

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

(CIN NO.L27109TG1985PLC005303)



**31st ANNUAL REPORT
2016 - 2017**

CORPORATE INFORMATION**BOARD OF DIRECTORS:**

Mr. N. RAVI PRASAD	Managing Director and CEO
Mr. N. RAJENDER PRASAD	Joint Managing Director and CFO
Mrs. E. MAHALAKSHMI	APIDC Nominee Director
Mr. K. ESHWARAIAH	Independent Director
Mr.V. S. S. PRAKASH	Independent Director
Mr. G. RAGHAVENDRA RAO	Independent Director

REGISTERED OFFICE:

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

AUDITORS:

Brahmayya & Co.
Chartered Accountants, Hyderabad

SECRETARIAL AUDITORS:

D. Hanumanta Raju & Co.
Company Secretaries, Hyderabad

BANKERS:

Andhra Bank, Somajiguda, Hyderabad

WORKS:

Gowripatnam, West Godavari District

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@aarthiconsultants.com

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Dear Shareholder,

Re : Updating of Shareholders' records

You are one of the valued shareholders of our Company. To serve you efficiently, the Company must have the correct and updated details of the shareholders.

You are therefore requested to provide the following information in the table given below for updating our records and rendering quick & efficient service.

Sr. No.	Particulars	Information required
1.	Name & Folio No.	:
2.	PAN Number	:
3.	Contact details - Phone / Mobile	:
4.	Email Id	:
5.	Details of Bank Account	:

Kindly return this letter to us after filling in the above details. You may also email your particulars on Email id - southernmagnesium@gmail.com

Thank you,

N. Ravi Prasad
Managing Director & CEO

NOTICE

Notice is hereby given that the 31st Annual General Meeting of the Members of Southern Magnesium and Chemicals Limited will be held on Friday, the 29th day, of September, 2017 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, 2017, 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. **Appointment of Statutory Auditors:**

“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members of the company be and is hereby accorded to appoint M/s. Brahmayya & Co., Chartered Accountants (Firm Registration No. 000513S) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the fifth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting to be held after this Annual General Meeting) on such remuneration and out of pocket expenses as may be decided by the Board of Directors from time to time”.

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

Place : Hyderabad
Date : 28.08.2017

(N. Ravi Prasad)
Managing Director & CEO
(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 him /she 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 23.09.2017 to 29.09.2017 (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., Electricity /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 Regulation 44(1) of SEBI (LODR) 2015, the Members 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 26.09.2017 (9.00 A.M. IST) and ends on 28.09.2017 (5.00 P.M. IST). During this period, Members of the company, holding shares **either in physical form or in dematerialized form, as on 22.09.2017 (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, 2017 (9.00 A.M) and ends on 28th September 2017 (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 22.09.2017, 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	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both Demat shareholders as well as physical shareholders)
	<ul style="list-style-type: none"> 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.
	<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 Details	Enter the Dividend Bank Details as recorded in your Demat account or in the company records for the said Demat account or folio.
	<ul style="list-style-type: none"> 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 and 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 Corporate.
 - 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.

DIRECTORS' REPORT

To

The Members,

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,

Your Directors hereby present the 31st 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, 2017. The summarized financial results for the year ended 31st March, 2017 are as under:

FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2017	Previous Year As on 31.03.2016
Net Sales / Income from Operations	651.92	321.43
Other income	7.09	2.66
Operating Expenses	368.90	180.06
Net Profit (+) / (Loss) before Tax for the Period	290.11	144.03
Tax Expenses	100.47	49.69
Net Profit (+) / (Loss) for the Period	189.64	94.34

REVIEW OF OPERATIONS:

During the period revenue of the Company has increased to Rs. 651.92 Lakhs as compared to Rs. 321.43 Lakhs of the previous year. The net profit before tax has also increased to Rs. 290.11 Lakhs from Rs. 144.03 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 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 have 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 and related goods. During the year, the Company has seen increase in terms of the Sale/profits which is reflected in the financial results of the Company for the year.

2. Amounts, if any, carried to reserves:

The company has transferred Rs. 189.64 Lakhs to reserve and surplus.

3. Dividend:

The Company has not declared any dividend during the year under review.

4. Inter - Corporate deposits:

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

(a) Accepted during the year - Nil

(b) Remained unpaid or unclaimed as at the end of the year – Nil

(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. 33,73,000/-

Outstanding at the end of the year; - Rs. 32,29,000/-

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

5. Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

6. 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.	28.05.2016	6	6	100
2.	27.07.2016	6	5	83.33
3.	28.10.2016	6	5	83.33
4.	10.02.2017	6	5	83.33
5.	21.03.2017	6	5	83.33

7. Material changes and commitments, if, any, affecting the financial position of the company which have occurred between the end of financial year of the company to which the financial statements relate and the date of the report:

There are no material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate on the date of this report.

8. 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 to the extent applicable as prescribed by Securities and Exchange Board of India ("SEBI").

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, taking into account 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.

9. 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 of the Companies Act are as under:

NOMINATION AND REMUNERATION POLICY OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

INTRODUCTION

The Remuneration Policy of Southern Magnesium and Chemicals Limited (the “Company”) is aligned with the compensation philosophy of its competitors which is to pay competitively and reward performance. To achieve this philosophy, total compensation is based on employee’s role, market value of job and employees contributions.

This Policy is designed to attract, motivate, and retain talent by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and retirement benefits.

The policy reflects the Company’s objectives for good corporate governance as well as sustained long term value creation for shareholders.

This Remuneration Policy applies to Directors and senior management including its Key Managerial Personnel (KMP) of the Company.

1. DEFINITIONS

Act means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

“Board” means Board of Directors of the Company.

“Committee” means Nomination and Remuneration Committee constituted by the Board

“Directors” mean Directors of the Company.

“Key Managerial Personnel” means

Chief Executive Officer or the Managing Director or Manager Whole-time director;

Chief Financial Officer;

Company Secretary; and such other officer as may be prescribed by the Companies Act, 2013.

“Executive Directors” mean Managing Director/ Jt. Managing Director and Whole Time Director, if any.

“Senior Management” means personnel of the company who are members of senior leadership typically vice presidents or equivalent and higher position levels.