application Form number, as applicable. In case of any change in contact details of the Eligible Equity Shareholders, the Eligible Equity Shareholders should also send the intimation for such change to the respective depository participant, or to our Company or the Registrar in case of Eligible Equity Shareholders holding Equity Shares in physical form.

(m) Investors are required to ensure that the number of Rights Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

(n) Do not apply if you are ineligible to participate in this Issue under the securities laws applicable to your jurisdiction.

(o) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.

(p) Avoid applying on the Issue Closing Date due to risk of delay/ restrictions in making any physical Application.

(q) Do not pay the Application Money in cash, by money order, pay order or postal order.

(r) Do not submit multiple Applications.

(s) Investors are required to ensure that the number of Rights Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

(t) An Applicant being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as an incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

(u) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated Feb 13, 2020 read with press release dated June 25, 2021 and September 17, 2021.

Grounds for Technical Rejection

Applications made in this Issue are liable to be rejected on the following grounds:

(a) DP ID and Client ID mentioned in Application does not match with the DP ID and Client ID records available with the Registrar.

(b) Details of PAN mentioned in the Application does not match with the PAN records available with the Registrar.

(c) Sending an Application to our Company, the Lead Manager, Registrar, Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not a SCSB), to a branch of a SCSB which is not a Designated Branch of

the SCSB.

(d) Insufficient funds are available in the ASBA Account with the SCSB for blocking the Application Money.

(e) Funds in the ASBA Account whose details are mentioned in the Application Form having been frozen pursuant to regulatory orders.

(f) Account holder not signing the Application or declaration mentioned therein.

(g) Submission of more than one Application Form for Rights Entitlements available in a particular demat account.

(h) Multiple Application Forms, including cases where an Investor submits Application Forms along with a plain paper Application.

(i) Submitting the GIR number instead of the PAN (except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts).

(j) Applications by persons not competent to contract under the Indian Contract Act, 1872, except Applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.

(k) Applications by SCSB on own account, other than through an ASBA Account in its own name with any other SCSB.

(l) Application Forms which are not submitted by the Investors within the time periods prescribed in the Application Form and the Letter of Offer.

(m) Physical Application Forms not duly signed by the sole or joint Investors, as applicable.

(n) Application Forms accompanied by stock invest, outstation cheques, post-dated cheques, money order, postal order or outstation demand drafts.

(o) If an Investor is (a) debarred by SEBI; or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor tosubscribe to their Rights Entitlements.

(p) Applications which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from jurisdictions where the offer and sale of the Rights Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is outside the United States, and is eligible to subscribe for the Rights Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; and our Company shall not be bound to issue or allot any Rights Equity Shares in respect of any such Application Form.

(q) Applications which have evidence of being executed or made in contravention of applicable securities laws.

(r) Application from Investors that are residing in U.S. address as per the depository records.

(s) Payment from any third party Bank Account.

Multiple Applications

In case where multiple Applications are made using same demat account, such Applications shall be liable to be rejected. A separate Application can be made in respect of Rights Entitlements in each demat account of the Investors and such Applications shall not be treated as multiple applications. Similarly, a separate Application can be made against Equity Shares held in dematerialized form and Equity Shares held in physical form, and such Applications shall not be treated as multiple applications. Further supplementary Applications in relation to further Rights Equity Shares with/without using Additional Rights Entitlement will not be treated as multiple application. A separate Application can be made in respect of each scheme of a mutual fund registered with SEBI and such Applications shall not be treated as multiple applications. For details, please see the section entitled "- *Procedure for Applications by Mutual Funds*" on page 133 of this Letter of Offer.

In cases where Multiple Application Forms are submitted, including cases where (a) an Investor submits Application Forms along with a plain paper Application or (b) multiple plain paper Applications (c) or multiple applications on ASBA, such Applications shall be treated as multiple applications and are liable to be rejected, other than multiple applications submitted by any of our Promoter or members of the Promoter Group to meet the minimum subscription requirements applicable to this Issue as described in the section entitled "*Capital Structure* " on page 31 of this Letter of Offer.

Procedure for Applications by certain categories of Investors

Procedure for Applications by FPIs

In terms of applicable FEMA Rules and the SEBI FPI Regulations, investments by FPIs in the Equity Shares is subject to certain limits, *i.e.*, the individual holding of an FPI (including its investor group (which means multiple entities registered as foreign portfolio investors and directly and indirectly having common ownership of more than 50% of common control)) shall be below 10% of our post-Issue Equity Share capital. In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants that may be issued by our Company, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and RBI in this regard and our Company and the investor will also be required to comply with applicable reporting requirements. Further, the aggregate limit of all FPIs investments is up to the sectoral cap applicable to the sectorin which our Company operates

FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. FPIs who wish to participate in the Issue are advised to use the Application Form for non-residents. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons registered as Category I FPI under the SEBI FPI Regulations; (ii) such offshore derivative instruments are issued only to persons who are eligible for registration as Category I FPIs (where an entity has an investment manager who is from the Financial Action Task Force member country, the investment manager shall not be required to be registered as a Category I FPI); (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iii) compliance with other conditions as may be prescribed by SEBI.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by or on its behalf, is carried out subject to inter alia the following conditions:

(a) such offshore derivative instruments are transferred only to persons in accordance with the SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre – approved by the FPI.

No investment under the FDI route will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval.

Procedure for Applications by AIFs, FVCIs, VCFs and FDI route

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this

Issue. Further, venture capital funds registered as Category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.

No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Managers and our Company will not be responsible for any allotments made by relying on such approvals.

Procedure for Applications by NRIs

Investments by NRIs are governed by the FEMA Rules. Applications will not be accepted from NRIs that are ineligible to participate in this Issue under applicable securities laws.

As per the FEMA Rules, an NRI or Overseas Citizen of India ("OCI") may purchase or sell capital instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the conditions, inter alia, that the total holding by any individual NRI or OCI will not exceed 5% of the total paid- up equity capital on a fully diluted basis or should not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together will not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrants. The aggregate ceiling of 10% may be raised to 24%, if a special resolution to that effect is passed by the general body of the Indian company.

Further, in accordance with press note 3 of 2020, the FDI Policy has been amended to state that all investments by entities incorporate in a country which shares land border with India or where beneficial owner of an investment into India is situated in or is a citizen of any such country ("Restricted Investors"), will require prior approval of the Government of India. It is not clear from the press note whether or not an issue of the Rights Equity Shares to Restricted Investors will also require prior approval of the Government of India and each Investor should seek independent legal advice about its ability to participate in the Issue. In the event such prior approval has been obtained, the Investor shall intimate our Company and the Registrar about such approval within the Issue Period.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Procedure for Applications by Systemically Important Non-Banking Financial Companies ("NBFC-SI")

In case of an application made by NBFC-SI registered with RBI, (a) the certificate of registration issued by RBI under Section 45IA of RBI Act, 1934 and (b) net worth certificate from its statutory auditors or any independent chartered accountant based on the last audited financial statements is required to be attached to the application.

Last date for Application

The last date for submission of the duly filled in Application Form or a plain paper Application is Thursday, July 07, 2022, i.e., Issue Closing Date. Our Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

If the Application Form is not submitted with an SCSB, uploaded with the Stock Exchanges and the Application Money is not blocked with the SCSB on or before the Issue Closing Date or such date as may be extended by our Board or any committee thereof, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and our Board or any committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as set out in the section entitled "Basis of Allotment" on page 142 of this Letter of Offer.

Please note that on the Issue Closing Date, Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

Please ensure that the Application Form and necessary details are filled in. In place of Application number, Investors can mention the reference number of the e-mail received from Registrar informing about their Rights Entitlement or last eight digits of the demat account. Alternatively, SCSBs may mention their internal reference number in place of application number.

Withdrawal of Application

An Investor who has applied in this Issue may withdraw their Application at any time during Issue Period by approaching the SCSB where application is submitted. However, no Investor may withdraw their Application post the Issue Closing Date.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Money received by our Company. However, the Designated Branches of the SCSBs receiving the Application Form will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each Application Form.

Our Board reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an Application is rejected in full, the whole of the Application Money will be unblocked in the respective ASBA Accounts, in case of Applications through ASBA. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Rights Equity Shares Allotted, will be refunded / unblocked in the respective bank accounts from which Application Money was received / ASBA Accounts of the Investor within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the Application Form carefully.

CREDIT OF RIGHTS ENTITLEMENTS IN DEMAT ACCOUNTS OF ELIGIBLE EQUITY SHAREHOLDERS

Rights Entitlements

As your name appears as a beneficial owner in respect of the issued and paid-up Equity Shares held in dematerialised form or appears in the register of members of our Company as an Eligible Equity Shareholder in respect of our Equity Shares held in physical form, as on the Record Date, you may be entitled to subscribe to the number of Rights Equity Shares as set out in the Rights Entitlement Letter.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (i.e., www.bigshareonline.com) by entering their DP ID and Client ID or Folio Number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company (i.e., **www.ksml.in**).

In this regard, our Company has made necessary arrangements with NSDL and CDSL for crediting of the Rights Entitlements to the demat accounts of the Eligible Equity Shareholders in a dematerialized form. A separate ISIN for the Rights Entitlements has also been generated which is ISIN:INE629F20017. The said ISIN shall remain frozen (for debit) until the Issue Opening Date. The said ISIN shall be suspended for transfer by the Depositories post the Issue Closing Date.

Additionally, our Company will submit the details of the total Rights Entitlements credited to the demat accounts of the Eligible Equity Shareholders and the demat suspense escrow account to the Stock Exchanges after completing the corporate action. The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar after keying in their respective details along with other security control measures implemented thereat.

Rights Entitlements shall be credited to the respective demat accounts of Eligible Equity Shareholders before the Issue Opening Date only in dematerialised form. Further, if no Application is made by the Eligible Equity Shareholders of Rights Entitlements on or before Issue Closing Date, such Rights Entitlements shall get lapsed and

shall be extinguished after the Issue Closing Date. No Rights Equity Shares for such lapsed Rights Entitlements the will be credited, even if such Rights Entitlements were purchased from market and purchaser will lose the premium paid to acquire the Rights Entitlements. Persons who are credited the Rights Entitlements are required to make an Application to apply for Rights Equity Shares offered under Rights Issue for subscribing to the Rights Equity Shares offered under Issue.

If Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two clear Working Days prior to the Issue Closing Date, to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on the website of the Registrar (i.e. www.bigshareonline.com). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts.

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Rights Equity Shares shall be made in dematerialized form only. Prior to the Issue Opening Date, our Company shall credit the Rights Entitlements to (i) the demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form; and (ii) a demat suspense escrow account (namely, "KALLAM TEXTILES LIMITED - UNCLAIMED SHARES DEMAT SUSPENSE ACCOUNT") opened by our Company, for the Eligible Equity Shareholders which would comprise Rights Entitlements relating to (a) Equity Shares held in the account of the IEPF authority; or (b) the demat accounts of the Eligible Equity Shareholder which are frozen or the Equity Shares which are lying in the unclaimed suspense account (including those pursuant to Regulation 39 of the SEBI LODR Regulations) or details of which are unavailable with our Company or with the Registrar on the Record Date; or (c) Equity Shares held by Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date where details of demat accounts are not provided by Eligible Equity Shareholders to our Company or Registrar; or (d) credit of the Rights Entitlements returned/reversed/failed; or (e) the ownership of the Equity Shares currently under dispute, including any court proceedings, if any; or (f) non-institutional equity shareholders in the United States.

Eligible Equity Shareholders are requested to provide relevant details (such as copies of self-attested PAN and client master sheet of demat account etc., details/ records confirming the legal and beneficial ownership of their respective Equity Shares) to our Company or the Registrar not later than two clear Working Days prior to the Issue Closing Date, i.e., by July 04, 2022 to enable the credit of their Rights Entitlements by way of transfer from the demat suspense escrow account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an application in this Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Company or the Registrar account is active to facilitate the aforementioned transfer.

RENUNCIATION AND TRADING OF RIGHTS ENTITLEMENT

- **Renouncees**

  All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

- **Renunciation of Rights Entitlements**

  This Issue includes a right exercisable by Eligible Equity Shareholders to renounce the Rights Entitlements credited to their respective demat account either in full or in part.

  The renunciation from non-resident Eligible Equity Shareholder(s) to resident Indian(s) and vice versa shall be subject to provisions of FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time. However, the facility of renunciation shall not be available to or operate in favour

of an Eligible Equity Shareholders being an erstwhile OCB unless the same is in compliance with the FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time.

The renunciation of Rights Entitlements credited in your demat account can be made either by sale of such Rights Entitlements, using the secondary market platform of the Stock Exchanges or through an off-market transfer.

- **Procedure for Renunciation of Rights Entitlements**

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts, either in full or in part (a) by using the secondary market platform of the Stock Exchanges (the "**On Market Renunciation**"); or (b) through an off-market transfer (the "**Off Market Renunciation**"), during the Renunciation Period. The Investors should have the demat Rights Entitlements credited/lying in his/her own demat account prior to the renunciation. The trades through On Market Renunciation and Off Market Renunciation will be settled by transferringthe Rights Entitlements through the depository mechanism.

Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of trading in the Rights Entitlements. Investors who intend to trade in the Rights Entitlements should consult their tax advisor or stock-broker regarding any cost, applicable taxes, charges and expenses (including brokerage) that may be levied for trading in Rights Entitlements.

Please note that the Rights Entitlements which are neither renounced nor subscribed by the Investors on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date.

The Lead Managers and our Company accept no responsibility to bear or pay any cost, applicable taxes, charges and expenses (including brokerage), and such costs will be incurred solely by the Investors.

a) On Market Renunciation

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by trading/selling them on the secondary market platform of the Stock Exchanges through a registered stock-broker in the same manner as the existing Equity Shares of our Company.

In this regard, in terms of provisions of the SEBI ICDR Regulations and the SEBI Rights Issue Circulars, the Rights Entitlements credited to the respective demat accounts of the Eligible Equity Shareholders shall be admitted for trading on the Stock Exchanges under ISIN: INE629F20017 subject to requisite approvals. Prior to the Issue Opening Date, our Company will obtain the approval from BSE for trading of Rights Entitlements. No assurance can be given regarding the active or sustained On Market Renunciation or the price at which the Rights Entitlements will trade. The details for trading in Rights Entitlements will be as specified by the BSE from time to time.

The Rights Entitlements are tradable in dematerialized form only. The market lot for trading of Rights Entitlements is one Rights Entitlements.

The On Market Renunciation shall take place only during the Renunciation Period for On Market Renunciation, i.e., from Thursday, June 23, 2022 to Monday, July 04, 2022 (both days inclusive).

The Investors holding the Rights Entitlements who desire to sell their Rights Entitlements will have to do so through their registered stock-brokers by quoting the ISIN INE629F20017 and indicating the details of the Rights Entitlements they intend to trade. The Investors can place order for sale of Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The On Market Renunciation shall take place electronically on secondary market platform of BSE under automatic order matching mechanism and on 'T+2 rolling settlement basis', where 'T' refers to the date of trading or as prescribed by BSE. The transactions will be settled on trade-for-trade basis. Upon execution of the order, the stock-broker will issue a contract note in accordance with the requirements of the Stock Exchanges and the SEBI.

b) Off Market Renunciation

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by way of an off-market transfer through a depository participant. The Rights Entitlements can be transferred in dematerialised form only.

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date to enable Renouncees to subscribe to the Rights Equity Shares in the Issue.

The Investors holding the Rights Entitlements who desire to transfer their Rights Entitlements will have to do so through their depository participant by issuing a delivery instruction slip quoting the ISIN: INE629F20017, the details of the buyer and the details of the Rights Entitlements they intend to transfer. The buyer of the Rights Entitlements (unless already having given a standing receipt instruction) has to issue a receipt instruction slip to their depository participant. The Investors can transfer Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The instructions for transfer of Rights Entitlements can be issued during the working hours of the depository participants.

The detailed rules for transfer of Rights Entitlements through off-market transfer shall be as specified by the NSDL and CDSL from time to time.

MODE OF PAYMENT

All payments against the Application Forms shall be made only through ASBA facility. The Registrar will not accept any payments against the Application Forms, if such payments are not made through ASBA facility from bank account in applicant's name.

In case of Application through the ASBA facility, the Investor agrees to block the entire amount payable on Application with the submission of the Application Form, by authorizing the SCSB to block an amount, equivalent to the amount payable on Application, in the Investor's ASBA Account. The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account, details of which have been provided by the Investor in the Application Form does not have sufficient funds equivalent to the amount payable on Application mentioned in the Application Form. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application on technical grounds as set forth in the Letter of Offer.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the Application Form, the SCSB shall block an amount equivalent to the Application Money mentioned in the Application Form until the Transfer Date. On the Transfer Date, upon receipt of intimation from the Registrar, of the receipt of minimum subscription and pursuant to the finalization of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer such amount as per the Registrar's instruction from the ASBA Account into the Allotment Account(s) which shall be a separate bank account maintained by our Company, other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013. The balance amount remaining after the finalisation of the Basis of Allotment on the Transfer Date shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the respective SCSB.

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the stock invest scheme has been withdrawn. Hence, payment through stock invest would not be accepted in this Issue.

Mode of payment for Resident Investors

All payments on the Application Forms shall be made only through ASBA facility. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Investors

As regards the Application by non-resident Investors, payment must be made only through ASBA facility and using permissible accounts in accordance with FEMA, FEMA Rules and requirements prescribed by RBI and subject to the following:

1. In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income-tax Act. However, please note that conditions applicable at the time of original investment in our Company by the Eligible Equity Shareholder including repatriation shall not change and remain the same for subscription in the Issue or subscription pursuant to renunciation in the Issue.

2. Subject to the above, in case Rights Equity Shares are Allotted on a non-repatriation basis, the dividend and sale proceeds of the Rights Equity Shares cannot be remitted outside India.

3. In case of an Application Form received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines and rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

4. Application Forms received from non-residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Rights Equity Shares shall, amongst other things, be subject to conditions, as may be imposed from time to time by RBI under FEMA, in respect of matters including Refund of Application Money and Allotment.

5. In the case of NRIs who remit their Application Money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account.

6. Non-resident Renouncees who are not Eligible Equity Shareholders must submit regulatory approval for applying for Additional Rights Equity Shares.

BASIS FOR THIS ISSUE AND TERMS OF THIS ISSUE

The Rights Equity Shares are being offered for subscription to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of our Equity Shares held in dematerialised form and on the register of members of our Company in respect of our Equity Shares held in physical form at the close of business hours on the Record Date.

For principal terms of Issue such as face value, Issue Price, Rights Entitlement ratio, please see the section entitled "The Issue" on page 25 of this Letter of Offer.

- ***Fractional Entitlements***

  The Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of 7 (Seven) Equity Share for every 30 (Thirty) Equity Shares held on the Record Date. For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than 30 Equity Shares or not in the multiple of 30, the fractional entitlement of such Eligible Equity Shareholders shall be ignored in the computation of the Rights Entitlement. However, the Eligible Equity Shareholders whose fractional entitlements are being ignored, will be given preferential consideration for the allotment of one additional Equity Share each if they apply for additional Equity Shares over and above their rights entitlement, if any.

  Further, the Eligible Equity Shareholders holding less than 5 Equity Shares shall have 'zero' entitlement in the Issue. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares and will be given preference in the allotment of one additional Equity Share if, such Eligible Equity Shareholders apply for the

additional Equity Shares. However, they cannot renounce the same in favour of third parties and the application forms shall be non-negotiable.

- ***Ranking***

The Rights Equity Shares to be issued and Allotted pursuant to this Issue shall be subject to the provisions of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association, the provisions of the Companies Act, 2013, FEMA, the SEBI ICDR Regulations, the SEBI LODR Regulations, and the guidelines, notifications and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, the terms of the Listing Agreements entered into by our Company with the Stock Exchanges and the terms and conditions as stipulated in the Allotment advice. The Rights Equity Shares to be issued and Allotted under this Issue shall rank pari passu with the existing Equity Shares, in all respects including dividends.

- ***Listing and trading of the Rights Equity Shares to be issued pursuant to this Issue***

Subject to receipt of the listing and trading approvals, the Rights Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges. Unless otherwise permitted by the SEBI ICDR Regulations, the Rights Equity Shares Allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of necessary formalities for listing and commencement of trading in the Rights Equity Shares will be taken within such period prescribed under the SEBI ICDR Regulations. Our Company has received in-principle approval from the BSE through letter bearing reference number DCS/RIGHT/CP/FIP/2138/2022-23 dated April 22, 2022. Our Company will apply to the BSE for final approval for the listing and trading of the Rights Equity Shares subsequent to their Allotment. No assurance can be given regarding the active or sustained trading in the Rights Equity Shares or the price at which the Rights Equity Shares offered under this Issue will trade after the listing thereof.

The existing Equity Shares are listed and traded on BSE (Scrip Code: 530201) under the ISIN: INE629F01025. The Rights Equity Shares shall be credited to a temporary ISIN which will be frozen until the receipt of the final listing/ trading approvals from the BSE. Upon receipt of such listing and trading approvals, the Rights Equity Shares shall be debited from such temporary ISIN and credited to the new ISIN for the Rights Equity Shares and thereafter be available for trading and the temporary ISIN shall be permanently deactivated in the depository system of CDSL and NSDL.

The listing and trading of the Rights Equity Shares issued pursuant to this Issue shall be based on the current regulatory framework then applicable. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

In case our Company fails to obtain listing or trading permission from the BSE, our Company shall refund through verifiable means/unblock the respective ASBA Accounts, the entire monies received/blocked within four days of receipt of intimation from the Stock Exchanges, rejecting the application for listing of the Rights Equity Shares, and if any such money is not refunded/ unblocked within four days after our Company becomes liable to repay it, our Company and every director of our Company who is an officer-in-default shall, on and from the expiry of the fourth day, be jointly and severally liable to repay that money with interest at rates prescribed under applicable law.

- ***Subscription to this Issue by our Promoter and members of the Promoter Group***

  For details of the intent and extent of subscription by our Promoter and members of the Promoter Group, please see the section entitled "Capital Structure" on page 31 of this Letter of Offer.

- ***Rights of Holders of Equity Shares of our Company***

  Subject to applicable laws, Shareholders who have been Allotted Rights Equity Shares pursuant to the Issue shall have the following rights:

  (a) The right to receive dividend, if declared;

  (b) The right to receive surplus on liquidation;

  (c) The right to receive offers for rights shares and be allotted bonus shares, if announced;

  (d) The right to free transferability of Rights Equity Shares;

  (e) The right to attend general meetings of our Company and exercise voting powers in accordance with law, unless prohibited / restricted by law and as disclosed in the Letter of Offer; and

  (f) Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 2013, the Memorandum of Association and the Articles of Association.

GENERAL TERMS OF THE ISSUE

- ***Market Lot***

  The Equity Shares of our Company shall be tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is one Equity Share.

- ***Joint Holders***

  Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as the joint holders with the benefit of survivorship subject to the provisions contained in our Articles of Association. In case of Equity Shares held by joint holders, the Application submitted in physical mode to the Designated Branch of the SCSBs would be required to be signed by all the joint holders (in the same order as appearing in the records of the Depository) to be considered as valid for allotment of Equity Shares offered in this Issue.

- ***Nomination***

  Nomination facility is available in respect of the Equity Shares in accordance with the provisions of the Section 72 of the Companies Act, 2013 read with Rule 19 of the Companies (Share Capital and Debenture) Rules, 2014.

  Since the Allotment is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be Allotted in this Issue. Nominations registered with the respective DPs of the Investors would prevail. Any Investor holding Equity Shares in dematerialised form and desirous of changing the existing nomination is requested to inform its Depository Participant.

- ***Arrangements for Disposal of Odd Lots***

  The Equity Shares shall be traded in dematerialised form only and, therefore, the marketable lot shall be one Equity Share and hence, no arrangements for disposal of odd lots are required.

- ***Notices***

  In accordance with the SEBI ICDR Regulations and the SEBI Rights Issue Circulars, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address.

  Further, the Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched to the Indian addresses provided by them.

  All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English language national daily newspaper with wide circulation, one Hindi language national daily newspaper with wide circulation and one Telugu daily newspaper with wide circulation.

  The Letter of Offer, the Abridged Letter of Offer and the Application Form shall also be submitted with the Stock Exchange for making the same available on its website.

- **Offer to Non-Resident Eligible Equity Shareholders/Investors**

As per Rule 7 of the FEMA Rules, RBI has given general permission to Indian companies to issue rights equity shares to non-resident equity shareholders including additional rights equity shares. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by RBI, non-residents may, amongst other things, (i) subscribe for additional shares over and above their rights entitlements; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Rights Equity Shares shall be, amongst other things, subject to the conditions imposed from time to time by RBI under FEMA in the matter of Application, refund of Application Money, Allotment of Rights Equity Shares and issue of Rights Entitlement Letters/ letters of Allotment/Allotment advice. If a non-resident or NRI Investor has specific approval from RBI or any other governmental authority, in connection with his shareholding in our Company, such person should enclose a copy of such approval with the Application details and send it to the Registrar at www.bigshareonline.com. It will be the sole responsibility of the investors to ensure that the necessary approval from the RBI or the governmental authority is valid in order to make any investment in the Issue and the Lead Managers and our Company will not be responsible for any such allotments made by relying on such approvals.

The Abridged Letter of Offer, the Rights Entitlement Letter and Application Form shall be sent only to the Indian addresses of the non-resident Eligible Equity Shareholders on a reasonable efforts basis, who have provided an Indian address to our Company and located in jurisdictions where the offer and sale of the Rights Equity Shares may be permitted under laws of such jurisdictions, Eligible Equity Shareholders can access the Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Rights Equity Shares under applicable securities laws) from the websites of the Registrar, our Company, the Lead Managers and the Stock Exchanges. Further, Application Forms will be made available at Registered and Corporate Office of our Company for the non-resident Indian Applicants. Our Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment. The Rights Equity Shares purchased by non- residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which Rights Equity Shares are issued on rights basis.

In case of change of status of holders, i.e., from resident to non-resident, a new demat account must be opened. Any Application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Company and the Lead Manager.

Please also note that pursuant to Circular No. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and RBI has subsequently issued the

Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non- resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

The non-resident Eligible Equity Shareholders can update their Indian address in the records maintained by the Registrar and our Company by submitting their respective copies of self-attested proof of address, passport, etc. at investor@bigshareonline.com .

ALLOTMENT OF THE RIGHTS EQUITY SHARES IN DEMATERIALIZED FORM

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR IN THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH OUR EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE. FOR DETAILS, PLEASE SEE THE SECTION ENTITLED "ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS" ON PAGE 143.

ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	Wednesday, June 22, 2022
ISSUE OPENING DATE	Thursday, June 23, 2022
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS ENTITLEMENTS #	Monday, July 04, 2022
ISSUE CLOSING DATE*	Thursday, July 07, 2022
FINALISATION OF BASIS OF ALLOTMENT (ON OR ABOUT)	Thursday, July 14, 2022
DATE OF ALLOTMENT (ON OR ABOUT)	Friday, July 15, 2022
DATE OF CREDIT (ON OR ABOUT)	Thursday, July 21, 2022
DATE OF LISTING (ON OR ABOUT)	Friday, July 22, 2022

 # Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.

** Our Board or a duly authorized committee thereof will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two clear Working Days prior to the Issue Closing Date, *i.e.*, Monday, July 04, 2022 to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date, *i.e.*, Wednesday, July 06, 2022.

BASIS OF ALLOTMENT

Subject to the provisions contained in the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to Allot the Rights Equity Shares in the following order of priority:

(a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlements of Rights Equity Shares either in full or in part and also to the Renouncee(s) who has or have applied for Rights Equity Shares renounced in their favour, in full or in part.

(b) Eligible Equity Shareholders whose fractional entitlements are being ignored and Eligible Equity Shareholders with zero entitlement, would be given preference in allotment of one Additional Rights Equity Share each if they apply for Additional Rights Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Rights Equity Shares after allotment under (a) above. If number of Rights Equity Shares required

for Allotment under this head are more than the number of Rights Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.

(c) Allotment to the Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of this Issue, have also applied for Additional Rights Equity Shares. The Allotment of such Additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Rights Equity Shares after making full Allotment in (a) and (b) above

The Allotment of such Rights Equity Shares will be at the sole discretion of our Board in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(d) Allotment to Renouncees who having applied for all the Rights Equity Shares renounced in their favour, have applied for Additional Rights Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Rights Equity Shares will be made on a proportionate basis in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(e) Allotment to any other person, subject to applicable laws, that our Board may deem fit, provided there is surplus available after making Allotment under (a), (b), (c) and (d) above, and the decision of our Board in this regard shall be final and binding.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Controlling Branches, a list of the Investors who have been allocated Rights Equity Shares in this Issue, along with:

1. The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for this Issue, for each successful Application;

2. The date by which the funds referred to above, shall be transferred to the aforesaid bank account;and

3. The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respectiveASBA Accounts.

ALLOTMENT ADVICE OR REFUND / UNBLOCKING OF ASBA ACCOUNTS

Our Company will send/ dispatch Allotment advice or demat credit of securities and/or letters of regret, only to the Eligible Equity Shareholders who have provided Indian address; along with crediting the Allotted Rights Equity Shares to the respective beneficiary accounts (only in dematerialised mode) or in a demat suspense account (in respect of Eligible Equity Shareholders holding Equity Shares in physical form on the Allotment Date) or issue instructions for unblocking the funds in the respective ASBA Accounts, if any, within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company and our Directors who are "officers in default" shall pay interest at 15% p.a. and such other rate as specified under applicable law from the expiry of such 15 days' period.

The Rights Entitlements will be credited in the dematerialized form using electronic credit under the depository system and the Allotment advice shall be sent, through a mail, to the Indian mail address provided to our Company or at the address recorded with the Depository.

In the case of non-resident Investors who remit their Application Money from funds held in the NRE or the FCNR Accounts, unblocking and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts.

Where an Applicant has applied for Additional Rights Equity Shares in the Issue and is Allotted a lesser number of Rights Equity Shares than applied for, the excess Application Money paid/blocked shall be refunded/unblocked. The

unblocking of ASBA funds shall be completed within such period as prescribed under the SEBI ICDR Regulations. In the event that there is a delay in unblocking / making refunds beyond such period as prescribed under applicable law, our Company shall pay the requisite interest at such rate as prescribed under applicable law.

PAYMENT OF REFUND / UNBLOCKING OF ASBA ACCOUNT

- ***Mode of making refunds***

The payment of refund, if any, including in the event of oversubscription or failure to list or otherwise would be done through any of the following modes.

(a) Unblocking amounts blocked using ASBA facility.

(b) **NACH** – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by RBI, where such facility has been made available. This would be subject to availability of complete bank account details including MICR code wherever applicable from the depository. The payment of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

(c) **National Electronic Fund Transfer** ("**NEFT**") – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code ("**IFSC Code**"), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

(d) **Direct Credit** – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.

(e) **RTGS** – If the refund amount exceeds ₹ 2,00,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Application Form. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit wouldbe borne by the Investor.

(f) For all other Investors, the refund orders will be dispatched through registered post, where the value is Rs. 1500/- or more or under certificate of posting in other cases subject to applicable laws including Postal Rules. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.

(g) Credit of refunds to Investors in any other electronic manner, permissible by SEBI fromtime to time.

- ***Refund payment to non-residents***

The Application Money will be unblocked in the ASBA Account of the non-resident Applicants, details of which were provided in the Application Form

ALLOTMENT ADVICE OR DEMAT CREDIT OF SECURITIES

The demat credit of securities to the respective beneficiary accounts will be credited within 15 days from the Issue Closing Date or such other timeline in accordance with applicable laws.

- ***Receipt of the Rights Equity Shares in Dematerialized Form***

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR UNDER THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO (A) THE SAME DEPOSITORY ACCOUNT/ CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE, OR (B) THE DEPOSITORY ACCOUNT, DETAILS OF WHICH HAVE BEEN PROVIDED TO OUR COMPANY OR THE REGISTRAR AT LEAST TWO CLEAR WORKING DAYS PRIOR TO THE ISSUE CLOSING DATE BY THE ELIGIBLE EQUITY SHAREHOLDER HOLDING EQUITY SHARES IN PHYSICAL FORM AS ON THE RECORD DATE.

Investors shall be Allotted the Rights Equity Shares in dematerialized (electronic) form. Our Company has signed two agreements with the respective Depositories and the Registrar to the Issue, which enables the Investors to hold and trade in the securities issued by our Company in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates:

a) Tripartite agreement dated April 21, 2006 amongst our Company, NSDL and the Registrar to the Issue; and

b) Tripartite agreement dated March 20, 2006 amongst our Company, CDSL and the Registrar to the Issue.

INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Rights Equity Shares in this Issue in the dematerialised form is as under:

1) Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Investors who have already opened such beneficiary account(s) need not adhere to this step.

2) It should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of our Company or the Depositories.

3) The responsibility for correctness of information filled in the Application Form *vis-a-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in Application Form should be the same as registered with the Investor's depository participant.

4) If incomplete or incorrect beneficiary account details are given in the Application Form, the Investor will not get any Rights Equity Shares and the Application Form will be rejected.

5) The Rights Equity Shares will be allotted to Applicants only in dematerialized form and would be directly credited to the beneficiary account as given in the Application Form after verification or demat suspense account (pending receipt of demat account details for resident Eligible Equity Shareholders holding Equity Shares in physical form/ with IEPF authority/ in suspense, *etc*.). Allotment advice, refund order (if any) would be sent through physical dispatch, by the Registrar but the Applicant's depository participant will provide to him the confirmation of the credit of such Rights Equity Shares to the Applicant's depository account.

6) Non-transferable Allotment advice/ refund intimation will be directly sent to the Investors by the Registrar, through physical dispatch.

7) Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the Application is liable to be rejected.

IMPERSONATION

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

"*Any person who –*

a) makes or abets making of an application in a fictitious name to a company for acquiring, orsubscribing for, its securities; or

b) makes or abets making of multiple applications to a company in different names or in differentcombinations of his name or surname for acquiring or subscribing for its securities; or

c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities tohim, or to any other person in a fictitious name, shall be liable for action under Section 447."

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹10.00 lakhs or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹10.00 lakhs or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹50.00 lakhs or with both.

UTILISATION OF ISSUE PROCEEDS

Our Board declares that:

(A) All monies received out of this Issue shall be transferred to a separate bank account;

(B) Details of all monies utilized out of this Issue referred to under (A) above shall be disclosed, and continue to be disclosed till the time any part of the Issue Proceeds remains unutilised, under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and

(C) Details of all unutilized monies out of this Issue referred to under (A) above, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes the following:

1) The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.
2) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed will be taken by our Board within the time limit specified by SEBI.

3) The funds required for making refunds / unblocking to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar by our Company.

4) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the

Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.

5) In case of refund / unblocking of the Application Money for unsuccessful Applicants or part of the Application Money in case of proportionate Allotment, a suitable communication shall be sent to the Applicants.

6) Adequate arrangements shall be made to collect all ASBA Applications and record all Applications.

7) As on date the Company does not have any convertible debt instruments.

8) Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

INVESTOR GRIEVANCES, COMMUNICATION AND IMPORTANT LINKS

1. Please read the Letter of Offer carefully before taking any action. The instructions contained in the Application Form, Abridged Letter of Offer and the Rights Entitlement Letter are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.

2. All enquiries in connection with the Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or Application Form must be addressed (quoting the Registered Folio Number in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date or the DP ID and Client ID number, the Application Form number and the name of the first Eligible Equity Shareholder as mentioned on the Application Form and superscribed "**KALLAM TEXTILES LIMITED – RIGHTS ISSUE**" on the envelope and postmarked in India) to the Registrar at the following address:

Bigshare Services Private Limited
SEBI Regn. No.: INR000001385
Office No. S6-2, 6th Floor, Pinnacle Business Park,
Next to Ahura Centre, Mahakali Caves Road,
Andheri (East), Mumbai – 400 093, Maharashtra
Tel.: +91 22 6263 8200/22
Fax: +91 22 6263 8299
E-mail: rightsissue@bigshareonline.com
Investor Grievance e-mail id: investor@bigshareonline.com
Website: www.bigshareonline.com
Contact Person: Vijay Surana

In accordance with SEBI Rights Issue Circulars, frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors will be available on the website of the Registrar (**www.bigshareonline.com**).

The Issue will remain open for at least minimum 15 days. However, our Board will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Closing Date).

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

There are two routes through which foreign investors may invest in India. One is the 'automatic route', where no government approval is required under Indian foreign exchange laws to make an investment as long as it is within prescribed thresholds for the relevant sector. The other route is the "government route", where an approval is required under foreign exchange laws from the relevant industry regulator, prior to the investment.

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991, of the Government of India and FEMA. While the Industrial Policy, 1991, of the Government of India, prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise way such investment may be made. The Union Cabinet, as provided in the Cabinet Press Release dated May 24, 2017, has given its approval for phasing out the FIPB. Under the Industrial Policy, 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Accordingly, the process for foreign direct investment and approval from the Government of India will now be handled by the concerned ministries or departments, in consultation with the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (formerly known as the Department of Industrial Policy and Promotion), Ministry of Finance, Department of Economic Affairs, FIPB section, through a memorandum dated June 5, 2017, has notified the specific ministries handling relevant sectors.

The Government has, from time to time, made policy pronouncements on FDI through press notes and press releases. The DPIIT issued the Consolidated FDI Policy Circular of 2020 **('FDI Circular 2020')**, which, with effect from October 15, 2020, consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020. The Government proposes to update the consolidated circular on FDI policy once every year and therefore, FDI Circular 2020 will be valid until the DPIIT issues an updated circular.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendments to FEMA. In case of any conflict, the relevant notification under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 will prevail. The payment of inward remittance and reporting requirements are stipulated under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 issued by RBI The FDI Circular 2020, issued by the DPIIT, consolidates the policy framework in place as on October 15, 2020, and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of RBI, provided that:

1. The activities of the investee company falls under the automatic route as provided in the FDI Policy and FEMA and transfer does not attract the provisions of the SEBI (SAST) Regulations;

2. The non- resident shareholding is within the sectoral limits under the FDI Policy; and

3. The pricing is in accordance with the guidelines prescribed by SEBI and RBI.

No investment under the FDI route (i.e., any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid to make any investment in the Issue.

The Lead Manager to the Issue and our Company will not be responsible for any allotments made by relying on such approvals. Please also note that pursuant to Circular no. 14 dated September 16, 2003, issued by RBI, Overseas Corporate Bodies have been derecognized as an eligible class of investors and RBI has subsequently issued the

Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019. Further, while investing in the Issue, the Investors are deemed to have obtained the necessary approvals, as required, under applicable laws and the obligation to obtain such approvals shall be upon the Investors. Our Company shall not be under an obligation to obtain any approval under any of the applicable laws on behalf of the Investors and shall not be liable in case of failure on part of the Investors to obtain such approvals.

The above information is given for the benefit of the Applicants / Investors. Our Company and the Lead Manager to the Issue are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.

SECTION VIII – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of the Letter of Offer), which are or may be deemed material have been entered or are to be entered into by our Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company situated at N.H 5, Chowdavaram, Guntur, Andhra Pradesh – 522 019, from 10.00 AM to 02.00 p.m. from the date of the Letter of Offer until the date of closure of the Rights Issue.

A. Material Contracts

1. Issue Agreement dated January 12, 2022 entered between our Company and the Lead Manager
2. Agreement dated January 07, 2022 entered between our Company and the Registrar to the Issue
3. Banker to the Issue Agreement dated May 06, 2022 between our Company, the Lead Manager, the Registrar to the Issue and Banker to the Issue.

B. Documents available for inspection

1. Certificate of Incorporation of our Company dated February 18, 1992.
2. Memorandum and Articles of Association of our Company.
3. Tripartite agreements dated April 21, 2006 and March 20, 2006 entered into with NSDL and CDSL respectively.
4. Copy of the Resolution passed by the Directors in their meeting dated November 09, 2021 approving the Issue.
5. Consents of the Promoters, Directors, Compliance Officer, Lead Manager to the Issue, Legal Counsel, Registrar to the Issue, Bankers to our Company, Statutory Auditors to include their names in the Letter of Offer to act in their respective capacities.
6. Copy of resolution appointing the Managing Director.
7. Annual Reports for the financial years ended March 31, 2021, March 31, 2020 and March 31, 2019.
8. Limited Review report for Quarter and Nine months ended December 31, 2021.
9. Statement of Tax Benefits dated December 11, 2021 received from the Statutory Auditors of our Company.
10. A Certificate from M/s Chevuturi Associates. (Firm Reg. No. 000632S), Chartered Accountants dated May 09, 2022 for deployment of funds towards objects of the issue.
11. Initial Public Offering Prospectus dated 10.01.1995 of our Company.
12. In-principle listing approval for this Issue dated April 22, 2022 from BSE.

Any of the contracts or documents mentioned in the Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

No statement made in the Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with. We further certify that all statements made in the Letter of Offer are true and correct.

On behalf of the Board of Directors of Kallam Textiles Limited

Sd/-
Poluri Venkateswara Reddy
Managing Director

Sd/-
Gurram Venkata Krishna Reddy
Joint Managing Director and CEO

Sd/-
Movva Venkata Subba Reddy
Whole Time Director & CFO

Sd/-
Suryanarayana Murthy Vaddadi
Director

Sd/-
Ramagopal Varanasi
Director

Sd/-
Vangala Bhargavi
Director

Sd/-
Golagani Ramesh Kumar
Company Secretary

Place: Guntur
Date: May 27, 2022