

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

(CIN NO.L27109TG1985PLC005303)



**32nd ANNUAL REPORT
2017 - 2018**

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, Somajigua, 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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NOTICE

NOTICE IS HEREBY GIVEN THAT THE 32ND ANNUAL GENERAL MEETING OF THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, THE 29TH DAY, OF SEPTEMBER, 2018 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, 2018, 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.

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

Sd/-

N. RAVI PRASAD
MANAGING DIRECTOR & CEO
(DIN: 00319537)

Place : Hyderabad
Date : 14.08.2018

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself. Such proxy need not be a Member of the Company.

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than ten per cent of the total share capital of the Company carrying voting rights.

The instrument of proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of the companies, societies etc. must be supported by an appropriate resolution/ authority, as applicable.

2. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the 32nd Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 22.09.2018 to 29.09.2018 (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. Trading in equity shares of the Company through stock exchanges is permitted only in dematerialized form. Members can dematerialize their equity shares in the Company through their Depository Participant(s). The ISIN in respect of equity shares is INE308N01012.

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.

PROCESS FOR MEMBERS OPTING FOR E-VOTING

For Members whose E-mail addresses are registered with the Company/ Depositories:

1. **E-Voting:** 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 26.09.2018 (9.00 A.M. IST) and ends on 28.09.2018 (5.00 P.M. IST). During this period, Members of the company, holding shares either in physical form or in dematerialized form, as on 21.09.2018 (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, 2018 (9.00 A.M) and ends on 28th September 2018 (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 21.09.2018, 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. 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.
- (vi) 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 Rajesh 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.
	<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).

- (vii) After entering these details appropriately, click on “SUBMIT” tab
- (viii) 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.
- (ix) For Members holding shares in physical form, the details can be used only for e- voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xi) 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.
- (xii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiii) 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.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.

(xvi) 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.

(xvii) 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.

2. Voting at AGM: The Members, who have not cast their vote electronically, can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue.

3. Other instructions:

- (i) 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
 - (ii) You can also update your mobile number and E-mail ID in the user profile details of the folio which may be used for sending future communication(s).
 - (iii) The voting rights of Members shall be reckoned on the paid up value of shares registered in the name of Member/ Beneficial Owner as on the cut-off date i.e. 21.09.2018.
 - (iv) The Board of Directors has appointed D. Hanumanta Raju & Co. Company Secretaries, B-13, F-1, P.S. Nagar, Vijayanagar Colony, Hyderabad - 500 057 as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
 - (v) The scrutinizer shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses who are not in the employment of the Company and make a consolidated Scrutinizer’s Report of the total votes cast in favour or against, if any, to the Chairman or person authorized by the Chairman for counter signature.
 - (vi) The results shall be declared either by the Chairman or by an authorized person of the Chairman and the Resolutions will be deemed to have been passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).
- 4.** Immediately after declaration of results, the same shall be placed along with the Scrutinizer’s Report on the Company’s website www.southernmagnesium.com and on the website of RTA www.aarthiconsultants.com, and communicated to BSE Limited, where the shares of the Company are listed for placing the same on their website.

DIRECTORS' REPORT

To

The Members,

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,

Your Directors hereby present the 32nd 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, 2018. The summarized financial results for the year ended 31st March, 2018 are as under:

FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2018	Previous Year As on 31.03.2017
Net Sales / Income from Operations	161.83	725.22
Other income	3.62	7.09
Operating Expenses	274.98	442.20
Net Profit (+) / (Loss) before Tax for the Period	(109.53)	290.11
Exceptional items	1.71	-
Tax Expenses	-	100.47
Net Profit (+) / (Loss) for the Period	(107.82)	189.64

REVIEW OF OPERATIONS:

During the period revenue of the Company has decreased to Rs. 161.83 Lakhs as compared to Rs. 725.22 Lakhs of the previous year. The Company has incurred loss of Rs (107.82) Lakhs in the current year against profit of Rs. 189.64 Lakhs in the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby confirms and declare that:

- (a) In the preparation of the annual accounts for the year ended 31st March 2018, 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 statement of 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 for the year ended 31st March, 2018 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 decline 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 not transferred any amount to Reserves 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. 32,29,000/-

Outstanding at the end of the year; - Rs. 29,80,000/-

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

5. Deposits

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

6. Number of meetings of the Board

Secretarial Standards as applicable have been complied with. Further, 5 (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.	12.05.2017	6	4	66.66
2.	28.08.2017	6	6	100
3.	07.09.2017	6	6	100
4.	14.12.2017	6	6	100
5.	13.02.2018	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.

2. GUIDING PRINCIPLE

The guiding principle is that the remuneration and the other terms of employment s h o u l d effectively help in attracting and retaining talented employees.

While designing remuneration packages, industry's best practices, cost of living and potential of employees are also taken into consideration.

3. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

3.1. General:

- a) The remuneration package of KMP will be determined by the Committee and recommended to Board for approval. In addition, the approval of the shareholders of the Company and Central Government, wherever required, will be obtained for the remuneration package of Executive Directors. The remuneration package of other senior management personnel will be recommended by Chairman & Managing Director and submitted to Committee for approval.
- b) The remuneration package of Executive Directors shall be in accordance with the percentage / slabs / conditions laid down in the Act.
- c) Increments to the existing remuneration package of Executive Directors may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders.

3.2. Where any insurance is taken by the Company on behalf of its Directors, Executive Directors, Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to such personnel.

4. REMUNERATION TO EXECUTIVE DIRECTORS KMP AND SENIOR MANAGEMENT PERSONNEL:

4.1.1. Pay and Allowances:

The Executive Directors, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Committee or Board on the recommendation of the Committee. The remuneration comprises of basic pay and allowances in addition to perquisites such as contribution to Provident Fund, Gratuity, group life insurance, group medical insurance etc.

4.1.1.1. Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive Directors in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

4.1.1.2. Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

5. Remuneration to Independent Directors:

5.1. Remuneration/Commission:

The remuneration/commission shall be fixed as per the slabs and conditions mentioned in the Act.