

SOUTHERN MAGNESIUM & CHEMICALS LIMITED

TWENTY FOURTH ANNUAL REPORT

2010-2011

BOARD OF DIRECTORS

Sri. N. RAM PRASAD	Chairman
Sri. N. RAVI PRASAD	Managing Director
Sri. N. RAJENDER PRASAD	Joint Managing Director
Sri. K.ESHWARAI AH	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.

WORKS

Gowripatnam
West Godavari District, A.P

MINES

- 1) Mulugu Mandal
Warangal Dist.
Andhra Pradesh
- 2) Venkatayapalam Village
Khammam Dist.
Andhra Pradesh

NOTICE

Notice is hereby given that the 25th Annual General Meeting of the members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED will be held on 30th September, 2011 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, 2011 and Profit and Loss Account for the year 2010 – 2011 and report of the Auditors thereon and Report of Directors to the Share Holders.
2. To note that Sri.N.Ram Prasad, Director and Chairman retire by rotation of the Directors at the conclusion of this Annual General Meeting. He is however not offering himself for re-appointment as Director / Chairman.
3. To appointment Auditors for next year 2011 – 2012 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”.

SPECIAL BUSINESS

4. To consider and if thought fit to pass, with or without modification(s), the following resolution as a special resolution:

“Resolved that pursuant to the provisions of Section 269, 309, 310, 314 and other applicable provisions, of the Companies Act, 1956, Sri.N.Rajender Prasad, Joint Managing Director, be and is hereby re-appointed as Joint Managing Director of the company for a period of 5 (five) years with effect from 20th December, 2011 on the terms, and conditions including remuneration and power to the Board of Directors for changing from time to time any terms and conditions governing the appointment, as recommended by the Remuneration Committee on 10.08.2011 as follows:

Salary Rs.35,000-3000-50000 per month

Perquisites:

- a. Company's contribution towards P.F. not exceeding 12% of the salary as laid down in the Income Tax Rules, 1962,
- b. Contribution towards super annuation fund of annuity fund and Gratuity not exceeding half month's salary for each completed year.

- c. Housing I. The expenditure incurred by the Company on hiring unfurnished accommodation for the Joint Managing Director will be subject to a ceiling of sixty percent of the salary over and above ten percent payable by the Joint Managing Director.

Housing II. If accommodation in the Company owned house is provided, ten percent of salary of the Joint Managing Director shall be deducted by the Company

Housing III. If the Company does not provide accommodation, the Joint Managing Director shall be entitled to House rent allowance as per applicable norms.

D. Medical Reimbursement: Expenses incurred by the appointee and family subject to a ceiling of one months salary in a year or 3 months salary over a period of 3 years.

E. Leave Travel Concession: For appointee and his family once in a year travel expenses incurred in accordance with the rules specified by the company. (Family means spouse, dependent children and dependent parents of the appointee)

F. Club Fees: Fees of club subject to maximum two clubs But this ceiling excludes admission and life membership fees

- g. Personal accident Insurance: Premium not exceeding Rs. 1000/- per annum Provision for a car: For company's business and telephone at residence for company's business only.

“ Resolved further that the consent of the Company be and is hereby accorded to the payment of Remuneration; and perquisites; sanctioned above to Managing Director/Joint Managing Director as minimum remuneration notwithstanding that in any financial year the Company makes no profit or its profits are inadequate”

5. To consider and if thought fit to pass, with or without modification(s), the following resolution as a special resolution:

To revise the salary and perquisites to Sri.N.Ravi Prasad, Managing Director and to pass the following special resolution viz.

"Resolved that the salary and perquisites of Sri.N.Ravi Prasad, Managing Director be and are hereby revised as follows, viz.

Salary Rs.35,000-3000-50000 per month

Perquisites:

- a. Company's contribution towards P.F. not exceeding 12% of the salary as laid down in the Income Tax Rules, 1962,

- b. Contribution towards super annuation fund of annuity fund and Gratuity not exceeding half month's salary for each completed year.
- c. Housing I. The expenditure incurred by the Company on hiring unfurnished accommodation for the Managing Director will be subject to a ceiling of sixty percent of the salary over and above ten percent payable by the Managing Director.

Housing II. If accommodation in the Company owned house is provided, ten percent of salary of the Managing Director shall be deducted by the Company

Housing III. If the Company does not provide accommodation, the Managing Director shall be entitled to House rent allowance as per applicable norms.

D. Medical Reimbursement: Expenses incurred by the appointee and family subject to a ceiling of one months salary in a year or 3 months salary over a period of 3 years.

E. Leave Travel Concession: For appointee and his family once in a year travel expenses incurred in accordance with the rules specified by the company. (Family means spouse, dependent children and dependent parents of the appointee)

F. Club Fees: Fees of club subject to maximum two clubs But this ceiling excludes admission and life membership fees

- g. Personal accident Insurance: Premium not exceeding Rs. 1000/- per annum Provision for a car: For company's business and telephone at residence for company's business only.

“ Resolved further that the consent of the Company be and is hereby accorded to the payment of Remuneration; and perquisites; sanctioned above to Managing Director as minimum remuneration notwithstanding that in any financial year the Company makes no profit or its profits are inadequate”

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

Sd/-
(N.Ravi Prasad)
Managing Director

Place : Hyderabad
Date : 10.08.2011

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 27.09.2011 to 30.09.2011

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

Item No.4. Re-appointment of Sri.N.Rajender Prasad as JMD

Sri.N.Rajender Prasad, Joint Managing Director was earlier – re-appointed as Joint Managing Director for 5 years w.e.f. 20th December, 2006 at the 20th Annual General Meeting of the Company held on 29th September, 2006. His term of office expires on 19th December, 2011. There is need to re-appoint him as JMD for a further period of 5 years on the same terms and conditions. Sri.N.Ravi Prasad, Managing Director and Sri.N.Ram Prasad, Director and Chairman of the company are interested in the resolution.

Item No.5. Revision of Salary and perquisites of Sri.N.Ravi Prasad Managing Director.

The salary and perquisites of Sri.N.Ravi Prasad, Managing Director were originally approved on 16.08.1993 and subsequently revised on 31.10.2008. The Board now considered that it is necessary to revise his salary and perquisites as proposed. Sri.N.Rajender Prasad, Joint Managing Director, and Sri.N.Ram Prasad, Director and Chairman of the Company are interested in the resolution.

For and on behalf of the Board of Directors
For Southern Magnesium and Chemicals Limited

Sd/-
(N.Ravi Prasad)
Managing Director

Place: Hyderabad
Date : 10.08.2011

SOUTHERN MAGNESIUM & CHEMICALS LMSITED

DIRECTOR'S REPORT TO SHARE HOLDERS

Your Directors have pleasure in presenting the 25th Annual Report and the Audited Accounts for the year ended 31st March 2011.

FINANCIAL REPORT / OPERATIONS

	Current year As on 31-03-2011 Rs.	(Rs.Lakhs) Last Year As on 31-03-2010 Rs.
Net Sale and other income	185.29	64.34
Profit Before Depreciation and interest	29.28	(-) 10.56
Depreciation. and Interest --	14.13	6.18
Net Profit/ Net loss (-)	15.15	(-) 16.74
Total Cum. Loss	(-) 646.50	(-) 661.65

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

Sri N. Ram Prasad Director & Chairman retires by rotation at the ensuing Annual General Meeting. He is not however offering himself for reappointment as Director. The Board of Directors of the Company places on record their appreciation and thanks for the valuable guidance and contribution to the company by Sri.N.Ram Prasad.

DIRECTORS RESPONSIBILITY STATEMENT

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed
- ii) 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 :
- iii) 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.
- iv) 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 the limits prescribed

AUDITORS

Your directors propose to appoint M/s K.S.Rao & Company, Chartered Accountants, Hyderabad as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

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 Bombay Stock Exchange and Listing fees is paid up to date.

ACKNOWLEDGEMENT:

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

Place : Hyderabad
Date 10-08-2011 :

On behalf of the Board
Sd/-
(N.Ravi Prasad)
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.	Nil

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 1st 5 yrs.(reckoned from the beginning of the financial year) following information is furnished: N.A
- a) Technology ...nil
- b) Year of import ... nil
- c) Has technology been fully absorbed ...NA
- d) If not fully absorbed, area Not applicable...NA
- e) Where this has not been place, reason there for and future plans of action NA

B. FOREIGN EXCHANGE EARNING & OUTGO

During the year foreign exchange outgo was Rs 41.76. lakhs and foreign exchange earnings was Rs.NIL. Lakhs

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of governance:

Corporate governance is a synonym for sound management, transparency and disclosure. The Companies philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance. In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the Stock Exchanges, the details are set out below:

2. Board of Directors:

Composition and Category of Directors as at 31st March, 2011:

The Board of Directors comprises 2 Executive Directors and 4 Non Executive Director. During the Year 4 Board Meetings were held on 29.04.2010, 12.08.2010, 15.11.2010, 03.02.2011.

The Compositions of the Board of Directors and their attendance at the Meetings during the year and at the last Annual General Meeting as also number of other directorship of committees are as follows:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee Membership in Others Cos.
Mr. N. Ram Prasad	Promoter Executive Director	4	No	6	1
Mr. N. Ravi Prasad	Promoter, Managing Director	4	YES	3	1
Mr. N. Rajender Prasad	Promoter, Joint Managing Director	4	YES	3	4
Mr. K. Eshwaraiah	Nominee Director, Independent Non Executive Director	4	NO	-	2
Mr. Snehal Thakkar	Independent Non Executive Director	3	No	-	3
Mr. V.S.S. Prakash	Independent	4	YES	-	1