

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

**AUDITORS:**

K S Rao & Co.  
Chartered Accountants, Hyderabad

**SECRETARIAL AUDITORS:**

D. Hanumanta Raju & Co.  
Company Secretaries, Hyderabad

**BANKERS:**

Andhra Bank, Somajiguda, Hyderabad

**WORKS:**

Gowripatnam, West Godavari District

**MINES:**

Mulugu Mandal, Warangal District, Telangana

**LISTED AT:**

BSE Limited

**REGISTRAR &  
SHARE TRANSFER AGENTS:**

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

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**NOTICE**

Notice is hereby given that the 30<sup>th</sup> Annual General Meeting of the Members of Southern Magnesium and Chemicals Limited will be held on Thursday, the 25<sup>th</sup> August, 2016 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, 2016, 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 Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of 31<sup>st</sup> Annual General Meeting be and is hereby ratified on a remuneration that may be mutually agreed.”

**SPECIAL BUSINESS:**

3. **To Re-appoint Mr. Ravi Prasad Nuthakki as the Managing Director and Chief Executive Officer (CEO) of the company.**

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution.

**“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 there under and pursuant to the recommendations received from nomination and remuneration committee consent of the members be and is hereby accorded to re-appoint Mr. Nuthakki Ravi Prasad (DIN: 00319537) as the Managing Director and Chief Executive Officer whose tenure is due to expire on 12.11.2016 for a further period of three years i.e. from 13.11.2016 to 12.11.2019.”

**“RESOLVED FURTHER THAT** Mr. Ravi Prasad Nuthakki, shall be entitled to remuneration of Rs. 60,000/- per month and he is eligible to following perquisites”

**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 his family shall be covered under the Medical claim 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 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 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 Whole time 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. Nuthakki Ravi Prasad satisfies all the conditions mentioned in Part I of Schedule V to the Act and also satisfies 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 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 and re-appointment of Mr. Nuthakki Ravi Prasad as Managing Director and CEO of the Company.

#### **4. To Re-appoint Mr. Rajender Prasad Nuthakki as the Joint Managing Director and Chief Financial Officer (CFO) of the company.**

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution.

**"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 there under and pursuant to the recommendations received from nomination and remuneration committee and consent of the members be and is hereby accorded to re-appoint Mr. Rajender Prasad Nuthakki (DIN: 00145659) as the Joint Managing Director and Chief Finance officer of the Company whose tenure is due to expire on 09.08.2016 for a period of three years i.e. from 10.08.2016 to 09.08.2019.

**"RESOLVED FURTHER THAT** Mr. Rajender Prasad Nuthakki, shall be entitled to remuneration of Rs.60000/- per month and he is eligible to following perquisites".

#### **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.
- ii) 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.
- iii) 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.

- i) 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. Rajender Prasad Nuthakki for himself and his family.
- ii) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iii) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- iv) The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- v) Mr. Rajender Prasad Nuthakki and family shall be covered under the Medical claim Insurance Schemes as per the rules of the Company.
- vi) 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.
- vii) 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 Whole time 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 Whole time 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 Whole time 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. Rajender Prasad Nuthakki satisfies all the conditions mentioned in Part I of Schedule V to the Act and also satisfies 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 and re-appointment of Mr. Rajender Prasad Nuthakki as Whole time Joint Managing Director of the Company.

For and on Behalf of the Board of Director  
**Southern Magnesium and Chemicals Limited**

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

Place : Hyderabad  
Date : 27.07.2016

**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 18<sup>th</sup> August 2016 to 25<sup>th</sup> August 2016 (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 Regulation 44(1) of SEBI (LODR) 2015, 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 22<sup>nd</sup> August, 2016 (9.00 A.M. IST) and ends on 24<sup>th</sup> August, 2016 (5.00 P.M. IST). During this period, Members of the company, holding shares **either in physical form or in dematerialized form, as on August 18<sup>th</sup> 2016 (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 22<sup>nd</sup> August, 2016 (9.00 a.m) and ends on 24<sup>th</sup> August 2016 (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 18<sup>th</sup> August 2016, 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](http://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](http://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"> <li>◆ 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.</li> <li>◆ 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.</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	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 and Custodians
  - ◆ Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://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](mailto: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](mailto: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](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- 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](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013****ITEM NO 3:****Re-appointment of Mr. Ravi Prasad Nuthakki as Managing Director and Chief Executive Officer of the company:**

Mr. Ravi Prasad Nuthakki has been appointed as the Managing Director of the company in the board of directors meeting held on 13.11.2013 for a period of 3 years i.e. from 13.11.2013 to 12.11.2016. Thereafter he was appointed as the Chief Executive Officer of the company for the remaining unexpired term in the board of directors meeting held on 13.08.2014 and was approved by the members at Annual general meeting held on 30.09.2014.

Since the office of Mr. Ravi Prasad Nuthakki would come to an end on 12.11.2016, he is proposed to be re-appointed as the Managing Director and Chief Executive Officer of the company for a further period of 3 years.

As per the provisions of section 197, 198, 203 read with schedule V, such appointment requires the approval of members in the General Meeting.

Hence the Board re-commends passing of the above resolution as set out in the Notice above.

No other person other than Mr. Ravi Prasad Nuthakki (Appointee) and N.Rajender Prasad Nuthakki (being relative of proposed Appointee) is interested in the aforesaid resolution.

**ITEM NO 4:**

**Re-appointment of Mr. Rajender Prasad Nuthakki as Joint Managing Director and Chief Financial Officer of the company:**

Mr. Rajender Prasad Nuthakki has been appointed as the Joint managing director of the company in the board of directors meeting held on 10.08.2011 for a period of 5 years i.e. from 10.08.2011 to 09.08.2016. Then after he was appointed as the Chief financial officer of the company for the remaining unexpired term in the board of directors meeting held on 13.08.2014 and was approved by the members at Annual general meeting held on 30.09.2014.

Since the office of Mr. Rajender Prasad Nuthakki would come to an end on 09.08.2016, he is proposed to be reappointed as the Joint Managing Director and Chief financial Officer of the company.

As per the provisions of section 197, 198, 203 read with schedule V, such appointment requires the approval of members in the General Meeting.

Hence the Board re-commends passing of the above resolution as set out in the Notice above.

No other person other than Mr. Rajender Prasad Nuthakki (Appointee) and Mr. Ravi Prasad Nuthakki (being relative of proposed Appointee) is interested in the aforesaid resolution.

**DIRECTORS PROFILE**

Details of the Directors seeking reappointment at the forth coming Annual General Meeting

<b>Name of the Director</b>	<b>Ravi Prasad Nuthakki</b>	<b>Rajender Prasad Nuthakki</b>
Date of Birth	11.08.1961	28.12.1964
Date of First Appointment	17.08.1988	20.12.1991
Expertise in specific functional areas	Ravi Prasad Nuthakki holds degree in B.E., M.B.A. and Post Graduation in M.S. with over 28 years of Experience. He is one of the promoter Director of the Company and has been its Managing Director since 1988.	Rajender Prasad Nuthakki holds degree in aChemical Engineering and Post Graduation in M.S. with over 25 years of Experience. He is one of the promoter Director of the Company and has been its Joint Managing Director since 1988.
Qualification	B.E., M.B.A., and M.S.,	Chemical Engineering and M.S.
Shareholding in the company as on 31.03.2016 (No. of equity shares of Rs. 10/- each	3,88,148	2,48,498
List of other public limited companies in which directorship held	Southern Electrodes Ltd	Southern Electrodes Ltd
Chairman/Member of the Committees of the Board across all public companies of which he is a Director as on 31.03.2016	Member - NIL	<b>Member</b> – Nomination and remuneration committee And Audit Committee and Stake Holder Relationship Committee of Southern Magnesium and Chemicals Limited



## DIRECTORS' REPORT

To

The Members,

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,**

Your Directors hereby presents the 30<sup>th</sup> Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31<sup>st</sup> March, 2016. The summarized financial results for the year ended 31<sup>st</sup> March, 2016 are as under:

### FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2016	Previous Year As on 31.03.2015
Net Sale / Income from Operations	321.43	546.70
Other Income	2.66	2.14
Operating Expenses	180.06	292.60
Net Profit (+) / (Loss) before tax for the period	144.03	256.24
Exceptional Items	-	81.09
Tax expenses	49.69	11.70
Net Profit (+) / (Loss) for the period	94.34	325.63

### REVIEW OF OPERATIONS:

During the period revenue of the Company decreased to Rs. 321.43 lakhs as compared to Rs. 546.70 Lakhs of the previous year. The net profit before tax has also decreased to Rs. 144.03 Lakhs from Rs. 337.33 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 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 decrease 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. 94.34 Lakhs to the general reserve out of the amount available for appropriation.

**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 received 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. 35,50,000/-

Outstanding at the end of the year; - Rs. 33,73,000/-

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

**5. Number of meetings of the Board:**

Four 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.	30.05.2015	6	6	100
2.	03.08.2015	6	6	100
3.	14.11.2015	6	5	83.333
4.	10.02.2016	6	5	83.333

**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 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 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 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 Ministry of Corporate Affairs

**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 should 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.

**a) Sitting Fees:**

Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed the amount fixed by the Board from time to time.

**b) Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

**c) Stock Options:**

An Independent Director shall not be entitled to any stock options of the Company.

**d) Expenses for attending meetings**

The expenses incurred by the Independent Directors for attending the meetings of Board of Directors and Committees of the Board shall be reimbursed by the Company or alternatively the Company may provide air tickets, lodging facility and conveyance to the Independent Directors.

**6. Disclosure of information**

Information on the total remuneration of members of the Company's Board of Directors, Whole time Directors and KMP/senior management personnel may be disclosed in the Company's annual financial statements/ Annual Report as per statutory requirements.

**7. Application of the Remuneration Policy**

This Remuneration Policy shall continue to guide all future employment of Directors, Company's Senior Management including Key Managerial Personnel.

**8. Performance evaluation criteria for independent directors:**

The Board of Directors evaluates the performance of independent directors on yearly basis.

**a. All pecuniary relationship or transactions of the non-executive directors**

The company has paid Rs 2000 as fees for attending Board meetings to Mr. K. Eshwariah (Non-Executive- independent Director) during the financial year ended on March 31, 2016.

\*The amount is exclusive of Service Tax and Swachh Bharat Cess

**b. Disclosure with respect to remuneration:**

No other element of remuneration package is paid to the Non-Executive Directors except payment of sitting fees to the Independent Non Executive Directors as disclosed above.

The Company did not issue any stock options during the year.

**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 and Analysis which forms part of this report.

**10. Audit Committee**

The Composition of Audit Committee as on March 31, 2016 is as follows:

Name	Category	Designation
Mr. Raghavendra Rao Griddalur	Independent Non- Executive Director	Chairperson
Mr. V. S. S. Prakash	Independent Non- Executive Director	Member
Mr. K. Eshwaraih	Independent Non- Executive Director	Member
Mr. N. Rajendra Prasad	Executive Director	Member

All members of Audit Committee are financially literate and have accounting and related financial management expertise.

**a. Meetings and attendance during the year**

During the financial year, Audit Committee met four times on May 30<sup>th</sup>, 2015; August 03<sup>rd</sup>, 2015; November 14<sup>th</sup>, 2015 and February 10<sup>th</sup>, 2016.

The details of the meetings attended by the Members are given below:

Name	Number of meetings held	Number of meetings attended
Mr. Raghavendra Rao Griddalur	4	4
Mr. Eshwariah Kaparthi	4	4
Mr. Surya Sesa Prakash Valluru	4	4
Mr. Rajender Prasad Nuthakki	4	4

**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 have been complied with.

**12. Risk Management:**

The Board of the company regularly reviews and has 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 indentified, 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:**

No transactions/contracts/arrangements of the nature as specified in Sec.188 (1) of the Companies Act, 2013 entered by the company during the year under review with related party(/ies).

**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 during the period under review.

**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 or ceased to be its Subsidiaries, joint ventures or associate company during the year.

**18. The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future:**

There are no material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future. However the company has received some show-cause notices from stock exchanges for which company has replied accordingly.

**19. Particulars of Employees:**

The information required under section 197 of the act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, are given below:

**a. The ratio of remuneration of each director to the median remuneration of the employees of the company for the financial year:**

<b>Non Executive Directors</b>	<b>Ratio to median remuneration</b>
Raghavendra Rao Griddalur	NIL
Chilukuri Mariamma	NIL
Surya Sesa Prakash Valluru	NIL
Eshwariah Kaparathi	NIL

<b>Executive Directors</b>	<b>Ratio to median remuneration</b>
Ravi Prasad Nuthakki	13.47:1
Rajender Prasad Nuthakki	14.33:1

**b. The percentage increase or decrease in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year:**

<b>Director, chief executive officer, chief financial officer, company secretary</b>	<b>% of increase in remuneration in the financial year</b>
Ravi Prasad Nuthakki –MD and CEO	11.39
Rajender Prasad Nuthakki – Jt.MD and CFO	22.07

**c. The percentage increase in median remuneration of employees in the financial year : 43.46%****d. The number of permanent employees on the rolls of the company: 21****e. The explanation on the relationship between average increase in remuneration and the companies performance:**

The increase in remuneration is in line with market trends. In order to ensure that the remuneration reflects company's performance, the performance pay is linked to organisation performance.

**f. Comparison of the remuneration of key managerial personnel against the performance of the company.**

Aggregate remuneration of key managerial personnel (KMP) in FY 2015-16	28,36,698/-
Revenue	3,24,09,495/-
Remuneration of KMP (as a % of revenue)	8.75
Profit before tax (PBT) (Rs. In Lakhs)	1,44,03,420/-
Remuneration of KMP (as a % of PBT)	19.69

**g. Variation in the market capitalisation of the company, price earning ratio as at the closing date of the current financial year and previous financial year.**

<b>Particulars</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>	<b>% Change</b>
Market capitalisation (Rs.)	10,77,00,000	5,47,50,000	96.71
Price Earning Ratio	11.43	1.65	592.72



- h. Percentage increase over decrease in the market quotation of the shares of the company comparison to the rate at which the company came out with the last public offer:**

Particulars	March 31, 2016	March 31, 2015	% Change
Market price (BSE)	35.90	18.25	96.71%

3.59 times increase in the market quotation of the Shares in comparison to the rate at which the company came out with IPO.

- i. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

Average increase in salaries of employees other than managerial personnel in 2015-16 was 20.79%.

Average increase in salaries of managerial personnel in 2015-16 was 20.79%.

- j. Comparison of each remuneration of key managerial personnel against the performance of the company:**

Particulars	Mr. Rajender Prasad Nuthakki	Mr. Ravi Prasad Nuthakki
Remuneration in FY 15-16(Rs)	14,61,850/-	13,74,848/-
Revenue(Rs)	3,24,09,495/-	3,24,09,495/-
Remuneration as % of Revenue	4.51%	4.24%
Profit before tax (PBT) (Rs)	1,44,03,420/-	1,44,03,420/-
Remuneration (as % of PBT)	10.14%	9.54%

- k. The key parameters for any variable component of remuneration availed by the directors:**

No such variable component of remuneration is paid to any directors.

- l. The ratio of remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:**  
Not Applicable

- m. Affirmation that the remuneration is as per the remuneration policy of the company:**

The Company affirms remuneration is as per the Remuneration policy of the company.

**20. Disclosure as per Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013:**

Your company has zero tolerance for sexual harassment at work place and has adopted a policy on prevention, prohibition and Redressal of sexual harassment at work place in line with the provision of Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013 and rules framed there under.

No complaint have been received by the company on sexual harassment during the financial year 2015-2016.

**21. Disclosure Requirements:**

As per Regulation 15 of SEBI (LODR), 2015, corporate governance report with certificate from Practising Company Secretary thereon is not applicable to the company. Management Discussion and Analysis as required is attached hereunder and forms part of this report.

The company has formulated a whistle blower policy. A copy of the same is made available at the registered office of the company and also at the website of the company. The provisions of this policy are in line with the provisions of section 177(9) of the act.

Your Company has a vigil mechanism to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy enables reporting of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy, to the management. The vigil mechanism also ensures strict confidentiality is maintained and provided adequate safeguards against victimization of employees who avail of the mechanism and also provided for direct access to the Chairman of the Audit committee in exceptional cases.

## **22. Auditors:**

Pursuant to the provision of section 139 of the act and the rules framed thereunder, M/s. K. S. Rao & Co (Firm Registration No. 003109S), Chartered Accountants, were appointed as Statutory Auditors of the company from the conclusion of 28<sup>th</sup> Annual General Meeting held on 30.09.2014 till the conclusion of 31<sup>st</sup> Annual General Meeting of the company to be held in the year 2017, subject to ratification of their appointment at every subsequent Annual General Meeting. As such their ratification is proposed in this Annual General Meeting.

## **23. Clarifications on Auditors Comments in Auditors Report:**

Management replies to the observations, comments and qualifications made by the statutory auditor are as under:

- 1. The Company has not adopted and complied with the requirements of AS-15 'Employee Benefits' in respect of the Gratuity liability, which constitutes a departure from the Accounting standards referred to in section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. In view of this the liability of the company in this regard could not be ascertained. Consequently, we are unable to comment about the impact of this on the profit for the year, income tax and shareholder's funds.***

In view of accumulated losses of the company, the board has taken decision to provide for gratuity when it materializes.

- 2. The Company did not have an appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the Company recognizing revenue without establishing reasonable certainty of ultimate collection.***

*The company largely deals with government entities and has not had any default in customer payments in past 3 years and directors are positive about payment from existing parties.*

## **24. Secretarial Auditors' Report:**

The company has appointed M/s D. Hanumanta Raju & Co, Company Secretaries, Hyderabad as the Secretarial Auditor of the company to undertake audit as per the provisions of section 204 of the Companies Act, 2013 and the report of the secretarial auditor is annexed to this report. Management's reply to the observations, comments and qualifications made by the secretarial auditor are as under:

- 1. The company is yet to appoint Company Secretary.***

The board of directors of the company have discussed that the company is required to appoint a Company Secretary as per the provisions of section 203 of the Companies Act 2013, and the relevant rules made thereunder. Also they express their inability to find a suitable candidate for the post in spite of continuous efforts made by them. They have discussed the requirement of a good candidate with a few professors and reputed Practicing Company Secretaries and Chartered Accountants known to them and are hoping to find a suitable candidate soon to meet the requirements as per the Act.

2. *The company has received few show cause notices from Stock Exchange. The company replied to such notices & there is no further communication/ information from Stock Exchange.*

The company has received few show cause notices from stock exchange. Company replied to such notices and there is no further communication/ information from stock exchange. If any further communication/ information will be required by stock exchange, the same will be relevantly replied and dealt with by the company.

**25. Annual Return:**

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is attached to this Report.

**26. Conservation of energy, technology absorption, foreign exchange earnings and outgo:**

The information pertaining to conservation of energy, technology absorption, Foreign exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is as under

<b>(A)</b>	<b>Conservation of energy</b>	<b>:</b>	<b>NIL</b>
<b>(B)</b>	<b>Technology absorption</b>	<b>:</b>	<b>Not Applicable</b>
<b>(C)</b>	<b>Foreign exchange earnings</b>	<b>:</b>	<b>NIL</b>
<b>(D)</b>	<b>Foreign exchange outgo</b>	<b>:</b>	<b>Rs. 1,32,10,974/-</b>

**27. Acknowledgement:**

Your Directors wish to place on record their gratitude to shareholders and thank the customers, bankers, vendors, State and Central Governments Authorities for their continued support to your Company's growth. Your Directors also wish to place on record, their appreciation for the contribution made by the employees at all levels, who, through their competence, sincerity, hard work, solidarity and dedicated support enabled to your company to make continued progress.

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

**Sd/-**

**Rajender prasad Nuthakki**  
Jt. Managing Director & CFO  
(DIN- 00145659)

**Sd/-**

**Ravi Prasad Nuthakki**  
Managing Director & CEO  
(DIN- 00319537)

**Place :** Hyderabad  
**Date :** 27.07.2016

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**As on the financial year ended on 31.03.2016**  
**of**  
**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN : L27109TG1985PLC005303
- ii) Registration Date : 13/02/1985
- iii) Name of the Company : Southern Magnesium and Chemicals Limited
- iv) Category / Sub Category of the Company : Public company having share capital.
- v) Address of the Registered office and contact details : Deccan Chambers, 5th Floor, 6-3-666/B, Somajiguda, Hyderabad, Telangana -500 082
- vi) Whether listed company (Yes / No): - Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any :  
Aarhi Consultants Pvt. Ltd, 1-2-285, Domalguda, Hyderabad – 500 029  
Tel : 040 - 27638111, 27634445, 27642217.

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1.	Magnesium Metal	8104	100%

**III. PARTICULARS OF HOLDING SUBSIDIARY AND ASSOCIATE COMPANIES :**

Sl.	Name and Address of the company	CIN / GLN	Holding Subsidiary/ Associate	% of shares held	Applicable section
		NIL			

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i) Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year(01.04.2015)				No. of Shares held at the end of the year (31.03.2016)				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(A) Promoters</b>									
<b>(1) Indian</b>									
(a) Individual/HUF	1116142	507658	1623800	54.13	1118642	505158	1623800	54.13	0
(b) Central Govt	0	0	0	0	0	0	0	0	0
(c) State Govt (s)	0	0	0	0	0	0	0	0	0
(d) Bodies Corp.	0	75000	75000	2.50	0	75000	75000	2.50	0
(e) Banks / FI	0	0	0	0	0	0	0	0	0
(f) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-Total (A) (1)</b>	<b>1116142</b>	<b>582658</b>	<b>1698800</b>	<b>56.63</b>	<b>1118642</b>	<b>580158</b>	<b>1698800</b>	<b>56.63</b>	<b>0</b>
<b>(1) Foreign</b>									
(a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
(b) Other - Individuals	0	0	0	0	0	0	0	0	0
(c) Bodies Corp.	0	0	0	0	0	0	0	0	0
(d) Banks / FI	0	0	0	0	0	0	0	0	0
(e) Any Other....	0	0	0	0	0	0	0	0	0
<b>Sub-Total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter(A) = (A) (1)+(A) (2)</b>	<b>1116142</b>	<b>582658</b>	<b>1698800</b>	<b>56.63</b>	<b>1118642</b>	<b>580158</b>	<b>1698800</b>	<b>56.63</b>	<b>0</b>
<b>(B) Public Shareholding</b>									
<b>(1) Institutions</b>									
(a) Mutual Funds	0	0	0	0	0	0	0	0	0
(b) Banks/FI	100000	0	100000	3.33	0	0	0	0	0
(c) Central Govt	0	0	0	0	0	0	0	0	0
(d) State Govt (s)	0	0	0	0	0	0	0	0	0
(e) Venture Capital funds	0	0	0	0	0	0	0	0	0
(f) Insurance Companies	0	0	0	0	0	0	0	0	0
(g) FIs	0	0	0	0	0	0	0	0	0
(h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
(i) Others (Specify)	0	0	0	0	0	0	0	0	0
<b>Sub-Total (B)(1)</b>	<b>100000</b>	<b>0</b>	<b>100000</b>	<b>3.33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Category of Shareholders	No. of Shares held at the beginning of the year(01.04.2015)				No. of Shares held at the end of the year (31.03.2016)				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Non- Institutions</b>									
<b>(a) Bodies Corp</b>									
<b>i. Indian</b>	600	339900	340500	11.35	43500	339900	383400	12.78	1.43
<b>ii. Overseas</b>									
<b>(a) Individuals</b>									
<b>i. Individual shareholders holding nominal share capital up toRs.2 lakh</b>	8500	719600	728100	24.27	83300	788700	872000	29.07	4.80
<b>ii. Individual shareholders holding nominal share capital in excess of Rs 2 lakh</b>	0	132400	132400	4.41	0	37700	37700	1.26	3.15
<b>(C) Others (Specify) (Clearing Members)</b>	200	0	200	0.01	8100	00	8100	0.27	0.26
<b>Sub-Total (B)(2)</b>	<b>9300</b>	<b>1191900</b>	<b>1201200</b>	<b>40.04</b>	<b>134900</b>	<b>1166300</b>	<b>1301200</b>	<b>40.04</b>	<b>0</b>
<b>Total Shareholding of Public= (B) (1) + (B) (2)</b>	<b>109300</b>	<b>1191900</b>	<b>1301200</b>	<b>43.37</b>	<b>134900</b>	<b>1166300</b>	<b>1301200</b>	<b>43.37</b>	<b>0</b>
<b>C. Shares held by custodian for GDRs &amp; ADRs</b>	0	0	0	0	0	0	0	0	
<b>Grand Total(A+B+C)</b>	1225442	1774558	3000000	100	1253542	1746458	3000000	100	0

**(ii) Shareholding of Promoters:**

S. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of Change the Year
		% of No. of Shares	% of Shares total Shares of the company	Pledged/ encumbered to total shares	% of No. of Shares	% of Shares total Shares of the Company	during Pledged encumbered to total shares	
1.	Mrs.Urmi Prasad	6,200	0.21	0	6,200	0.21	0	0
2.	Ms. Anantha Lakshmi. N.	2,33,998	7.80	0	2,33,998	7.80	0	0
3.	Mr.Ravi Prasad Nuthakki	3,88,148	12.94	0	3,88,148	12.94	0	0
4.	Mr.N.Rajender Prasad	2,48,498	8.28	0	2,48,498	8.28	0	0
5.	Mrs.N.Naga Ratna	64,100	2.14	0	64,100	2.14	0	0
6.	Mr.Ram Prasad Nuthakki	1,80,298	6.01	0	1,80,298	6.01	0	0
7.	Ms.N.Rama Parvati	32,100	1.07	0	32,100	1.07	0	0
8.	Mr.Satyanarayana Nandigam	1,800	0.06	0	1,800	0.06	0	0
9.	Mr.Srinivasa Rao Vuppuluri	1,700	0.06	0	1,700	0.06	0	0
10.	Mr. Haranadh Katragadda	1,800	0.06	0	1,800	0.06	0	0
11.	Mr.Rambabu Mullapudi	2,000	0.07	0	2,000	0.07	0	0
12.	Venkata Seshagiri Rao Devulapalli	1,800	0.06	0	1,800	0.06	0	0
13.	Mr.Ratnam Bodapati	1,800	0.06	0	1,800	0.06	0	0
14.	Mr.Ranga Prasad	2,59,298	8.64	0	2,59,298	8.64	0	0
15.	Mr. A.Subhadra	3,000	0.10	0	3,000	0.10	0	0
16.	GPL Finance and Investments Ltd	75,000	2.50	0	75,000	2.50	0	0
17.	Mr. RV Mulla Pudi	62,500	2.08	0	62,500	2.08	0	0
18.	Mr. P V Krishna Rao	10,000	0.33	0	10,000	0.33	0	0
19.	Mr. P.Narendra Nath Chowdary	20,000	0.67	0	20,000	0.67	0	0
20.	Mr. P S R V K Ranga Rao	10,000	0.33	0	10,000	0.33	0	0
21.	Ms. P.Sujatha	10,000	0.33	0	10,000	0.33	0	0
22.	Mr. P.A.Ramaiah	20,000	0.67	0	20,000	0.67	0	0
23.	Mr. P.V.Raidu	5,000	0.17	0	5,000	0.17	0	0
24.	Mr. P.Ravi	5,000	0.17	0	5,000	0.17	0	0
25.	Mr. N.B.Prasad	2,500	0.08	0	2,500	0.08	0	0
26.	Mr. S.Satya Narayana Murthy	2,500	0.08	0	2,500	0.08	0	0
27.	Mr. Raghu V Batta	49,760	1.66	0	49,760	1.66	0	0



**(iii) Change in Promoters' Shareholding (please specify, if there is no change): No change**

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

S.No	Name of the Shareholders  For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	of total % shares of the company	No. of shares	% of total shares of the company
1	Andhra Pradesh Industrial Development Corporation	337500	11.25	337500	11.25
2	ICICI Bank Ltd	100000	3.33	0.00	0.00
3	G.Lakshmi	38000	1.26	37700	1.25
4	D.Srinivas	20000	0.66	20000	0.66
5	J.Ashok Rao	18000	0.60	18000	0.60
6	Surender Reddy	16200	0.54	16200	0.54
7	Ashwin Kedia	15000	0.50	15000	0.50
8	Mohan Rao	13000	0.43	13000	0.43
9	GVR Raju	12200	0.40	12200	0.40
10	Md. Noushad Ali	10000	0.33	10000	0.33

**(v) Shareholding of Directors and Key Managerial Personnel:**

S.No	Name of the Directors and KMP  For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	of total % shares of the company	No. of shares	% of total shares of the company
1	N.Ravi Prasad	388148	12.94	388148	12.94
2	N.Rajender Prasad	248498	8.28	248498	8.28
3	Raghavendra Rao Griddalur	0	0	0	0
4	Chilukuri Mariamma	0	0	0	0
5	SS.Prakash Valluru	0	0	0	0
6	Eshwariah Kaparathi	0	0	0	0

**V. INDEBTEDNESS:**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount		2,33,91,133		2,33,91,133
ii) Interest due but not paid		0		0
iii) Interest accrued but not due		0		0
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>2,33,91,133</b>	<b>0</b>	<b>2,33,91,133</b>
<b>Change in Indebtedness during the financial year</b>				
Addition		19,10,000		19,10,000
Reduction		70,21,082		70,21,082
<b>Net Change</b>	<b>0</b>	<b>(51,11,082)</b>	<b>0</b>	<b>(51,11,082)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount		1,82,80,051		1,82,80,051
ii) Interest due but not paid		0		0
iii) Interest accrued but not due		0		0
<b>Total (i+ii+iii)</b>		<b>1,82,80,051</b>		<b>1,82,80,051</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

S.No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Managing Director & CEO N. Ravi Prasad	Jt. Managing Director & CFO N. Rajender Prasad		
1	Gross salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	11,52,000	11,52,000		23,04,000
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	2,22,848	3,09,850		5,32,698
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0		0
2	Stock Option	0	0		0
3	Sweat Equity	0	0		0
4	Commission - as % of profit - others, specify...	0	0		0
5	Others, please specify	0	0		0
	<b>Total (A)</b>	<b>13,74,848</b>	<b>14,61,850</b>		<b>28,36,698</b>
	<b>Ceiling as per the Act</b>	<b>30,00,000</b>	<b>30,00,000</b>		<b>60,00,000</b>

**B. Remuneration to other Directors:**

S.No	Particulars of Remuneration	Name of Directors		Total Amount
		K. Eshwaraiah		
	1 Independent Directors • Fee for attending board / committee meetings • Commission • Others, please specify	2000		2000
<b>Total (1)</b>		2000		2000
	2. Other Non-Executive Directors • Fee for attending board / committee meetings • Commission • Others, please specify	0		0
<b>Total (2)</b>		0		0
<b>Total (B) = (1)+(2)</b>		2000		2000
<b>Total Managerial Remuneration</b>		NA		NA
<b>Overall Ceiling as per the Act</b>		NA		NA

No other directors are paid any remuneration other than as mentioned above.

**C. Remuneration to other Directors key managerial personnel other than MD/MANAGER/WTD:**

S.No	Particulars of Remuneration	Key Managerial Personnel			
		CEO*	CS	CFO*	Total
1	Gross Salary	NIL	NIL	NIL	NIL

\* As disclosed under VI - A above

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: Not applicable**

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

Sd/-

Rajender prasad Nuthakki  
Jt. Managing Director & CFO  
(DIN- 00145659)

Sd/-

Ravi Prasad Nuthakki  
Managing Director & CEO  
(DIN- 00319537)

Place : Hyderabad  
Date : 27.07.2016

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31.03.2016

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration Personnel) Rules, 2014]*

To,  
The Members,

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Southern Magnesium And Chemicals Limited** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on March 31, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings .(Not applicable to the Company during the period of audit);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the period of audit);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the period of audit);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ;(Not applicable to the Company during the period of audit); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;(Not applicable to the Company during the period of audit)
- (vi) As per the representations and explanations given by the Management and Officers of the Company there are no industry specific laws applicable to the Company.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation :-

1. *The company is yet to appoint Company Secretary*
2. *The company has received few show cause notices from Stock Exchange. The company replied to such notices & there is no further communication/ information from Stock Exchange.*

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors that took place during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings are carried out unanimously as recorded in the Minutes.

**We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period the company has no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

For D.HANUMANTA RAJU & CO  
COMPANY SECRETARIES

Sd/-

CS MOHIT KUMAR GOYAL  
PARTNER  
ACS: 32655, CP NO: 12751

Place: Hyderabad

Date : 27.07.2016

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

**'Annexure A'**

To,  
The Members,

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

Our report of even Date is to be read along with this letter

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness and with which the management has conducted the affairs of the company.

For D.HANUMANTA RAJU & CO  
COMPANY SECRETARIES

Sd/-

CS MOHIT KUMAR GOYAL  
PARTNER  
ACS: 32655, CP NO: 12751

Place: Hyderabad

Date : 27.07.2016

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company was set up to produce primary Magnesium Metal. However due to dumping magnesium metal from China we had to shift on focus to downstream products. Today we largely produce magnesium powders, turnings, and also regular magnesium metal ingots.

### OPPORTUNITIES, RISKS, CONCERNS THREATS & OUTLOOK:

We are focused on increasing our market share of existing, products, and building strong relationship with our customers, there by laying a robust foundation for sustainable growth.

The year 2016-17 looks promising with its own sets of challenges and opportunities for us. It is hoped that we will maintain revenue and profitability of the company as in the previous year.

However due to a weaker rupee there is increasing threat of raw material cost increment and steep increase in imports into the country poses a major challenge. However the Board assures its members that the company will ensure timely and appropriate preventive measures to minimize the risks.

### INTERNAL CONTROL SYSTEMS & ADEQUACY:

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorized use or disposal. The Internal Audit is conducted at all divisions for all the key areas of business. The Internal Control System is supplemented by a programme of Internal Audits to ensure that the assets are properly accounted for and the business operations are conducted in adherence to laid down policies and procedures. The Internal Audit is oriented towards review of controls and operational improvements.

### FINANCIAL AND OPERATIONAL PERFORMANCE:

Highlights of financial and operational Performance are given below:

Particulars	As at 31.03.2016 (Rs in lakhs)	As at 31.03.2015 (Rs in lakhs)
Net Sale and other Income	324.09	546.64
Profit (loss) before Depreciation and interest	155.22	256.24
Depreciation And Interest	11.18	7.65
Net Profit/ (Net loss)	144.04	337.33

**SEGMENT WISE OR PRODUCT WISE PERFORMANCE:** Not Applicable

### HUMAN RESOURCES, INDUSTRY DEVELOPMENT RELATIONS:

Relations with the employees remained cordial in general throughout the year. In order to optimize the contribution of the employees to the Company's business and operations, in- house training is given to the employees to induce contribution to productivity increase and development programmes for all levels of employees have been devised. Occupational Health Safety and Environmental Management are given utmost importance.

### SENIOR MANAGEMENT DISCLOSURES:

The Company's senior management makes disclosures to the Board relating to all material financial and commercial transactions as when they occur.

### CAUTIONARY STATEMENT:

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations and such forward-looking statements involve risks and uncertainties. Actual results could differ materially from those expressed or implied important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts business and other incidental factors. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on these forward looking statements that speaks only as of their dates.

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

(N. Ravi Prasad)

Managing Director and CEO  
(DIN:00319537)

Place : Hyderabad  
Date : 27.07.2016

**INDEPENDENT AUDITOR'S REPORT****To The Members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED****Report on the Financial Statements**

1. We have audited the accompanying financial statements of **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD, TELANGANA** ("The Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2016, the Statement of Profit and Loss, Cash flow statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act 2013 ("the Act") with respect to the preparation and presentation of these standalone financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and Matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the financial statements.

**Basis for Qualified Opinion**

7. *The Company has not adopted and complied with the requirements of AS-15 'Employee Benefits' in respect of the Gratuity liability, which constitutes a departure from the Accounting standards referred to in section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. In view of this the liability of the company in this regard could not be ascertained. Consequently, we are unable to comment about the impact of this on the profit for the year, income tax and shareholder's funds.*

**Qualified Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.



**Report on Other Legal and Regulatory Requirements**

9. As required by the Companies(Auditor's Report) Order 2016 ("the Order") issued by the Central Government of India in terms of sub-section(11) of section 143 of the act, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the order , to the extent applicable.
10. As required by Section 143 (3) of the Act, we report that:
- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - (d) *except for the matter described under the basis for qualified opinion paragraph, in our opinion, the Balance sheet, Statement of Profit and Loss, and Cash flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014.*
  - (e) on the basis of the written representations received from the directors as on 31st March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2016 from being appointed as a director in terms of Section 164 (2) of the Act ;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company does not have any pending litigations which would impact its financial position
    - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Place : HYDERABAD  
Date : 28.05.2016

**For K.S.RAO & Co**  
Chartered Accountants  
Firm's Regn. No.003109S

**Sd/-**  
**(P.GOVARDHANA REDDY)**  
Partner  
Membership No. 029193

**ANNEXURE REFERRED TO PARAGRAPH 9 OF OUR REPORT OF EVEN DATE****Statement on the Companies (Auditor's Report) Order, 2016**

- (i) (a) the Company maintain proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) title deeds of immovable properties are held in the name of the Company.
- (ii) Management had physically verified the inventory at reasonable intervals and no material discrepancies were noticed on physical verification.
- iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (b) In view of our comment in para iii (a) above, paras 3( iii) (b) and (c) of the aforesaid Order are not applicable to the Company.
- iv) the Company has not advanced any loan, not made investments, not given guarantees and not provided any security. Hence para 3(iv) of the aforesaid Order is not applicable;
- v) the Company has not accepted deposits from the public. Hence the provisions of Sections 73 to 76 and other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 are not applicable to the Company;
- vi) in view of the present activity carried on by the company the Para 3(vi) of the said Order with respect to cost records is not applicable.
- vii) a) according to the records, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, Income-tax, Service tax and other statutory dues applicable to it and no undisputed amounts payable in respect of Income-tax, Service tax, Sales tax and Cess were in arrears, as at 31st March, 2016 for a period of more than six months from the date they became payable.
- b) in our opinion and according to the information and explanations given to us, there are no dues of Sales tax, Income-tax, Service tax and Cess which have not been deposited on account of any dispute.
- viii) the Company has availed over draft facility from a nationalized bank and not defaulted in repayment;
- ix) the Company has not raised moneys by way of initial public offer or further public offer and term loans during the year under review;
- x) based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;
- xi) the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act 2013;
- xii) the Company is not a Nidhi Company .
- xiii) based on the audit procedures performed and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act 2013, and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- xiv) the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review;
- xv) the Company has not entered into non-cash transactions with directors or persons connected with him;
- xvi) the Company is not required to be registered u/s 45IA of the Reserve Bank of India

**For K.S.RAO & Co**  
Chartered Accountants  
Firm's Regn. No.003109S

**Sd/-**

**(P.GOVARDHANA REDDY)**  
Partner  
Membership No. 029193

Place : HYDERABAD

Date : 28.05.2016

**ANNEXURE-B REFERRED TO IN PARAGRAPH 10 (f) OF OUR REPORT OF EVEN DATE****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of****Section 143 of the Companies Act, 2013 (“the Act”)**

1. We have audited the internal financial controls over financial reporting of Southern Magnesium And Chemicals Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

2. The Company’s management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors’ Responsibility**

3. Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company’s internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

6. A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may

**Qualified opinion**

8. According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016:
9. The Company did not have an appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the Company recognizing revenue without establishing reasonable certainty of ultimate collection.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial Control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of the Company, and the material weakness does not affect our opinion on the financial statements of the Company.

**For K.S.RAO & Co**  
Chartered Accountants  
Firm's Regn. No.003109S

**Sd/-**

**(P.GOVARDHANA REDDY)**  
Partner  
Membership No. 029193

Place : HYDERABAD  
Date : 28.05.2016

## BALANCE SHEET AS AT 31ST MARCH, 2016

(All amounts are in Rupees)

Particulars	Note No.	As at 31 March 2016	As at 31 March 2015
<b>I Equity and Liabilities</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital	2	30,000,000	30,000,000
(b) Reserves and surplus	3	(23,946,418)	(33,365,660)
		<b>6,053,582</b>	(3,365,660)
<b>(2) Non Current Liabilities</b>			
(a) Deferred Tax Liabilities(Net)		798,532	839,532
(b) Long Term Provisions	4	100,000	100,000
<b>(3) Current liabilities</b>			
(a) Short-term borrowings	5	18,280,051	23,391,133
(b) Other current liabilities	6	3,018,779	2,332,742
(c) Short-term provisions	7	5,010,170	474,427
		<b>26,309,000</b>	26,198,302
<b>Total</b>		<b>33,261,114</b>	23,772,174
<b>II Assets</b>			
<b>(1) Non-current assets</b>			
Fixed assets			
(i) Tangible assets	8	3,239,627	3,361,269
		<b>3,239,627</b>	3,361,269
<b>(2) Current assets</b>			
(a) Inventories	9	16,514,841	7,927,707
(b) Trade receivables	10	10,180,165	8,148,962
(c) Cash and cash equivalents	11	1,863,930	2,841,590
(d) Short-term loans and advances	12	1,385,035	1,324,980
(e) Other current assets	13	77,516	167,666
		<b>30,021,487</b>	20,410,905
<b>Total</b>		<b>33,261,114</b>	23,772,174
<b>Significant Accounting Policies</b>		<b>1</b>	
<b>Explanatory Notes &amp; Other Disclosures</b>		<b>22-27</b>	

As per our report of even date

For **K.S.RAO & CO.**

Chartered Accountants

Firm Registration No.003109S

Sd/-

**P.GOVERDHANA REDDY**

Partner

Membership No. 029193

Place : Hyderabad

Date : 28.05.2016

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**

Managing Director

Sd/-

**N.Rajender Prasad**

Joint Managing Director

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

(All amounts are in Rupees)

Particulars	Note No.	Current Year	Previous Year
<b>I Revenue from operations</b>	<b>14</b>	<b>32,143,341</b>	54,669,613
<b>II Other income</b>	<b>15</b>	<b>266,154</b>	213,793
<b>III Total Revenue</b>		<b>32,409,495</b>	54,883,406
<b>IV Expenses</b>			
Cost of raw materials consumed	16	20,715,263	20,598,835
Changes in inventories of finished goods and work-in-progress	17	(11,703,321)	486,325
Employee benefits expense	18	4,628,401	4,365,044
Finance costs	19	946,113	599,232
Depreciation and amortization expense	8	172,830	165,625
Other expenses	20	3,246,788	3,044,572
<b>Total expenses</b>		<b>18,006,075</b>	29,259,633
<b>V Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>14,403,420</b>	25,623,773
<b>VI Exceptional items</b>	21	-	8,109,818
<b>VII Profit before extraordinary items and tax (V-VI)</b>		<b>14,403,420</b>	33,733,591
Extraordinary Items		-	-
<b>VIII Profit before tax (VII-VIII)</b>		<b>14,403,420</b>	33,733,591
<b>IX Tax expense:</b>			
(1) Current tax(Previous year - MAT)		5,010,170	474,427
MAT Credit entitlement		0	(143,885)
(2) Deferred tax	25 (d)(ii)	(41,000)	839,532
<b>X Profit for the period (VIII-IX)</b>		<b>9,434,250</b>	32,563,517
<b>XI Earnings per equity share (Face value of Rs.10/- Each)</b>	23 (c)		
(1) Basic		3.14	10.69
(2) Diluted		3.14	10.69
<b>Significant Accounting Policies</b>	1		
<b>Explanatory Notes &amp; Other Disclosures</b>	22-27		

As per our report of even date

For **K.S.RAO & CO.**

Chartered Accountants

Firm Registration No.003109S

Sd/-

**P.GOVERDHANA REDDY**

Partner

Membership No. 029193

Place : Hyderabad

Date : 28.05.2016

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**  
Managing Director

Sd/-

**N.Rajender Prasad**  
Joint Managing Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

(All amounts are in Rupees)

Sl. No.	Particulars	Current Year	Previous Year
<b>I</b>	<b>Cash Flow from Operating Activities</b>		
	Profit for the year before tax	14,403,420	33,733,591
	Adjustments for:		
	Depreciation	172,830	165,625
	Profit on sale of assets	-	(6,595,000)
	Interest	946,113	599,232
	Interest earned	(109,854)	(199,285)
	Excess provision written back	-	(12,607)
	<b>Operating Profit before Working Capital changes</b>	<b>15,412,509</b>	<b>27,691,556</b>
	Adjustments for :		
	Increase / (Decrease) in Trade Payables	-	(214,312)
	Increase / (Decrease) in Other Current Liabilities	686,037	(9,380,584)
	Increase / (Decrease) in Short-term Provisions	-	8,125
	(Increase) / Decrease in Inventories	(8,587,134)	(2,629,861)
	(Increase) / Decrease in Trade Receivables	(2,031,203)	(3,446,171)
	(Increase) / Decrease in Short-term Loans & Advances	(87,268)	(886,135)
	(Increase) / Decrease in Other Current Assets	90,150	(8,298)
	<b>Operating Profit before Tax Expenses</b>	<b>5,483,091</b>	<b>11,134,320</b>
	Less: Taxes paid	(462,220)	-
	<b>Cash generated from operations</b>	<b>5,020,871</b>	<b>11,134,320</b>
	<b>Net cash flow from Operating Activities (A)</b>	<b>5,020,871</b>	<b>11,134,320</b>
<b>II</b>	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed Assets	(51,188)	(56,499)
	Proceeds from disposal of Assets	-	6,897,651
	Interest received during the year	109,854	42,330
	<b>Net cash used in Investing Activities (B)</b>	<b>58,666</b>	<b>6,883,482</b>
<b>III</b>	<b>Cash Flow from Financing Activities</b>		
	Increase / (Decrease) in Short term Borrowings	(5,111,082)	3,779,296
	Redemption of Preference Shares	-	(10,000,000)
	Interest paid	(946,113)	(599,232)
	Dividend Paid	-	(7,725,001)
	Dividend Distribution Tax paid	-	(1,312,864)
	<b>Net cash used in Financing Activities (C)</b>	<b>(6,057,195)</b>	<b>(15,857,801)</b>
<b>IV</b>	<b>Net Increase/ (Decrease) in Cash and Cash equivalents (A+B+C) (D)</b>	<b>(977,658)</b>	<b>2,160,002</b>
	<b>Cash and Cash equivalents as at 01.04.2015 - Opening Balance</b>	<b>2,841,590</b>	<b>681,588</b>
	<b>Cash and Cash equivalents as at 31.03.2016 - Closing Balance</b>	<b>1,863,932</b>	<b>2,841,590</b>

As per our report of even date

For **K.S.RAO & CO.**  
Chartered Accountants  
Firm Registration No.003109S

For and on behalf of the Board of Directors

Sd/-  
**P.GOVERDHANA REDDY**  
Partner  
Membership No. 029193

Sd/-  
**N.Ravi Prasad**  
Managing Director

Sd/-  
**N.Rajender Prasad**  
Joint Managing Director

Place : Hyderabad  
Date : 28.05.2016

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 2. Share Capital

(All Amounts in Rupees)

PARTICULARS	As At	As At
	31st March, 2016	31st March, 2015
<b>Authorised:</b>		
40,00,000 - Equity Shares of Rs 10/- each.	<u>40,000,000</u>	40,000,000
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	<u>10,000,000</u>	10,000,000
<b>Issued, subscribed and paid up:</b>		
30,00,000 - Equity Shares of Rs 10/- each, fully paid up	<u>30,000,000</u>	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>

## A. The reconciliation of number of shares outstanding as at the beginning and end of the reporting period is given below:

Particulars	31-3-2016		31-3-2015	
	Number of Share held	Amount	Number of shares held	Amount
Number of shares at the beginning of the year	3,000,000	30,000,000	3,000,000	30,000,000
Add: Shares Issued during the year	-	-	-	-
	3,000,000	30,000,000	3,000,000	30,000,000
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<u>3,000,000</u>	<u>30,000,000</u>	<u>3,000,000</u>	<u>30,000,000</u>

## B. Rights, preferences and restrictions attached to shares

- (i) **Equity Shares:** The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

## C. The details of share holders holding more than 5% of total number of shares is given below:

Name of the Share Holder	As at 31st March 2016		As at 31st March 2015	
	Number of shares held	% out of total number of shares of the company	Number of shares held	% out of total number of shares of the company
Mr. N. Ravi Prasad	388,148	12.94%	388,148	12.94%
M/s. Andhra Pradesh Industrial Development Corporation	337,500	11.25%	337,500	11.25%
Mr. N. Ranga Prasad	259,298	8.64%	259,298	8.64%
Mr. N. Rajendra Prasad	248,498	8.28%	248,498	8.28%
Smt. N. Anantha Lakshmi	233,998	7.80%	233,998	7.80%
Mr. N Ram Prasad	180,298	6.01%	180,298	6.01%
<b>Total</b>	<u>1,647,740</u>		<u>1,647,740</u>	



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 3. Reserves and Surplus

(All amounts are in Rupees)

Particulars	As at 31 March 2016		As at 31 March 2015	
(i) Capital Reserve - Subsidy received		1,000,000		1,000,000
(ii) Balance in Statement of Profit and Loss				
Opening Balance	(34,365,660)		(57,871,530)	
Less: Adjustment w.r.t. Sch-II (Refer Note No. 23)	-		(19,782)	
Less: Excess MAT Credit Entitlement	15,008		-	
	(34,380,668)		(57,891,312)	
Add: Profit for the year	9,434,250		32,563,517	
	(24,946,418)		(25,327,795)	
Less : Dividend Paid on Preference Shares	-		(7,725,001)	
Dividend Distribution Tax	-		(1,312,864)	
Balance as at the end of the year		(24,946,418)		(34,365,660)
<b>Total</b>		<b>(23,946,418)</b>		<b>(33,365,660)</b>

\* Pursuant to the adoption of useful lives specified in Part C of Schedule II to the Companies Act 2013 for providing depreciation on fixed assets, the carrying amounts as on 01.04.2015 in respect of the useful lives expired assets is adjusted to retained earnings as on 01.04.2015.

## 4. Long Term Provisions

(All amounts are in Rupees)

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Provision for employee retirement benefits		
Gratuity	100,000	100,000
<b>Total</b>	<b>100,000</b>	<b>100,000</b>

## 5. Short-term borrowings (Unsecured)

(All amounts are in Rupees)

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Loans from Related Parties		
(Interest free, Repayable on Demnad)		
: Directors	2,360,000	450,000
: Inter Corporate Deposits	3,373,000	3,550,000
(ii) Andhra Bank OD A/c.	12,547,051	19,391,133
<b>Total</b>	<b>18,280,051</b>	<b>23,391,133</b>

## 6. Other current liabilities

(All amounts are in Rupees)

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Dues to Related Parties		
: Directors	662,575	622,467
(ii) Creditors for expenses	854,317	725,525
(iv) Statutory Liabilities	1,501,887	984,750
<b>Total</b>	<b>3,018,779</b>	<b>2,332,742</b>

## 7. Short-term provisions

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Other provisions		
Provision for Incometax	5,010,170	474,427
<b>Total</b>	<b>5,010,170</b>	<b>474,427</b>

**8. Fixed Assets** (All amounts are in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31.03.2015	Additions during the year	Deletions During the year	As at 31.03.2015	Upto 31.03.15	For the year	Upto 31.03.16	As at 31.03.16	As at 31.03.15
<b>(A) Tangible Assets</b>									
(i) Land: - Factory	235,862	-	-	235,862	-	-	-	235,862	235,862
(ii) Buildings:									
(a) Factory	4,135,121	-	-	4,135,121	2,900,180	106,197	3,006,377	1,128,744	1,234,941
(b) Non-Factory	2,497,589	-	-	2,497,589	905,012	40,296	945,308	1,552,281	1,592,577
(iii) Plant and Machinery	1,412,203	-	-	1,412,203	1,335,298	475	1,335,773	76,430	76,905
(iv) Electrical Installations	82,966	-	-	82,966	78,818	-	78,818	4,148	4,148
(v) Weighing Machines	410,491	-	-	410,491	390,216	-	390,216	20,275	20,275
(vi) Fire Fighting Equipment	29,810	-	-	29,810	28,319	-	28,319	1,491	1,491
(vii) Data Processing Equipment	112,840	-	-	112,840	107,198	-	107,198	5,642	5,642
(viii) Lab Equipment	814,615	-	-	814,615	773,884	-	773,884	40,731	40,731
(ix) Furniture and Fixtures	258,584	-	-	258,584	246,030	-	246,030	12,554	12,554
(x) Vehicles	632,318	-	-	632,318	600,702	-	600,702	31,616	31,616
(xi) Office equipment	391,295	51,188	-	442,483	286,768	25,862	312,630	129,853	104,527
<b>Total</b>	<b>11,013,694</b>	<b>51,188</b>	<b>-</b>	<b>11,064,882</b>	<b>7,652,425</b>	<b>172,830</b>	<b>7,825,255</b>	<b>3,239,627</b>	<b>3,361,269</b>
<b>Previous Year</b>	<b>11,259,846</b>	<b>56,499</b>	<b>302,651</b>	<b>11,013,694</b>	<b>7,479,625</b>	<b>165,625</b>	<b>7,652,425</b>	<b>3,361,269</b>	<b>3,780,221</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 9. Inventory

(All amounts are in Rupees)

Particulars	As at	As at
	31 March 2016	31 March 2015
(i) Finished goods	8,279,313	4,811,521
(ii) Work in Progress	8,235,528	-
(ii) Raw Material	-	3,116,186
<b>Total</b>	<b>16,514,841</b>	<b>7,927,707</b>

Finished Goods have been valued at the lower of cost and net realisable value.

The inventories have been valued and certified by the Managing Director.

## 10. Trade Receivables (Unsecured)

Particulars	As at	As at
	31 March 2016	31 March 2015
(i) Debts outstanding for a period exceeding six months		
Considered good	30,771	30,771
Considered doubtful	749,316	701,830
	780,087	732,601
(ii) Other debts Considered good	10,100,078	8,116,361
Sub Total	10,880,165	8,848,962
Less : Provision for Bad & Doubtful Debts	700,000	700,000
<b>Total</b>	<b>10,180,165</b>	<b>8,148,962</b>

## 11. Cash and Cash equivalents

Particulars	As at	As at
	31 March 2016	31 March 2015
(i) Balances with banks		
In Current Accounts	71,688	152,760
As Fixed Deposits (Margin Money)	1,758,420	2,675,000
Fixed Deposit receipts are held by a bank as 100% margin with a lien marked in the favour for the Bank Guarantees issued by them		
(ii) Cash on hand	33,822	13,830
<b>Total</b>	<b>1,863,930</b>	<b>2,841,590</b>

## 12. Short-term loans and advances (Unsecured, Considered Good)

Particulars	As at	As at
	31 March 2016	31 March 2015
(i) Advance for purchase and expenses	-	912,205
(ii) Tax deducted at source	132,130	109,374
(iii) MAT credit Entitlement	128,877	143,885
(iii) Deposits recoverable	257,196	117,196
(iv) Balance with Central Excise	863,132	42,320
(v) Service Tax Credit	3,700	-
<b>Total</b>	<b>1,385,035</b>	<b>1,324,980</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 13. Other Current Assets

(All amounts are in Rupees)

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Interest Accrued - Fixed Deposits	70,785	150,964
(ii) Interest Accrued - APSEB	6,731	8,404
(iii) Others	-	8,298
<b>Total</b>	<b>77,516</b>	<b>167,666</b>

## 14. Revenue from operations

Particulars	Current Year	Previous Year
Sale of products (Net of taxes)	35,988,711	61,435,726
	<u>35,988,711</u>	<u>61,435,726</u>
Less: Excise duty	3,845,370	6,766,113
<b>Total</b>	<b>32,143,341</b>	<b>54,669,613</b>

## 15. Other Income

Particulars	Current Year	Previous Year
Interest Income	109,854	199,285
Credit balance written back	156,300	14,508
<b>Total</b>	<b>266,154</b>	<b>213,793</b>

## 16. Raw materials consumed

Particulars	Current Year	Previous Year
Opening Stock of Raw Materials	3,116,186	-
Add: Purchases during the year	17,599,077	23,715,021
	<u>20,715,263</u>	<u>23,715,021</u>
Less : Closing Stock	-	3,116,186
<b>Total</b>	<b>20,715,263</b>	<b>20,598,835</b>

Particulars	Current Year	Previous Year
<b>Details of raw materials consumed</b>		
Magnesium Metal	3,455,313	173,834
Magnesium Powder	17,259,950	20,425,001
<b>Total</b>	<b>20,715,263</b>	<b>20,598,835</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 17. Changes in inventories of finished goods and work-in-progress (All amounts are in Rupees)

Particulars	Current Year	Previous Year
Opening Stock:		
Finished Goods	4,811,521	5,297,846
Work-in-progress	-	-
	<u>4,811,521</u>	<u>5,297,846</u>
Closing Stock:		
Finished Goods	8,279,313	4,811,521
Work-in-progress	8,235,528	-
	<u>16,514,841</u>	<u>4,811,521</u>
<b>(Increase)/ Decrease in inventories</b>	<b>(11,703,321)</b>	<b>486,325</b>

## 18. Employee Benefits Expense

Particulars	Current Year	Previous Year
Salaries,Wages and Bonus	4,333,542	4,063,249
Staff welfare expenses	93,259	112,903
Contribution to provident and other funds	201,600	188,892
<b>Total</b>	<b><u>4,628,401</u></b>	<b><u>4,365,044</u></b>

## 19. Finance Costs

Particulars	Current Year	Previous Year
Interest expense	946,113	599,232
<b>Total</b>	<b><u>946,113</u></b>	<b><u>599,232</u></b>

## 20. Other Expenses

Particulars	Current Year	Previous Year
Consumption of general stores	98,375	157,429
Power	243,599	233,006
Repairs to: Plant and machinery	217,530	121,386
: Other assets	49,575	30,263
: Building Maintenance	31,190	95,560
Insurance	28,086	63,849
Rates and taxes (excluding taxes on income)	34,706	36,688
Payments to Auditor as: Auditor	45,800	44,944
: Tax Audit	18,240	8,427
: for certification	21,138	10,111
Carriage and freight	311,424	532,407
Postage and telephones	218,361	171,963
Travelling and conveyance	177,045	160,978
Vehicle maintenance	295,280	220,115
General charges	820,514	766,353
Professional charges	130,519	113,847
Debit Balance Written off	9,606	-
Liquidated damages	110,490	99,227
Excise duty (See Note - 22)	385,310	(48,169)
PF Penalty	-	169,188
Interest and Penalties	-	57,000
<b>Total</b>	<b><u>3,246,788</u></b>	<b><u>3,044,572</u></b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 21. Execeptional Items

Particulars	Current Year	Previous Year
Excess Provision Written back (refer note no. 23)	-	12,607
Gain on sale of Asset	-	6,595,000
Lease Amount Received	-	1,502,211
<b>Total</b>	<b>-</b>	<b>8,109,818</b>

## 1. Significant Accounting Policies

- a) The Financial statements are prepared on historical cost basis.
- b) **Fixed Assets:**  
Tangible fixed assets are stated at cost net of depreciation provided.
- c) **Depreciation**  
Depreciation on the fixed assets is provided on Straight line Method Basis in accordance with Schedule II to the Companies Act, 2013.
- d) **Inventory:**
  - a. Raw materials are valued at lower of cost and realizable value.
  - b. Finished goods and Work in progress are valued at lower of cost and net realizable value. Excise duty against finished goods lying in bonded godown at the end of the year is considered by making appropriate adjustments in the statement of profit and loss.
  - c. Cost Formula used is 'weighted average cost'.
- e) **Provident Fund**  
Provident Fund contributions are remitted to Provident Fund Commissioner and the same are charged to revenue.
- f) **Contingent Liabilities**  
All Contingent Liabilities are indicated by way of a note and would be paid/ provided upon crystallization.

## 22. Explanatory Notes &amp; Other Disclosures

22.1 Financial Statements of the Company were prepared on "Going Concern basis" despite complete erosion of net worth and the current liabilities exceeding the current assets by 1 .58.87 lakhs for the year ended 31.03.2015.

During the year under review net worth of the company became positive and the current liabilities do not exceed the current assets. In view of this, the fundamental accounting assumption of "Going Concern basis" is not affected for the preparation of these financial statements.

23. Excise Duty expense of Rs. 3,85,310/- represents the differential excise duty in respect of finished goods as on 01.04.2015 and as on 31.03.2016.

## 24. Additional Information

a. Value of imports calculated on C.I.F basis during the financial year in respect of:  
(Rs. in Lakhs)

Particulars	Current Year	Previous Year
Raw materials	1,32,10,974	1,65,57,630
<b>Total</b>	<b>1,32,10,974</b>	<b>1,65,57,630</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## b. Earnings in foreign exchange:

The Company has no earnings in foreign exchange for the year to report.

## c. The value of consumption of imported and indigenously obtained raw materials, stores and spare parts and the percentage of each to the total consumption:

Particulars	Current Year		Previous Year	
	Amount in Rs.	%	Amount in Rs.	%
Indigenous	34,55,313	16.68	1,73,834	0.84
Imported	1,72,59,950	83.32	2,04,25,001	99.16
<b>Total</b>	<b>2,07,15,263</b>	<b>100.00</b>	<b>2,05,98,835</b>	<b>100.00</b>

## 25. Disclosures in accordance with the requirements of Accounting Standards stated under the Companies (Accounting Standards) Rules, 2006.

## a. Segment Reporting

The Company operates only in one segment i.e, manufacture and sale of magnesium metal related products and hence, Segment Reporting in accordance with Accounting Standard 17 is not applicable.

## b. Related Party Disclosures

The Related party disclosures as required by AS – 18 are given below:

S. No	Related Parties	Nature of Relationship
1	Sri N. Ravi Prasad, Managing Director	Key Managerial Personnel
2	Sri N. Rajender Prasad, Joint Managing Director	
3	Smt. N. Anantha Lakshmi	Relatives of Directors
4	Sri N. Ram Prasad	
5	Southern Electrodes Ltd	Enterprise over which Key Managerial Personnel & their relatives exercise significant influence.
6	Pumps India Pvt. Ltd	

## 1. Transactions with Key Management personnel (Amount in Rs.)

S.no	Nature of transaction	Current Year	Previous Year
1	<b>Remuneration</b>	<b>23,04,000</b>	<b>25,57,440</b>
2	<b>Medical Reimbursement</b>	<b>18,141</b>	<b>47,462</b>
3	<b>Club Subscriptions</b>	<b>20,400</b>	<b>18,799</b>
4	<b>Un secured Loans:</b>		
	Outstanding at the beginning of the year	4,50,000	9,50,000
	Amounts received during the year	37,60,000	-
	Amounts repaid during the year	(18,50,000)	(5,00,000)
	Outstanding at the end of the year	<b>23,60,000</b>	<b>4,50,000</b>
5	<b>Current Liabilities – Current Accounts of the Key Managerial Personnel</b>		
	Outstanding at the beginning of the year	3,96,066	6,42,243
	Amounts received during the year	5,16,695	36,54,523
	Amounts repaid during the year	(7,14,986)	(39,00,700)
	Outstanding at the end of the year	<b>1,97,775</b>	<b>3,96,066</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## 2. Transactions with Relatives of Directors

(Amount in Rs.)

S.no	Nature of transaction	Current Year	Previous Year
1	<b>Un secured Loans:</b>		
	Outstanding at the beginning of the year	-	1,25,00,000
	Amounts received during the year	-	-
	Amounts repaid during the year		(1,25,00,000)
	Outstanding at the end of the year	-	-
2	<b>Current Liabilities:</b>		
	Outstanding at the beginning of the year	-	6,61,762
	Amounts received during the year	-	-
	Amounts repaid during the year	-	(6,61,762)
	Outstanding at the end of the year	-	-

## 3. Transactions with enterprises over which Key Managerial personnel and their relatives exercise significant influence:

(Amount in Rs.)

S.No	Nature of transaction	Current Year	Previous Year
1	<b>Inter Corporate Deposits received:</b>		
	Outstanding at the beginning of the year	35,50,000	37,50,000
	Amounts received during the year	-	-
	Amounts repaid during the year	(1,77,000)	2,00,000
	Outstanding at the end of the year	<b>33,73,000</b>	<b>35,50,000</b>
2	<b>Current Liabilities:</b>		
	Outstanding at the beginning of the year	<b>1,73,395</b>	5,41,720
	Amounts received during the year	15,030	4,38,000
	Amounts repaid during the year	(53,195)	(69,675)
	Outstanding at the end of the year	<b>1,35,230</b>	<b>1,73,395</b>

## c. Earnings per share

The computation of earnings per share as required under AS – 20 is given below:

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit as per Profit & Loss Account	94,34,250	3,25,63,517
Earnings available to Equity Shareholders	94,34,250	3,20,63,517
Number of equity Shares outstanding	30,00,000	30,00,000
Basic and Diluted earnings per share in Rupees ( Face value of Rs.10/- each)	3.14	10.69



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

## d. Accounting for Taxes on income

## i) Deferred Tax

Deferred tax liability workings in accordance with AS - 22 are given below:

(Amount in Rs.)

S.no	Items of Deferred Tax Assets	Current Year	Previous Year
1	Disallowances under 43 B	24,305	23,225
2	Disallowances under 40(a) (ia)	15,626	21,975
	<b>Total (A)</b>	<b>39,931</b>	<b>45,200</b>

S.no	Items of Deferred Tax Liabilities	Current Year	Previous Year
1	Depreciation	26,24,181	27,62,132
	<b>Total (B)</b>	<b>26,24,181</b>	<b>27,62,132</b>

Particulars	Current Year	Previous Year
Net Deferred Tax Asset/(Liability) (A-B)	(25,84,250)	(27,16,932)
Tax thereon @ 30.9 %	<b>(7,98,532)</b>	<b>(8,39,532)</b>

Reduction in liability of Rs. 41,000/- credited to the Statement of Profit & Loss

## 26. Dues to Micro, Small and Medium Enterprises

On the basis of details furnished by the suppliers, there are no amounts to be reported as dues to micro, small and medium enterprises as required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act").

27. Previous Year's figures have been reclassified, wherever necessary so as to conform with those of Current Year.

As per our report of even date

For **K.S.RAO & CO.**

Chartered Accountants

Firm Registration No.003109S

Sd/-

**P.GOVERDHANA REDDY**

Partner

Membership No. 029193

Place : Hyderabad

Date : 28.05.2016

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**  
Managing Director

Sd/-

**N.Rajender Prasad**  
Joint Managing Director



**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**  
(L27109TG1985PLC005303)

**ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING**  
(to be surrendered at the venue of the meeting)

I certify that I am a registered shareholder/proxy/representative for the registered shareholder(s) of Southern Magnesium And Chemicals Limited.

I hereby record my presence at the 30<sup>th</sup> Annual General Meeting of the shareholders of Southern Magnesium And Chemicals Limited at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 at 11.30 A.M. on Thursday, the 25<sup>th</sup> August, 2016.

DP ID*	Reg. Folio No.
Client ID*	No. of Shares

\* Applicable if shares are held in electronic form

Name & Address of Member

Signature of shareholders/Proxy/  
Representative (please Specify)

**ROUTE MAP FROM THE REGISTERED OFFICE TO ANNUAL GENERAL MEETING**



**Form No. MGT-11**

**Proxy Form**

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

**CIN:** L27109TG1985PLC005303

**Name of the company:** SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

**Registered office:** Deccan Chambers, 5th Floor, 6-3-666/B, Somajiguda, Hyderabad, Telangana – 500082

Name of the member (s): Registered address:		Email Id: Folio No.	
I/We, being/ the member(s) of _____ shares of the above named company, hereby appoint:			
1. Name: Address: E-Mail Id: Signature: or failing him	2. Name: Address: E-Mail Id: Signature: or failing him	3. Name: Address: E-Mail Id: Signature:	

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 30<sup>th</sup> Annual General Meeting of the Company, to be held on Thursday, the 25<sup>th</sup> day of August, 2016 at 11.30 a.m at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 and at any adjournment thereof in respect of such resolutions as are indicated below:

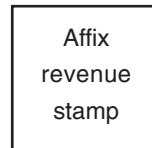
**Resolutions:**

1. Adoption of Audited Financial statements for the year ended March 31, 2016, Reports of the Board of Directors and Auditors.
2. Ratification of the appointment of M/s. K. S. Rao & Co., Chartered Accountants (Firm Registration No. 003109S), as Statutory Auditors of the Company and authorising the Board to fix their remuneration.
3. To appoint Mr. Ravi Prasad Nuthakki as the Managing Director and Chief executive officer of the company.
4. To appoint Mr. Rajender Prasad Nuthakki as the Joint Managing Director and Chief Financial officer of the company.

Signed this..... day of..... 2016

Signature of shareholder:

Signature of Proxy holder(s):



**Note :**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. A member holding more than 10%, of the total share capital of the Company carrying voting rights may appoint a single person as proxy. However such person shall not act as proxy for any other person.