

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED



**TWENTY FOURTH ANNUAL REPORT
2009 - 2010**

BOARD OF DIRECTORS

Sri. N. RAM PRASAD	Chairman
Sri. N. RAVI PRASAD	Managing Director
Sri. N. RAJENDER PRASAD	Joint Managing Director
SRI. K. ESHWARAJAH	APIDC Nominee Director
Sri. SNEHAL A THAKKAR	Director
SRI.V.S.S.PRAKASH	Director

AUDITORS

M/S.K.S.RAO & COMPANY
Chartered Accountants
Hyderabad

BANKERS

ANDHRA BANK
SOMAJIGUDA
HYDERABAD

REGD.OFFICE

DECCAN CHAMBERS, (5TH FLOOR)
6-3-666/B, SOMAJIGUDA
HYDERABAD - 500 082

WORKS

GOWRIPATNAM
WEST GODAVARI DISTRICT

MINES

1. MULUGU MANDAL
WARANGAL DIST.
ANDHRA PRADESH
2. VENKATAYAPALAM VILLAGE
KHAMMAM DIST.
ANDHRA PRADESH

NOTICE

Notice is hereby given that the 24th Annual General Meeting of the members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED will be held on 30th September, 2010 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 31st March, 2010 and Profit and Loss Account for the year 2009 - 2010 and report of the Auditors thereon and Report of Directors to the Share Holders.
2. To elect Director in place of Sri V.S.S.Prakash, Director who retires by rotation of Directors at the conclusion of this Annual General Meeting and being eligible offers for re-appointment.
3. To appointment Auditors for next year 2010 - 2011 and fix their remuneration and in this connection to pass the following Resolution

"Resolved that the Present 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".

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

Sd/-
N.Ravi Prasad
Managing Director

Place : Hyderabad

Date : 12.08.2010

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 pursuant to Article No.114 of the Articles of Association 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 27.09.2010, 28.09.2010 & 29.09.2010.

DIRECTOR'S REPORT

Your Directors have pleasure in presenting the 24th Annual Report and the Audited Accounts for the year ended 31st March 2010.

FINANCIAL REPORT / OPERATIONS

(Rs.Lakhs)

Particulars	Current Year As on 31.03.2010	Previous Year As on 31.03.2009
Net Sale and other income	64.34	115.01
Profit Before Depreciation and interest	(10.56)	6.34
Depreciation and interest	6.18	268.67
Net Profit (net loss)	(16.74)	(262.33)
Total Cum. Loss	(661.65)	(644.91)

OPERATIONS

The Company is continuing business by procuring Magnesium Metal from Open market and processing the same to meet the requirements of customers.

Retirement of DIRECTORS by rotation

Sir.V.S.S.Prakash, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re appointment.

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books will remain closed for three days from 27.09.2010, to 29.09.2010 both days inclusive.

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.

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 2010-2011 and fix their remuneration.

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 Mumbai Stock Exchange and 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 : 12-08-2010

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.

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 st 5 yrs. (reckoned from the beginning of the financial year) following information is 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 the case reason therefor 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
The Board of Directors consists of 3 Promoter Group Directors and three Independent Directors.
During the year 2009 the Board met 5 times.
- 3) Audit committee
An Audit committee of the Board was constituted to meet the requirement of Clause 49 of the listing agreement. It consists 3 Directors, including 2 Independent Directors. The terms of reference by the Board are to review before submitting to the Board Half Yearly and Annual Financial Statements and to ensure compliance items specified in Clause 49 of the listing agreement. The Committee met 5 times in the year.
- 4) Remuneration committee
The Remuneration Committee was constituted by the Board consisting of 3 Members including 2 Independent Directors.
- 5) Shareholders Grievance Committee
The Share holders Grievance Committee was constituted with 3 Members.
- 6) Share Transfer Committee
The Share Transfer Committee was constituted. The Committee met periodically to approve the Share Transfer requests.
- 7) Shareholders / Investors Grievance Committee
A Share holders / Investors Grievance Committee is constituted as per the Corporate Governance code consisting of Sri.Snehal A Thakkar and Sri.V.S.S.Prakash Directors and Sri.N.Rajender Prasad, JMD to review and satisfy the investors / shareholders grievances.
- 8) Share Transfer Committee
A Share Transfer Committee was constituted of Sri.N.Ram Prasad as Chairman, Sri.N.Ravi Prasad and Sri.N.Rajender Prasad, Directors. The Committee meets periodicals to approve share transfer requests.

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 31st March, 2010, 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 31st March, 2010 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 :
 - f) 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 The 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 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 31st March, 2010.
 - 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 : 12-08-2010