

**SOUTHERN MAGNESIUM AND  
CHEMICALS LIMITED**  
**(CIN NO.L27109TG1985PLC005303)**



**28<sup>th</sup> ANNUAL REPORT  
2013 - 2014**

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**CORPORATE INFORMATION****BOARD OF DIRECTORS:**

Mr. N. RAVI PRASAD	Managing Director and CEO
Mr. N. RAJENDER PRASAD	Joint Managing Director and CFO
Mrs. MARIYAMMA	APIDC Nominee Director
Mr. K. ESHWARAIAH	Director
Mr..V. S. S. PRAKASH	Director
Mr. G. RAGHAVENDRA RAO	Director (w.e.f 13.08.2014)

**REGISTERED OFFICE:**

Deccan Chambers, 5<sup>th</sup> Floor,  
6-3-666/B, Somajiguda, Hyderabad – 500 082  
Ph: 040-23311789, Fax No: 040-23319871

**AUDITORS:**

K S Rao & Co.  
Chartered Accountants,  
Hyderabad.

**BANKERS:**

Andhra Bank  
Somajiguda, Hyderabad

**WORKS:**

Gowripatnam  
West Godavari District

**MINES:**

Mulugu Mandal  
Warangal District  
Andhra Pradesh

**LISTED AT:**

BSE Limited

**REGISTRAR &  
SHARE TRANSFER AGENTS:**

Aarathi Consultants Private Limited,  
1-2-285, Domalguda  
Hyderabad-500029  
Ph.Nos.040-27638111/27634445  
Email : info@aarathiconsultants.com

## **NOTICE**

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the Members of Southern Magnesium and Chemicals Limited will be held on Tuesday, the 30<sup>th</sup> September, 2014 at 11.30 AM 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 Audited Balance Sheet as at March 31, 2014, the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Schedules and Notes attached thereto, along with the Reports of Auditors and Directors thereon.
2. To appoint statutory Auditors  
“RESOLVED that pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013, consent of the members of the company be and is hereby accorded to appoint M/s. K. S. Rao & Co., Chartered Accountants (Firm Registration No. 003109S) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the fifth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting held after this Annual General Meeting) on such remuneration and out of pocket expenses as may be decided by the Board in consultation with the Audit Committee from time to time”.

### **SPECIAL BUSINESS:**

3. **To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.**  
“Resolved that subject to the provisions of sections 149, 150 and 152 of Companies Act, 2013 and other applicable provisions, if any of the Act and Rules made there under consent of the members be and is hereby accorded to appoint Mr. Surya Sessa Prakash Valluru (DIN: 02661625) as Independent Director of the Company for a period of five consecutive years from 13.08.2014 and shall not be subject to retirement by rotation.”
4. **To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.**  
“Resolved that subject to the provisions of sections 149, 150 and 152 of Companies Act, 2013 and other applicable provisions, if any of the Act and Rules made there under consent of the members be and is hereby accorded to appoint Mr. Eshwariah Kaparathi (DIN: 02728256) as Independent Director of the Company for a period of five consecutive years from 13.08.2014 and shall not be subject to retirement by rotation.”
5. **To consider and if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution.**  
“Resolved that subject to the provisions of sections 149, 150, 152 and 161 of Companies Act, 2013 and other applicable provisions, if any of the Act and Rules made there Mr. G. Raghavendra Rao (DIN: 00470659) who was appointed as Additional Director on 13.08.2014 and holds office upto the date of this Annual General Meeting of the Company, be and is hereby appointed as a Director of the Company for a period of five consecutive years from 13.08.2014 and shall not be subject to retirement by rotation.”
6. **To consider and if thought fit, to pass with or without modifications the following resolution as a Special Resolution.**  
To appoint Mr. N. Ravi Prasad as Managing Director and Chief Executive Officer of the Company pursuant to Section 203 of the Companies Act, 2013 and to enhance his remuneration.

**“RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the recommendations received from nomination and remuneration committee consent of the members be and is hereby accorded to appoint Mr. N.Ravi Prasad (DIN: 00319537) as the Managing Director and Chief Executive officer of the Company with immediate effect for the remaining period in terms of his appointment made on the Board meeting held on 13.11.2013.”

**“RESOLVED THAT** Mr. Ravi Prasad Nuthakki, shall be entitled to remuneration of Rs.60,000/- per month.

**Perquisites:**

- i) 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 subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Managing Director.

- ii) The Company shall pay as per the Company's Policy, the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr.N.Ravi Prasad for himself and his family.
- iii) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iv) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- vi) Mr.N.Ravi Prasad and family shall be covered under the Mediclaim Insurance Schemes as per the rules of the Company.
- vii) Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month's leave for every twelve months of service.
- viii) Such other benefits in accordance with the schemes and rules applicable to the members of the company from time to time.

For the purpose of calculating the above ceilings, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual costs. The Company will pay tax on non monetary perquisites to the appointee as per the amended section 10CC of the Income Tax Act, 1961.

The following shall not be included for the purposes of computation for the Wholetime Managing Director's remuneration or perquisites as aforesaid:

- i) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act.

- ii) Gratuity payable to the Wholetime Managing Director at the rate of half month's salary for each completed year of service.
- iii) Encashment of leave at the end of tenure.
- iv) Chauffeur driven company maintained car for use on Company's business and telephones facility at the residence of Wholetime Managing Director and reimbursement of expenses including entertainment expenses will not be considered as perquisites.

**Minimum Remuneration :** In the event of losses or inadequacy of profits during the above period, the Managing Director is entitled to a minimum salary and perquisites as provided in Schedule V and other applicable provisions to the Companies Act 2013".

The Managing Director shall be entitled to the reimbursement of expenses actually and properly incurred by him for the business of the Company.

Mr.N.Ravi Prasad satisfy all the conditions mentioned in Part I of Schedule V to the Act and also satisfy conditions mentioned under section 196 (3) of the Companies Act, 2013. He is not disqualified from being appointed as Managing Director under section 164 of the Companies Act, 2013. The whole time Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions of section 166 of the Companies Act, 2013 with regard to duties of Directors.

The particulars set out above, may be treated as an abstract of the terms of contract for the remuneration/re appointment of Mr.N.Ravi Prasad as Wholetime Managing Director of the Company, which is required to be given to every member under the provisions of the Companies Act, 2013.

The draft of the Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10.00 a.m. to 12.00 noon on any working day upto the date of the Annual General Meeting.

The Board recommends the Resolution for your approval.

**"RESOLVED FURTHER THAT** Mr. N. Rajender Prasad, Joint Managing Director (DIN: 00145659) of the Company, be and is hereby authorized to do all acts, deeds, and things as may be necessary to give effect to the above resolution."

**7. To consider and if thought fit, to pass with or without modifications the following resolution as an Special Resolution:**

**To re-designate Mr. N. Rajender Prasad as Joint Managing Director and Chief Financial officer of the Company and to enhance his remuneration**

**"RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the recommendations received from nomination and remuneration committee and consent of the members be and is hereby accorded to appoint Mr. N.Rajender Prasad (DIN: 00145659) as the Joint Managing Director and Chief Finance officer of the Company with immediate effect for the remaining period in terms of his appointment made on the Board meeting held on 10.08.2011.

**"RESOLVED THAT** Mr. Rajender Prasad Nuthakki, shall be entitled to remuneration of Rs.60,000/- per month.

**Perquisites:**

- i) 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 subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Joint Managing Director.

- ii) The Company shall pay as per the Company's Policy, the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr.N.Rajender Prasad for himself and his family.
- iii) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iv) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- vi) Mr.N.Rajender Prasad and family shall be covered under the Mediclaim Insurance Schemes as per the rules of the Company.
- vii) Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month's leave for every twelve months of service.
- viii) Such other benefits in accordance with the schemes and rules applicable to the members of the company from time to time.

For the purpose of calculating the above ceilings, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual costs. The Company will pay tax on non monetary perquisites to the appointee as per the amended section 10CC of the Income Tax Act, 1961.

The following shall not be included for the purposes of computation for the Wholetime Joint Managing Director's remuneration or perquisites as aforesaid:

- i) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act.
- ii) Gratuity payable to the Wholetime Joint Managing Director at the rate of half month's salary for each completed year of service.
- iii) Encashment of leave at the end of tenure.
- iv) Chauffeur driven company maintained car for use on Company's business and telephones facility at the residence of Wholetime Joint Managing Director and reimbursement of expenses including entertainment expenses will not be considered as perquisites.

**Minimum Remuneration :** In the event of losses or inadequacy of profits during the above period, the Joint Managing Director is entitled to a minimum salary and perquisites as provided in Schedule V and other applicable provisions to the Companies Act 2013".

The Joint Managing Director shall be entitled to the reimbursement of expenses actually and properly incurred by him for the business of the Company.

Mr.N.Rajender Prasad satisfy all the conditions mentioned in Part I of Schedule V to the Act and also satisfy conditions mentioned under section 196 (3) of the Companies Act, 2013. He is not disqualified from being appointed as Joint Managing Director under section 164 of the Companies Act, 2013. The whole time Joint Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions of section 166 of the Companies Act, 2013 with regard to duties of Directors.

The particulars set out above, may be treated as an abstract of the terms of contract for the remuneration/re appointment of Mr.N.Rajender Prasad as Wholetime Joint Managing Director of the Company, which is required to be given to every member under the provisions of the Companies Act, 2013.

The draft of the Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10.00 a.m. to 12.00 noon on any working day upto the date of the Annual General Meeting.

The Board recommends the Resolution for your approval.

**“RESOLVED FURTHER THAT** Mr. N.Ravi Prasad, Managing Director (DIN: 00319537) of the Company, be and is hereby authorized to do all acts, deeds, and things as may be necessary to give effect to the above resolution.”

**8. To ratify remuneration of Cost Auditors**

**“RESOLVED** that pursuant to the provisions of section 148 of the Companies Act, 2013 and the relevant rules made thereunder the remuneration of Rs. 20,000/- of cost auditors plus reimbursement for travelling and out of pocket expenses as approved by the Board of the Company to be paid to M/s.K.K.Rao Associates, Cost Accountants, Hyderabad to conduct the audit of the cost records of the company for the financial year ending 31.03.2015 be and is hereby ratified and confirmed.”

**“RESOLVED FURTHER THAT** the Board of Directors of the company be and are hereby authorised to do all such acts and deeds as may be required to give effect to the above resolution.”

For and on behalf of the board of Directors  
**Southern Magnesium and Chemicals Limited**

Place: Hyderabad  
Date: 13.08.2014

**(N.Ravi Prasad)**  
Managing Director  
(DIN: 00319537)

**NOTES:**

1. An Explanatory Statement pursuant to section 102 of the companies Act, 2013 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 27.09.2014 to 30.09.2014 (Both days inclusive).
4. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.

5. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
6. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
7. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electric /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.
8. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
9. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
10. E-Voting : The Company is pleased to provide E-voting facility through Central Depository Services (India) Limited (CDSL) as an alternative, for all members of the Company to enable them to cast their votes electronically on the resolutions mentioned in the notice of Annual General Meeting of the Company. The Company has appointed Mr D Hanumantha Raju, Partner, M/s D Hanumantha Raju & Co., Hyderabad, Practicing Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The E-voting rights of the shareholders/beneficial owners shall be reckoned on the equity shares held by them as on the Friday August 29, 2014.

**(a) Instructions for e-voting**

- a) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- b) Click on "Shareholders" tab.
- c) Now enter your User ID

<b>For Members holding shares in Demat Form</b>	<b>For Members holding shares in Physical Form</b>
For CDSL: 16 digits beneficiary ID,	Folio Number registered with the Company

- d) Next enter the Image Verification as displayed and Click on Login.
- e) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- f) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).</p> <ul style="list-style-type: none"> <li>Physical Shareholders who have not updated their PAN with the Company are requested to use the first two letters of their name in Capital Letter followed by 8 digits folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the folio number. Eg. If your name is Ramesh Kumar with folio number 1234 then enter RA00001234 in the PAN field.</li> <li>Demat Shareholders who have not updated their PAN with their Depository Participant are requested to use the first two letters of their name in Capital Letter followed by 8 digit CDSL client id. For example: CDSL Account holder name is Rahul Mishra and Demat A/c No. is 12058700 00001234 then default value of PAN is 'RA00001234'.</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <p>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the Folio/Client ID</p>

- g) After entering these details appropriately, click on "SUBMIT" tab.
- h) Members holding shares in Physical form will then reach directly to the voting screen.
- i) Members holding shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.  
  
If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- j) Click on the relevant EVSN for the "Southern Magnesium and Chemicals Limited" on which you choose to vote.
- k) On the voting page, you will see Resolution Description and against the same the option 'YES/NO' for voting. Enter the number of shares (which represents number of votes) under YES/NO.
- l) Click on the "RESOLUTION FILE LINK" if you wish to view the entire Notice of the Annual General Meeting.
- m) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.