

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

(CIN NO.L27109TG1985PLC005303)



**29th ANNUAL REPORT
2014 - 2015**

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

REGISTERED OFFICE:

Deccan Chambers, 5th 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:**

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

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NOTICE

Notice is hereby given that the 29th Annual General Meeting of the Members of Southern Magnesium and Chemicals Limited will be held on Wednesday, the 30th September, 2015 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 Audited Balance Sheet as at March 31, 2015, 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 ratify appointment of statutory Auditors
To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution
“RESOLVED that, pursuant to Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder as amended from time to time and for the time being in force, the appointment of M/s. K. S. Rao & Co., Chartered Accountants (Firm Registration No. 003109S) Hyderabad, as Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of thirtieth Annual General Meeting be and is hereby ratified on a remuneration including Service Tax and travelling/out of pocket expenses to be mutually agreed upon by the Board of Directors of the Company and the Auditors”.

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

Sd/-

Place: Hyderabad
Date: 03.08.2015

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

NOTES:

1. **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.
2. The Register of Members and Share Transfer Books of the Company will be closed from 23rd September 2015 to 30th September 2015 (Both days inclusive)
3. 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.
4. 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.
5. 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.
6. 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.

7. 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.
8. 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.
9. **Voting through electronic means**

Pursuant to the provision of Section 108 and other applicable provision, if any, of the companies Act, 2013 read with Rule 20 of the companies (Management and Administration) Rules, 2014 as amended and Clause 35B of the Listing Agreement, the Member are provided with the facility to cast their Votes on resolution through e-voting services provided by Central Depository Services (India) Limited (CDSL)

The e- voting period commence on 26th September, 2015 (9.00 A.M. IST) and ends on 29th September, 2015 (5.00 P.M. IST). During this period, Members of the company, holding shares **either in physical form or in dematerialized form, as on September 22nd September, 2015 (cut off date), may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently.**

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 26th September, 2015 (9.00 a.m) and ends on 29th September 2015 (5.00 p.m). During this period shareholders' of the Company, holding shares either in physical form or in Dematerialized form, as on the cut-off date (record date) of 22nd September 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders
- (iv) Now Enter your User ID
 - a) For CDSL: 16 digits beneficiary ID,
 - b) For NSDL: 8 Character DP ID followed by 8 Digits Client ID
 - c) Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) 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> <p>◆ Members who have not updated their PAN with the Company /Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</p>

	<ul style="list-style-type: none"> ◆ In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001(which is printed on address label) in the PAN field.
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	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.
Details	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 member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- viii) After entering these details appropriately, click on "SUBMIT" tab.
- ix) Members holding shares in physical form will then directly reach the Company selection screen. However, 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.
- x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- xiv) 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 .
- xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- xviii) Note for Non-Individual Shareholders & Custodians:

- ◆ Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - ◆ A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - ◆ After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - ◆ The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - ◆ A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

10. For members who wish to vote using ballot form:

Pursuant to Clause 35B of the Listing Agreement, members who do not have access to e-voting facility may fill in the ballot form sent along with the notice and submit the same in a sealed envelope to the scrutinizer, M/s.D.Hanumanta Raju & Co., Company Secretaries, C/o Southern Magnesium and Chemicals Limited, Deccan Chambers, 5th Floor, 6-3-666/B, Somajiguda, Hyderabad, Telangana – 500 082. Incomplete or incorrectly ticked forms are liable to be rejected and the decision of the scrutinizer on the validity of the forms will be final.

In the event a member casts his votes through both the processes i.e. e-voting and ballot form, the votes in the electronic system would be considered and the ballot form would be ignored.

DIRECTORS' REPORT

To

The Members,

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,

Your Directors hereby presents the 29th Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31st March, 2015. The summarized financial results for the year ended 31st March, 2015 are as under:

FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2015	Previous Year As on 31.03.2014
Net Sale / Income from Operations	546.64	175.68
Other Income	2.14	0.23
Operating Expenses	292.54	152.22
Net Profit (+) / (Loss) before tax for the period	256.24	23.69
Current Tax / Exceptional Items	81.09	0.00
Net Profit (+) / (Loss) for the period	337.33	23.69

REVIEW OF OPERATIONS:

During the period revenue of the Company increased to Rs. 546.64 lakhs as compared to Rs. 175.68 Lakhs of the previous year. The net profit before tax has also increased to Rs. 337.33 Lakhs from Rs. 23.69 Lakhs of the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirm that in the preparation of Profit & Loss Account for the year end and Balance Sheet as at that date ("Financial Statements") that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had 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 and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DISCLOSURES UNDER SECTION 134 OF THE COMPANIES ACT, 2013

1. State of affairs of the company:

The Company deals in the business of Magnesium Metal. During the year, the Company has seen growth in terms of the Sale which is reflected in the financial results of the Company for the year.

2. Amounts, if any, carried to reserves:

The company transferred Rs. 3.36 crores to the general reserve out of the amount available for

appropriation.

3. Dividend:

The Company has declared the dividend amounting to Rs 77.25 Lakhs, which includes the arrear of the outstanding cumulative preferential Dividend and also redeemed the said preference shares out of the current year profits.

4. Inter - Corporate deposits:

(i) The details relating to deposits are as follows: The Company has received Inter Corporate Deposits, the details of which is given below.

(a) Accepted during the year - Nil

(b) Remained unpaid or unclaimed as at the end of the year - Rs. 37,50,000/-

(c) Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved at the beginning of the year; -Nil

Maximum outstanding during the year; Rs. 37,50,000/-

Outstanding at the end of the year; Rs. 35,50,000/-

(ii) The details of deposits which are not in compliance with the requirements of the Act- NIL.

5. Number of meetings of the Board:

Five meetings of the board were held during the year as per the details given below:

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	26.05.2014	5	4	80.00
2.	13.08.2014	6	4	66.67
3.	11.11.2014	6	5	83.33
4.	14.02.2015	6	6	100.00
5.	28.03.2015	6	5	83.33

6. Board Evaluation:

The board of directors has carried out an annual evaluation of its own performance, Board Committees and individual directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed by Securities and Exchange Board of India ("SEBI") under Clause 49 of the Listing Agreements ("Clause 49").

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Board and the Nomination and Remuneration Committee ("NRC") reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness of the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

In a separate meeting of Independent Directors, performance of Non- Independent directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into

accounts the views of Executive Directors and Non-Executive Directors. The same was discussed in the board meeting that followed the meeting of the Independent Directors, at which the performance of Board, its committee and individual directors was also discussed.

7. Policy on Directors' appointment and remuneration and others details:

The company's policy on Directors appointment and remuneration and other matters provided in section 178(3) of the companies act has been disclosed in the Corporate Governance Report, which forms part of this directors' report.

8. Directors:

There is no change in the offices held by the Directors of the company.

9. Internal Financial Control Systems and their Adequacy:

The details in respect of internal financial control and their adequacy are included in the Management Discussion & Analysis and which forms a part of this report.

10. Audit Committee

The details pertaining to composition of Audit Committee are included in Corporate Governance Report, which forms a part of this report.

11. A statement on declaration given by independent directors under Sub-Section (6) of Section 149:

The provisions of Section 149(6) relating to Independent Directors has been complied with.

12. Risk Management:

The Board of the company regularly reviews and had adopted measures to frame, implement and monitor the risk management plan for the company. The Board is responsible for reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risk identified, if any, by the business functions are systematically addressed through mitigating actions on a continuing basis.

13. Particulars of Loans, Guarantees or Investments Under Section 186 of the Companies Act, 2013:

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review.

14. Particulars of contracts or arrangements made with related parties Under Section 188 of the Companies Act, 2013:

None of the transactions with related parties falls under the scope of section 188(1) of the act. Information on transaction with related parties pursuant to section 134(3)(h) of the act read with rule 8(2) of the companies (Accounts) Rules, 2014 are given in Annexure-1 in Form AOC-2 and the same forms part of this report.

15. The change in the nature of business, if any:

There was no change in the nature of Business.

16. The details of directors or key managerial personnel who were appointed or have resigned during the year:

There was no appointment or resignation of any director or Key Managerial Personnel since the last Annual General Meeting.

17. The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year:

The Company does not have any Subsidiary, Joint venture or associate company which have become