

# **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

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**TWENTY SECOND ANNUAL REPORT  
2007 - 2008**



## **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

### **BOARD OF DIRECTORS**

Sri N. RAM PRASAD	Chairman
Sri N. RAVI PRASAD	Managing Director
Sri N. RAJENDER PRASAD	Joint Managing Director
Sri SNEHAL A THAKKAR	Director
Sri P. K. DORAI SWAMY	APSC Nominee Director
Sri M. VENKATESWARARAO	APIDC Nominee Director

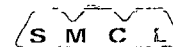
AUDITORS	M/S.K.S.RAO & COMPANY Chartered Accountants Hyderabad
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BANKERS	ANDHRA BANK SOMAJIGUDA HYDERABAD
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REGD.OFFICE	DECCAN CHAMBERS, (5 <sup>TH</sup> FLOOR) 6-3-666/B, SOMAJIGUDA HYDERABAD – 500 082
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WORKS	GOWRIPATNAM WEST GODAVARI DISTRICT
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MINES	1. MULUGU MANDAL WARANGAL DIST. ANDHRA PRADESH
	2. VENKATAYAPALAM VILLAGE KHAMMAM DIST. ANDHRA PRADESH

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED****NOTICE**

Notice is hereby given that the 22nd Annual General Meeting of the members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED will be held on 30<sup>th</sup> September, 2008 at 11.30 A.M. at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 to transact the following business.

**ORDINARY BUSINESS**

1. To receive consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2008 and Profit and Loss Account for the year 2007 – 2008 and report of the Auditors thereon and Report of Directors to the Share Holders.
2. To elect Director in place of Sri N. Ram Prasad, Director who retires by rotation of Directors at the conclusion of this Annual General Meeting and being eligible offers himself for re-appointment.
3. To appointment Auditors for next year and fix their remuneration and in this connection to pass the following Resolution with or without modification.

"Resolved that the Company Auditors M/S.K.S.Rao and Company, Chartered Accountants, Hyderabad be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting of the company until the conclusion of next Annual General Meeting of the Company at such remuneration as may be determined by the Board of Directors of the Company".

**SPECIAL BUSINESS**

1. To Re-appoint Sri N. Ravi Prasad as Managing Director and to consider and if thought fit to pass with or without modification the following resolution as Special Resolution.

"Resolved that pursuant to the provisions of Sections 269, 309, 310, 314 of the Companies Act 1956 the Company hereby approves the re-appointment of Sri. N. Ravi Prasad as Managing Director of the Company for a period of 5 (Five) years with effect from 17<sup>th</sup> October, 2008 on the same terms and conditions including remuneration and power to the Board for changing from time to time any terms and conditions governing his appointment earlier by the Members at Annual General Meeting of the Company held on 30<sup>th</sup> September 1993".

For and on behalf of the Board of Directors  
For **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

Place : Hyderabad

Date : 04.09.2008

Sd/-  
**N.Ravi Prasad**  
Managing Director

**NOTES:**

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company.

1. Proxies in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the commencement of the Annual General Meeting.
2. Members are requested to notify immediately any change in their address to the registered office of the Company.
3. The register of members and share transfer book of the Company shall remain closed from 27.09.2008, 28.09.2008 & 29.09.2008.

**EXPLANATORY STATEMENT (PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956)**

The term of office of the earlier appointment of Sri N.Ravi Prasad as Managing Director for 5 years expires on 16<sup>th</sup> October, 2008. His services are very essential for the Company. As such, it is proposed to reappoint him and to pass the special resolution for the re-appointment for 5 years from 17<sup>th</sup> October, 2008.



## SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

### DIRECTOR'S REPORT

Your Directors have pleasure in presenting the 22<sup>nd</sup> Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March 2008.

#### FINANCIAL REPORT / OPERATIONS

(Rs.Lakhs)

Particulars	Current Year As on 31.03.2008	Previous Year As on 31.03.2007
Net Sale and other income	78.27	159.17
Profit Before Depreciation and interest	(12.67)	14.96
Depreciation and interest	3.39	16.67
Net Profit (net loss)	(16.06)	(1.71)
Cum. Loss	(382.59)	366.52

(Depreciation on assets is not charged to P&L Account)

#### OPERATIONS

There has been a sudden increase in the cost of Raw Materials leading to Working Capital shortage. Further we were not able to increase our prices due to rate contract with Government Parties. The prices are once again moderating and we hope to do better in the second half of this accounting year.

#### RETIREMENT OF DIRECTORS BY ROTATION

Sri N. Ram Prasad, Director and Chairman retires by rotation at this Annual General Meeting and being eligible, offers himself for re appointment.

#### RE-APPOINTMENT OF SRI N. RAVI PRASAD AS MANAGING DIRECTOR

The term of appointment of Sri N.Ravi Prasad as Managing Director expires on 16<sup>th</sup> October, 2008. His services are necessary for the Company. Hence a Special Resolution for his reappointment as Managing Director for 5 years is placed for consideration and approval at the Annual General Meeting.

#### REMUNERATION COMMITTEE OF DIRECTORS

The Remuneration committee of Director is reconstituted and Sri Snehal A Thakkar is also nominated on the committee.

#### CLOSURE OF SHARE TRANSFER BOOKS

The register of members and share transfer book of the Company shall remain closed from 27.09.2008, 28.09.2008 and 29.09.2008.

#### CLARIFICATION ON AUDITOR'S COMMENTS IN THE AUDIT REPORT

In view of Losses for the company, the Board has taken decision not to charge the depreciation to Profit & Loss account which is disclosed in the Notes item No. 3 of the Notes on Accounts in Sch. No. 15 Gratuity is paid when it materializes.

#### DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that :

- In the preparation of the annual accounts, the applicable accounting standards have been followed:
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of Company for the period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- The Directors have prepared the annual accounts on a going concern basis.

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED****PARTICULARS OF EMPLOYEES**

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with (Companies Particulars of Employees) Rules, 1975, there are no employees who are in receipt of remuneration exceeding Rs.6.00 lakhs per annum.

**AUDITORS**

You are requested to appoint M/S. K.S.Rao & Company, Chartered Accountants, Hyderabad as auditors for the year 2008-2009 and fix their remuneration.

**AUDIT COMMITTEE**

Your Company has constituted an Audit Committee of Directors consisting Sri Snehal A Thakkar Director, a Chartered Accountant and Sri.M.Venkateswara Rao, Nominee Director of APIDC and Sri.N.Rajender Prasad Joint Managing Director the members of the Audit Committee., Sri.Snehal Thakkar on 31.07.2003. The Audit Committee has met six times during the year.

**CORPORATE GOVERNANCE**

As required by Clause 49 of the listing Agreement a Report on Corporate Governance is Appended.

**DEPOSITS**

In terms of Reserve Bank of India, Directions 1977 read with Section 58A of the Companies Act, 1956, the Directors Report as under:

- 1) Number of depositors who have not claimed their deposits been paid by the Company after due date : Nil
- 2) Total amount remaining unclaimed/unpaid : Nil

**LISTING ON STOCK EXCHANGES:**

Company's shares are listed in Hyderabad and Mumbai Stock. Listing fees have been paid up to date to the Mumbai Stock Exchange.

**ACKNOWLEDGEMENT:**

Your Directors wish to place on record their appreciation of the excellent service rendered by all the employees of the Company.

On behalf of the Board of Directors

Sd/-

Place : Hyderabad

(N.Ravi Prasad)

Date : 04-09-2008

Managing Director

**FORM - B****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION.**

Specific areas in which R & D carried out by the Company. —

Benefits derived as a result of the above R & D —

Future plan of action

Expenditure on R & D

- |   |     |
|---|-----|
| a) Capital  | NIL |
| b) Recurring  |     |
| c) Total  |     |
| d) Total R & D expenditure as a percentage of total turnover. |     |



## SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

### TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION.

- |  |      |
|--|------|
| 1. Efforts made towards technology   | N.A  |
| 2. Benefits derived as a result of the above efforts.  | N.A. |
| 3. In case of imported technology imported during the 1 <sup>st</sup> 5 yrs. (reckoned from the beginning of the financial year) following information may be furnished: | N.A. |
| a) Technology  | N.A. |
| b) Year of import  | N.A. |
| c) Has technology been fully absorbed  | N.A. |
| d) If not fully absorbed, area Not applicable.   | N.A. |
| e) Where this has not been place, reason Therefore and future plans of action  | N.A. |

### B. FOREIGN EXCHANGE EARNING & OUTGO

During the year foreign exchange outgo was Rs.NIL lakhs and foreign exchange earnings was Rs.NIL. Lakhs

### REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the listing Agreement)

#### 1) Company's Philosophy on Corporate Governance

Your Company has complied with the requirement of the Corporate Governance code and made the required disclosures.

#### 2) Board of Directors

Compliance with clause 49 as revised.

The Chairman of the Board Sri N.Ram Prasad is Promoter and Non executive Chairman. The Board of Directors consists of 2 Promoter Directors and three non executive independent Directors (including two nominee Directors). The Board consists of 6 Directors, of which, 3 are independent Directors.

Sri N.Ram Prasad a Promoter and non executive Director and Chairman and Sri N.Ravi Prasad, Managing Director and Sri N.Rajender Prasad are brothers.

During the period the Board met 6 times.

#### 3) Audit committee

An Audit committee of the Board was reconstituted on 31.07.2003 with three Directors, of which 2 are independent Directors. The terms of reference by the Board are to review before submitting to the Board Half Yearly results and Annual Financial Statements and to ensure compliance items specified in Clause 49 of the listing agreement. The Committee met 6 times in the year.

#### 4) Remuneration committee

The remuneration committee has been constituted by the Board consisting of 4 members Viz. Sri P.K.Doraiswamy Chariman, (APSFC Nominee Director) and Sri.M.Venkateshwara Rao (APIDC Nominee). Sri Snehal A Thakkar was nominated on the Committee ( All the 3 Directors are independent Directors), and Sri N.Rajender Prasad, Joint Managing Director as member secretary.

#### 5) Shareholders/Investors Grievance Committee

A Shareholders / Investors Grievance Committee was constituted as per the Corporate Governance code consisting of Sri.P.K.Doraiswamy Chairman, Sri.M.Venkateswara Rao and Sri.N.Rajender Prasad, Directors to review and satisfy the investors / shareholders grievances.

#### 6) Share Transfer Committee

A Share Transfer Committee was constituted of Dr.N.B.Prasad (Upto 28.07.2006) as Chairman and Sri.N.Ram Prasad (w.e.f.31.08.2006) as Chairman, Sri.N.Ravi Prasad and Sri.N.Rajender Prasad, Directors. The Committee meets periodically to approve share transfer requests.

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED****AUDITORS' REPORT**

To the Members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

We have audited the attached Balance Sheet of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD (A.P) as at 31<sup>st</sup> March, 2008, and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and report that:

1. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 excepting AS-15, employees Benefits.
  - e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 :
  - f)
    - i) Arrears of depreciation of Rs.226.98 lakhs and depreciation for the current year of Rs.21.70 lakhs have not been provided. Consequently the loss for the current year and accumulated losses were understated by Rs.21.90 lakhs and Rs.248.68 lakhs respectively and the assets are overstated by Rs.248.68 lakhs.
    - ii) The company has not adopted and complied with the requirements of AS-15 'Employee Benefits' in respect of gratuity liability. In view of this the liability of Company in this regard could not be ascertained. Consequently, we are unable to comment about the impact of this on the loss for the year.
  - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith and subject to our comments given in para f (i) and (ii) above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008 :
    - ii) In the case of the Profit and Loss account, of the Loss of the Company for the year ended on that date; and
    - iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

for K.S.Rao & Co.,  
Chartered Accountants

Sd/-

(P. Govardhan Reddy)  
Partner

Place : Hyderabad

Date : 04.09.2008