

**SOUTHERN MAGNESIUM AND  
CHEMICALS LIMITED**

**(CIN NO.L27109TG1985PLC005303)**



**32<sup>nd</sup> ANNUAL REPORT  
2017 - 2018**

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

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

**REGISTERED OFFICE:**

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

**AUDITORS:**

Brahmayya & Co.  
Chartered Accountants, Hyderabad

**SECRETARIAL AUDITORS:**

D. Hanumanta Raju & Co.  
Company Secretaries, Hyderabad

**BANKERS:**

Andhra Bank, Somajiguda, Hyderabad

**WORKS:**

Gowripatnam, West Godavari District

**LISTED AT:**

BSE Limited

**REGISTRAR &  
SHARE TRANSFER AGENTS:**

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

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**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE 32<sup>ND</sup> ANNUAL GENERAL MEETING OF THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, THE 29<sup>TH</sup> DAY, OF SEPTEMBER, 2018 AT 11.30 A.M AT HOTEL I. K. LONDON RESIDENCY, 6-3-656, KAPADIA LANE, SOMAJIGUDA, HYDERABAD – 500 082 TO TRANSACT THE FOLLOWING BUSINESS :**

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2018, the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Schedules and Notes attached thereto, along with the Reports of Auditors and Directors thereon.

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

Sd/-

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

Place : Hyderabad

Date : 14.08.2018

**NOTES:**

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

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

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

2. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the 32<sup>nd</sup> Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 22.09.2018 to 29.09.2018 (both days inclusive).
4. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
5. Trading in equity shares of the Company through stock exchanges is permitted only in dematerialized form. Members can dematerialize their equity shares in the Company through their Depository Participant(s). The ISIN in respect of equity shares is INE308N01012.

6. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electricity /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.
7. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.

### **PROCESS FOR MEMBERS OPTING FOR E-VOTING**

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

1. **E-Voting:** Pursuant to the provision of Section 108 and other applicable provision, if any, of the companies Act, 2013 read with Rule 20 of the companies (Management and Administration) Rules, 2014 as amended and Regulation 44(1) of SEBI (LODR) 2015, the Members are provided with the facility to cast their Votes on resolution through e-voting services provided by Central Depository Services (India) Limited (CDSL).

The e-voting period commence on 26.09.2018 (9.00 A.M. IST) and ends on 28.09.2018 (5.00 P.M. IST). During this period, Members of the company, holding shares either in physical form or in dematerialized form, as on 21.09.2018 (cut off date), may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently.

### **The instructions for shareholders voting electronically are as under:**

- (i) The voting period begins on 26<sup>th</sup> September, 2018 (9.00 A.M) and ends on 28<sup>th</sup> September 2018 (5.00 P.M). During this period shareholders' of the Company, holding shares either in physical form or in Dematerialized form, as on the cut-off date (record date) of 21.09.2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](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. 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.
- (vi) If you are a first time user follow the steps given below:

**For Members holding shares in Demat Form and Physical Form**

<b>PAN</b>	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> </ul>
	<ul style="list-style-type: none"> <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 Rajesh Kumar with sequence number 1 then enter RA00000001 (which is printed on address label) in the PAN field.</li> </ul>
<b>DOB</b>	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.
<b>Dividend Bank</b>	Enter the Dividend Bank Details as recorded in your Demat account or in the company records for the said Demat account or folio.
	<ul style="list-style-type: none"> <li>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).</li> </ul>

- (vii) After entering these details appropriately, click on “SUBMIT” tab
- (viii) Members holding shares in physical form will then directly reach the Company selection Screen. However, members holding shares in Demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other company on which they are eligible to vote, Provided that company opts for e-voting through CDSL platform, It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e- voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xi) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A Confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.

(xvi) If Demat account holder has forgotten the same password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xvii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](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.
- 2. Voting at AGM:** The Members, who have not cast their vote electronically, can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue.
- 3. Other instructions:**
- (i) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)
  - (ii) You can also update your mobile number and E-mail ID in the user profile details of the folio which may be used for sending future communication(s).
  - (iii) The voting rights of Members shall be reckoned on the paid up value of shares registered in the name of Member/ Beneficial Owner as on the cut-off date i.e. 21.09.2018.
  - (iv) The Board of Directors has appointed D. Hanumanta Raju & Co. Company Secretaries, B-13, F-1, P.S. Nagar, Vijayanagar Colony, Hyderabad - 500 057 as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
  - (v) The scrutinizer shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses who are not in the employment of the Company and make a consolidated Scrutinizer’s Report of the total votes cast in favour or against, if any, to the Chairman or person authorized by the Chairman for counter signature.
  - (vi) The results shall be declared either by the Chairman or by an authorized person of the Chairman and the Resolutions will be deemed to have been passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).
- 4.** Immediately after declaration of results, the same shall be placed along with the Scrutinizer’s Report on the Company’s website [www.southernmagnesium.com](http://www.southernmagnesium.com) and on the website of RTA [www.aarthiconsultants.com](http://www.aarthiconsultants.com), and communicated to BSE Limited, where the shares of the Company are listed for placing the same on their website.

## DIRECTORS' REPORT

To

The Members,

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,**

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

**FINANCIAL REPORT / OPERATIONS:**

(Rs. In Lakhs)

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

**REVIEW OF OPERATIONS:**

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

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors hereby confirms and declare that:

- (a) In the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the statement of profit and loss of the Company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The directors had prepared the annual accounts for the year ended 31<sup>st</sup> March, 2018 on a going concern basis; and
- (e) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**DISCLOSURES UNDER SECTION 134 OF THE COMPANIES ACT, 2013**

**1. State of affairs of the company:**

The Company deals in the business of Magnesium Metal and related goods. During the year, the Company has seen decline in terms of the Sale/profits which is reflected in the financial results of the Company for the year.

**2. Amounts, if any, carried to reserves:**

The Company has not transferred any amount to Reserves and Surplus.

**3. Dividend:**

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

**4. Inter - Corporate deposits:**

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

(a) Accepted during the year - Nil

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

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

Maximum outstanding during the year; Rs. 32,29,000/-

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

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

**5. Deposits**

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

**6. Number of meetings of the Board**

Secretarial Standards as applicable have been complied with. Further, 5 (five) meetings of the board were held during the year as per the details given below:

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	12.05.2017	6	4	66.66
2.	28.08.2017	6	6	100
3.	07.09.2017	6	6	100
4.	14.12.2017	6	6	100
5.	13.02.2018	6	5	83.33

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

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

**8. Board Evaluation:**

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

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



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

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

In a separate meeting of Independent Directors, performance of Non- Independent Directors, performance of the Board as a whole taking into account the views of Executive Directors and Non-Executive Directors. The same was discussed in the board meeting that followed the meeting of the Independent Directors, at which the performance of Board, its committee and individual Directors was also discussed.

#### **9. Policy on Directors’ appointment and remuneration and others details:**

The company’s policy on Directors appointment and remuneration and other matters provided in section 178 of the Companies Act are as under:

### **NOMINATION AND REMUNERATION POLICY OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

#### **INTRODUCTION**

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

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

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

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

#### **1. DEFINITIONS**

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

**“Board”** means Board of Directors of the Company.

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

**“Directors”** mean Directors of the Company.

**“Key Managerial Personnel”** means

Chief Executive Officer or the Managing Director or Manager

Whole-time director;

Chief Financial Officer;

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

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

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

**2. GUIDING PRINCIPLE**

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

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

**3. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL****3.1. General:**

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

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

**4. REMUNERATION TO EXECUTIVE DIRECTORS KMP AND SENIOR MANAGEMENT PERSONNEL:****4.1.1. Pay and Allowances:**

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

**4.1.1.1. Minimum Remuneration:**

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

**4.1.1.2. Provisions for excess remuneration:**

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

**5. Remuneration to Independent Directors:****5.1. Remuneration/Commission:**

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

**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. 1750/- as fees for attending Board meetings to Mr. Eshwariah Kaparathi (Non-Executive- Independent Director) and Rs. 250/- to Mrs. Mahalakshmi Edpuganti (Nominee Director) during the financial year ended on March 31, 2018.

**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 Director as disclosed above.

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

The Composition of Nomination and remuneration Committee as on March 31, 2018 is as follows:

<b>Name</b>	<b>Category</b>	<b>Designation</b>
Mr. G. Raghavendra Rao	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. Rajender Prasad	Executive Director	Member

One meeting of the committee were held during the year on 12.05.2017 which was attended by all committee members.

**8. Stakeholder relationship committee:**

The Composition of **Stakeholder relationship committee** as on March 31, 2018 is as follows:

Name	Category	Designation
Mr. G. Raghavendra Rao	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. Rajender Prasad	Executive Director	Member

One meeting of the committee was held during the year on 28-08-2017 which was attended by all committee members.

**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, 2018 is as follows:

Name	Category	Designation
Mr. G. Raghavendra Rao	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. Rajender Prasad	Executive Director	Member

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

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	12.05.2017	4	3	75
2.	28.08.2017	4	4	100
3.	07.09.2017	4	4	100
4.	14.12.2017	4	4	100
5.	13.02.2018	4	4	100

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

**13. Declaration by Independent Directors:**

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that he meets criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

**14. Risk Management:**

The Board of the company regularly reviewed 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 identified, if any, by the business functions are systematically addressed through mitigating actions on a continuing basis.

**15. 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.

**16. Particulars of contracts or arrangements made with related parties:**

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).

During the year, the Company had not given Loans and Advances in the nature of Loans to firm/companies in which directors are interested.

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

There was no change in the nature of Business.

**18. 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.

**19. 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.

**20. 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 few mails asking clarifications from stock exchange for which company has replied accordingly.

**21. 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:**

Non Executive Directors	Ratio to median remuneration
G.Raghavendra Rao	NA
V.S.S. Prakash	NA
K.Eshwariah	NA
Mrs. E.Mahalakshmi	NA

Executive Directors	Ratio to median remuneration
Mr. N. Ravi Prasad	12.12:1
Mr. N. Rajender Prasad	11.82:1

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

Director, chief executive officer, chief financial officer, company secretary	% of increase in remuneration in the financial year
Mr. N. Ravi Prasad –MD and CEO	-11.61
Mr. N. Rajender Prasad – Jt.MD and CFO	-10.57

- c. **The percentage increase in median remuneration of employees in the financial year : 12**
- d. **The number of permanent employees on the rolls of the company: 22**
- e. **average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the 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 2017-18 was 6.18%.

Average increase in salaries of managerial personnel in 2017-18 was -11.03%.

- f. **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.

- 23. The details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year:**

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

- 24. 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 complaints have been received by the company on sexual harassment during the financial year 2017-2018.

- 25. 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 provides 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.

- 26. Auditors:**

Company has appointed M/s. Brahmayya & Co., Chartered Accountants (Firm Registration No. 000513S) Hyderabad, as Statutory Auditors of the Company at its AGM held on 29.09.2017 to hold office as statutory auditor for a period of five years and being eligible they continue to hold office.

- 27. Auditors Report:**

The observations of the auditors in their report are self-explanatory and therefore, the opinion of the Directors does not call for further comments

- 28. 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 has not appointed “Company Secretary” and the “Compliance Officer” as required under Section 203(1) of the Companies Act, 2013 read with Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 6(1) of SEBI (LODR) Regulations, 2015.***

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 and as per SEBI (LODR) Regulations, 2015. Also they express their inability to find a suitable candidate for the post inspite 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 emails asking for clarifications from Stock Exchange. The company replied to such notices & there is no further communication/ information from Stock Exchange.***

The company has received few emails asking clarifications from stock exchange. Company replied to these 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.

3. ***As required under Regulation 31(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hundred percent of the shareholding of promoters and promoters group is not in dematerialized form.***

The board of directors of the company is discussing the matter with the promoters and has requested them to complete de-materialization of their share holding immediately.

**29. Annual Return Web Link:**

Pursuant to the provisions of Section 36 of the Companies (Amendment) Act, 2017 notified effective from July 31, 2018 read with Section 92(3) of the Companies Act 2013, the prescribed return is placed on the Company’s website [www.southernmagnesium.com](http://www.southernmagnesium.com).

**30. 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) Conservation of energy</b>	<b>:</b>	<b>NIL</b>
<b>(B) Technology absorption</b>	<b>:</b>	<b>Not Applicable</b>
<b>(C) Foreign exchange earnings</b>	<b>:</b>	<b>NIL</b>
<b>(D) Foreign exchange outgo</b>	<b>:</b>	<b>Rs. 77,98,849</b>

**31. Maintenance of Cost Records:**

Maintenance of cost records is not specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 to our company.

**32. 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/-

**N. Rajender prasad**

Jt. Managing Director & CFO  
(DIN- 00145659)

Sd/-

**N. Ravi Prasad**

Managing Director & CEO  
(DIN- 00319537)

**Place :** Hyderabad  
**Date :** 14.08.2018



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

FOR THE FINANCIAL YEAR ENDED 31.03.2018

*[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 accordance with the guidance note issued by the Institute of Company Secretaries of India and 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 read with the statutory auditor’s report on financial statements 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, according to the explanations given to us, the company has, during the audit period covering the financial year ended on March 31, 2018, 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, 2018 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)
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (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 observations:



1. *The Company has not appointed "Company Secretary" and the "Compliance Officer" as required under Section 203(1) of the Companies Act, 2013 read with Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 6(1) of SEBI (LODR) Regulations, 2015.*
2. *The company has received emails asking clarifications from Stock Exchange. The company replied & there is no further communication/ information from Stock Exchange.*
3. *As required under Regulation 31(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 hundred percent of the shareholding of promoters and promoters group is not in dematerialized form.*

**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 are no changes in the composition of the Board of Directors 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 : 14.08.2018**

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.

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 : 14.08.2018**

## 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 our focus to downstream products. Today we largely produce magnesium powders, turnings.

### 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 2018-19 looks promising with its own sets of challenges and opportunities for us. It is hoped that we will improve revenue and profitability of the company.

### 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 31.03.2018 (Rs in lakhs)	As at 31.03.2017 (Rs in lakhs)
Net Sales / Income from Operations	161.83	725.22
Other income	3.62	7.09
Expenses	274.98	442.20
Net Profit (+) / (Loss) before Tax for the Period	(109.53)	290.11
Exceptional items	1.71	-
Tax Expenses	-	100.47
Net Profit (+) / (Loss) for the Period	(107.82)	189.64

**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 : 14.08.2018

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**INDEPENDENT AUDITOR'S REPORT****TO THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD****Report on the Indian Accounting Standards (Ind AS) Financial Statements**

We have audited the accompanying financial statements of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information

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

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 of these Ind AS financial statements that give a true and fair view of the financial position, financial performance(including other comprehensive income),cash flows and changes in equityof the Company in accordance with the accounting principles generally accepted in India,including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards)Rules, 2015 (as amended) under Section 133 oftheAct.Thisresponsibilityalsoincludesmaintenance 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.We have taken into account the provisions of the Act and the Rules made thereunder including 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 thereunder.We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS 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 presentationof the IndAS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 March 31, 2018, its loss, its cash flows and the changes in equity for the year ended on that date.

**Other Matter**

The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2017 and March 31, 2016 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by the predecessor auditor who expressed an unmodified opinion vide reports dated May 12, 2017 and May 28 2016 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us. Our opinion is not qualified in respect of above matter.

**Report on Other Legal and Regulatory Requirements:**

1. 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, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect of adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
  - (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.

for **BRAHMAYYA & CO.**  
Chartered Accountants  
Firm's Regn No. 000513S

Sd/-  
**(K.SHRAVAN)**  
Partner  
Membership No.215798

Place : HYDERABAD  
Date : 29.05.2018

**ANNEXURE - A TO THE AUDITOR'S REPORT:**

The Annexure referred to in Para 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date, to the members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD, for the year ended March 31, 2018.,

1. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
b. As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No discrepancies were noticed on such verification.  
c. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the names of the Company.
2. As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a. During the year, 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 comments in para (a) above, Clause (III) (a), (b) and (c) of paragraph 3 of the aforesaid order are not applicable to the Company.
4. In our opinion and according to the information and explanation given to us, the Company has not advanced any loan to any Director and no investments were made during the year as referred to in sections 185 and 186 of the Act. Therefore, the provisions of Paragraph 3(iv) of the Companies (Auditor's Report) Order 2016 are not applicable to the Company.
5. The Company has not accepted any deposits from the public. Hence the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed there under, do not apply to this Company.
6. We have broadly reviewed the cost records maintained by the Company pursuant to sub-section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prime facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or Complete.
7. a. According to the records, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, Income-tax, Sales-tax, Service tax, Goods and Services Tax, Duty of customs, Duty of excise, Value added tax, Cess and all other statutory dues with the appropriate authorities and there are no arrears of outstanding statutory dues as at March 31, 2018 for a period more than six months from the date they became payable.  
b. According to the records of the Company and the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute.
8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and Banks during the year.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of paragraph 3 (ix) of the Companies (Auditor's Report) Order 2016 are not applicable.
10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order 2016 is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order 2016 is not applicable.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

for **BRAHMAYYA & CO.**  
Chartered Accountants  
Firm's Regn No. 000513S

Place : HYDERABAD  
Date : 29.05.2018

Sd/-  
**(K.SHRAVAN)**  
Partner  
Membership No.215798

**ANNEXURE – B TO THE AUDITOR'S REPORT****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD (“the Company”) as of 31<sup>st</sup> March 2018 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**

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 (‘ICAI’). 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.

**Auditor’s Responsibility**

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, 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 aspects.

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 and error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Meaning of Internal Financial Controls over Financial Reporting**

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 expenditure of the Company are being made only in accordance with authorisations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised 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**

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 policies or procedures may deteriorate.

**Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weakness have been identified as at March 31, 2018;

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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, 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, 2018 financial statements of the Company, and the material weakness does not affect our opinion on the financial statements of the Company.

for **BRAHMAYYA & CO.**  
Chartered Accountants  
Firm's Regn No. 000513S

Place : HYDERABAD  
Date : 29.05.2018

Sd/-  
**(K.SHRAVAN)**  
Partner  
Membership No.215798



## BALANCE SHEET AS AT 31ST MARCH, 2018

(All amounts are in Rupees)

Particulars	Note No.	As at	As at	As at
		31 March, 2018	31 March, 2017	01 April, 2016
<b>A ASSETS</b>				
<b>Non- Current Assets</b>				
(a) Property, plant & equipment.	2	4,907,556	3,124,810	3,239,627
(b) Other non-current assets		118,303	-	-
<b>Total Non-Current Assets</b>		<b>5,025,859</b>	<b>3,124,810</b>	<b>3,239,627</b>
<b>Current Assets</b>				
(a) Inventories	3	22,715,079	29,099,434	16,514,841
(b) Financial assets				
(i) Trade receivables	4	2,160,255	12,060,093	10,180,165
(ii) Cash and cash equivalents	5	4,705,003	5,286,632	1,863,930
(iii) Others financial assets	6	507,177	217,405	77,516
(c) Other current assets	7	386,039	11,178,048	1,385,035
<b>Total Current Assets</b>		<b>30,473,553</b>	<b>57,841,612</b>	<b>30,021,487</b>
<b>Total Assets</b>		<b>35,499,412</b>	<b>60,966,422</b>	<b>33,261,114</b>
<b>B EQUITY AND LIABILITY</b>				
<b>Equity</b>				
(a) Equity share capital	8	30,000,000	30,000,000	30,000,000
(b) Other equity	9	(15,814,076)	(4,982,105)	(23,946,418)
<b>Total Equity</b>		<b>14,185,924</b>	<b>25,017,895</b>	<b>6,053,582</b>
<b>LIABILITIES</b>				
<b>Non- Current Liabilities</b>				
(a) Financial Liabilities				
Borrowings	10	2,980,000	3,229,000	5,733,000
(b) Deferred Tax Liabilities (Net)		607,389	779,015	798,532
(c) Provisions	11	-	790,195	100,000
<b>Total Non-Current Liability</b>		<b>3,587,389</b>	<b>4,798,210</b>	<b>6,631,532</b>
<b>Current Liabilities</b>				
(a) Financial Liabilities				
(i) Borrowings	12	11,047,769	8,985,353	12,547,051
(ii) Trade Payables	13	976,049	6,215,279	-
(iii) Other financial liabilities	14	922,993	2,147,177	854,317
(b) Other Current Liabilities	15	4,755,065	3,927,445	2,164,462
(c) Provisions	16	24,223	9,875,063	5,010,170
<b>Total Current Liabilities</b>		<b>17,726,099</b>	<b>31,150,317</b>	<b>20,576,000</b>
<b>Total Equity &amp; Liability</b>		<b>35,499,412</b>	<b>60,966,422</b>	<b>33,261,114</b>

The accompanying notes form an integral part of the financial statements 01 to 32

As per our report of even date

For **BRAHMAYYA & CO.,**

Chartered Accountants

Firm Registration No.000513S

Sd/-

**K. Shravan**

Partner

Membership No. 215798

Place : Hyderabad

Date : 29.05.2018

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**

Managing Director & CEO

DIN : 00319537

Sd/-

**N.Rajender Prasad**

Joint Managing Director & CFO

DIN : 00145659

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts are in Rupees)

Particulars	Note No	Year Ended 31st March, 2018	Year Ended 31st March, 2017
<b>Revenue</b>			
Revenue from operations	17	16,183,258	72,522,262
Other Income	18	<b>361,608</b>	<b>709,469</b>
<b>Total Revenue</b>		<b>16,544,866</b>	<b>73,231,731</b>
<b>Expenses</b>			
(a) Cost of materials consumed	19	7,798,849	32,108,942
(b) Change in inventories of finished goods, work-in-progress and stock-in- trade	20	4,999,545	(9,279,939)
(c) Employee benefits expense	21	5,101,464	7,081,288
(d) Finance costs	22	909,066	844,411
(e) Depreciation		457,454	189,901
(f) Other expenses	24	4,902,101	13,275,658
<b>Total Expenses</b>		<b>24,168,479</b>	<b>44,220,261</b>
Profit before Exceptional item and tax		<b>(7,623,613)</b>	<b>29,011,470</b>
Exceptional (income) / expense		(3,330,260)	-
<b>Profit Before Tax</b>		<b>(10,953,873)</b>	<b>29,011,470</b>
<b>Tax Expenses</b>			
Current Tax			
i. Relating to current period		-	9,875,063
ii. Relating to prior period		-	191,511
Deferred tax		(1,71,626)	(194,17)
Total tax expenses		<b>(1,71,626)</b>	<b>10,047,157</b>
<b>Profit for the Period</b>		<b>(10,782,247)</b>	<b>18,964,313</b>
<b>Other Comprehensive (Income) / Expenses</b>			
<b>(i) Items that will not be reclassified to Profit or Loss Account</b>			
<b>(ii) Items that will be reclassified to Profit or Loss Account</b>			
<b>Total Comprehensive Income</b>			
<b>Earning per equity share, par value of Rs 10/- each</b>			
<b>Basic (Rs )</b>	24	<b>(3.59)</b>	6.32
<b>Diluted (Rs)</b>		<b>(3.59)</b>	6.32
<b>The accompanying notes form an integral part of the financial statements Note 1 to 32</b>			
As per our report of even date			
For <b>BRAHMAYYA &amp; CO.,</b> Chartered Accountants Firm Registration No.000513S		For and on behalf of the Board of Directors	
Sd/-	Sd/-	Sd/-	
<b>K. Shravan</b> Partner Membership No. 215798 Place : Hyderabad Date : 29.05.2018	<b>N.Ravi Prasad</b> Managing Director & CEO DIN : 00319537	<b>N.Rajender Prasad</b> Joint Managing Director & CFO DIN : 00145659	

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

(All amounts are in Rupees)

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>Cash flows from/(used in) operating activities</b>		
<b>Net Profit/ (Loss) before tax as per Statement of Profit and Loss</b>	(10,953,873)	29,011,470
Adjustments for :		
Depreciation and amortisation expenses	457,454	189,901
Interest earned	(361,608)	(400,558)
Changes in reserves	(49,722)	-
Provision written back	-	-
Dividend income	-	-
Finance costs	909,066	844,411
Loss on sale /discard of assets	-	-
Operating Profit before changes in operating assets and liabilities	(9,998,683)	29,645,224
Adjustments for changes in operating assets and liabilities:		
(Increase) / Decrease in Inventories	6,384,355	(12,584,593)
(Increase) / Decrease in Trade receivables	9,899,838	(1,879,928)
(Increase) / Decrease in Other financial assets	-	-
(Increase) / Decrease in Other assets	(118,303)	(197,555)
(Increase) / Decrease in Other Current assets	2,338,068	(9,735,345)
Increase / (Decrease) in Trade payables	(5,239,229)	0
Increase / (Decrease) in Other financial liabilities	(1,224,184)	9,271,122
Increase / (Decrease) in Other liabilities	880,653	0
Increase / (Decrease) in Provisions	(843,228)	690,195
Cash generated from Operations	<b>2,079,286</b>	<b>15,209,120</b>
Income tax paid (net of refunds)	(1,396,901)	(5,201,782)
<b>Net Cash generated from operating activities (A)</b>	<b>682,385</b>	<b>10,007,338</b>
Cash flows from/(used in) investing activities		
Purchase of property, plant and equipment including capital advances and capital creditors	(2,240,200)	(75,084)
Interest received	71,836	400,555
Net Cash generated from/(used in) investing activities (B)	(2,168,364)	325,471
Cash flows from/(used in) Financing activities		
Repayment of Borrowings	(249,000)	(6,065,698)
Proceeds from Current borrowings	2,062,416	0
Interest paid	(909,066)	(844,411)
Net cash used in financing activities (C)	904,350	(6,910,109)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(581,629)	3,422,700
Cash and cash equivalents as at the beginning of the year	5,286,632	1,863,932
Cash and cash equivalents as at the end of the year	4,705,003	5,286,632
Reconciliation of cash and cash equivalents as per the statement of cash flow		
<b>Cash and cash equivalents at the end of the year</b>	<b>As at 31st March, 2018</b>	<b>As at 31st March, 2017</b>
Cash on hand	9,472	56,183
Current accounts	52,531	89,449
Deposits with original maturity of less than 3 months	4,643,000	5,141,000
Total	<b>4,705,003</b>	<b>5,286,632</b>

As per our report of even date

For **BRAHMAYYA & CO.,**

Chartered Accountants

Firm Registration No.000513S

Sd/-

**K. Shravan**

Partner

Membership No. 215798

Place : Hyderabad

Date : 29.05.2018

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**

Managing Director &amp; CEO

DIN : 00319537

Sd/-

**N.Rajender Prasad**

Joint Managing Director &amp; CFO

DIN : 00145659

NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

**Basis of Preparation of Financial Statements:**

These financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) and other relevant provisions of the Act.

These financial statements are the first financial statements of the company under Ind AS. The financial statements up to year ended 31st March 2017 were prepared in accordance with the Accounting Standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act. The financial statements for the year ended 31st March 2017 and the opening Balance Sheet as at 01st April 2016 have been restated in accordance with Ind AS for comparative information.

The Company has consistently applied the accounting policies used in the preparation of opening balance sheet as at 01<sup>st</sup> April 2016 through out all periods presented in these financial statements, as if these policies had always been in effect and are covered by Ind AS 101 "First-time adoption of Indian Accounting Standards". The transition was carried out from accounting principles generally accepted in India ("Previous GAAP") as defined in Ind AS101

**Reconciliation of total comprehensive income for the year ended 31<sup>st</sup> March 2017**

Sl. no	Particulars	Year ended 31st March, 2017
	<b>Net profit/ (loss) under Previous GAAP (After Tax)</b>	18964313
	Adjustments	0
	<b>Net profit/(loss) under IND AS (After Tax)</b>	18964313

**Reconciliation of total equity as at 31<sup>st</sup> March 2017 and 1<sup>st</sup> April 2016**

Sl.no	Particulars	Total Equity as on 31 <sup>st</sup> March 2017	Total Equity as on 1 <sup>st</sup> April 2016
	<b>Total Equity as per Previous GAAP</b>	25017895	6053582
	Adjustments	0	0
	<b>Total Equity as per IND AS</b>	25017895	6053582

**First time adoption of Ind AS**

These financial statements for the year ended 31<sup>st</sup> March 2018 are the company's first annual Ind AS complied financial statements. For all period up to and including the year ended 31<sup>st</sup> march 2017, the company prepared its financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014 ('previous GAAP'). Detailed explanation on how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet, financial performance and Cash flows given as under

In preparing these Ind AS financial statements, the company has availed certain exemptions and exceptions in accordance with Ind AS 101 as explained below

**Mandatory Exceptions from retrospective application Estimates****a. Estimates**

The estimates at 1st April 2016 and at 31st March,2017 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items under Indian GAAP did not require estimation:

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at 1st April,2016 and 31st March,2017.

- i. Fair values of financial assets & financial Liabilities.
- ii. Impairment of financial assets based on expected credit loss model.
- iii. Discount rates

**b. Classification and measurement of financial asset:**

The classification of financial assets to be measured at amortized cost or fair value through Profit and loss or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to Ind AS.

**Optional Exemptions from retrospective application**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has, accordingly, applied following exemption:

**a. Deemed Cost**

The Company has elected to consider carrying amount of all items of property, plant and equipments measured as per Indian GAAP as recognized in the financial statements as at the date of transition, as deemed cost at the date of transition. The effect of consequential changes arising on the application of other Ind AS has been adjusted to the deemed cost of Property, Plant & Equipment.

**1. Significant Accounting Policies****a. Property, Plant and Equipment:**

An item of property, plant and equipment that qualifies as an asset is measured on initial recognition at cost. Following initial recognition, items of property, plant and equipment other than land are carried at their cost less accumulated depreciation and accumulated impairment losses. Freehold land is carried at cost of acquisition.

The cost of an item of property, plant and equipment comprises the purchase price and any cost attributable to bring the asset to its location and working condition for its intended use. Borrowing costs relating to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs in nature of repairs and maintenance are recognized in the Statement of Profit and Loss as and when incurred.

**Depreciation and Amortization Expense.**

Depreciation is provided on Straight Line Method on the assets over the useful lives specified in Schedule II to the Companies Act, 2013.

Depreciation on additions is being provided on pro rata basis from the date of such additions. Depreciation on assets sold, discarded or demolished during the year is being provided up to the date on which such assets are sold, discarded or demolished.

**b. Impairment of Assets:**

In accordance with Ind AS 36, the company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. An asset is treated as impaired when the carrying cost exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in a prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**c. Valuation of Inventories:**

Inventories are valued at the lower of cost and net realizable value.

Cost is arrived at by using weighted average method and includes all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.

**d. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## I. Financial Assets

### Initial recognition and measurement

All financial instruments are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit & loss account transaction costs that are attributable to the acquisition of the financial asset, purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date i.e. the date that the company commits to purchase or sell the asset.

### Subsequent Measurement

For the purpose of subsequent measurement financial assets are classified as measured at:

- 1) Amortized Cost
- 2) Fair value through profit and loss(FVTPL)
- 3) Fair value through other comprehensive income(FVTOCI)

### Financial Asset measured at amortized cost

Financial Assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost using effective interest rate (EIR method). The EIR amortization is recognized as finance income in the statement of Profit & Loss.

The company while applying above criteria has classified all the financial assets at amortized cost.

### Financial Assets Measured at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognized in the Statement of Profit and Loss. On de-recognition, cumulative gain or loss previously recognized in OCI is re classified from the equity to 'other income' in the Statement of Profit and Loss.

### Financial Assets at fair value through profit or loss (FVTPL)

Financial Asset are measured at fair value through Profit & Loss if it does not meet the criteria for classification as measured at amortized cost or at FVTOCI. All fair value changes are recognized in the statement of profit & loss.

### De-recognition of Financial Assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

## II. Financial Liabilities.

### Initial recognition and measurement

Financial liabilities are recognized initially at fair value plus any transaction cost that are attributable to the acquisition of the financial liability except financial liabilities at FVTPL that are measured at fair value.

**Subsequent Measurement**

Financial liabilities are subsequently measured at amortized cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the Statement of Profit and Loss.

**Financial Liabilities at amortized cost**

Amortized cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount.

All the financial liabilities of the company are subsequently measured at amortized cost using Effective Interest method.

**De recognition of Financial Liabilities**

A financial liability shall be de-recognized when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

**e. Lease Rental**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. In respect of assets taken on operating lease, lease rentals are recognized as an expense in the Statement of Profit and Loss on straight line basis.

**f. Foreign Exchange Transactions:**

Transactions denominated in foreign currency are accounted for initially at the exchange rate prevailing on the date of transaction. Foreign Currency monetary Assets and Liabilities are translated at year end exchange rates. Fluctuations, if any, due to change in exchange rates between the dates of transactions and the dates of crystallisation are debited / credited to Statement of Profit & Loss.

**g. Revenue Recognition**

Revenue is measured at the fair value of consideration received or receivable and is recognized to the extent that it is probable that the economic benefits will flow to the Company

**Sale of goods**

Revenue is recognized when the significant risk and rewards of ownership of goods have passed to the buyer. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes.

**Interest/ Dividend**

Interest Income is recognized using the Effective interest rate (EIR) method. Dividend income is recognized when right to receive is established.

**h. Borrowing Costs:**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

**i. Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an out flow of resources. Contingent Liabilities are not recognized but are disclosed in the notes on accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.



#### j. Income Taxes

Income tax expense for the year comprises of current tax and deferred tax. It is recognized in the Statement of Profit and Loss except to the extent it relates to a business combination or to an item which is recognized directly in equity or in other comprehensive income.

**Current tax** is the expected tax payable/receivable on the taxable income/ loss for the year using applicable tax rates at the Balance Sheet date, and any adjustment to taxes in respect of previous years. Interest income/ expenses and penalties, if any, related to income tax are included in current tax expense.

**Deferred tax** is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes using tax rates enacted, or substantively enacted, by the end of the reporting period.

#### k. Earnings Per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

#### l. Critical Accounting Estimates and Judgments

The preparation of financial statements is in conformity with generally Accepted Accounting Principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the result of operations during the reporting period. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Revisions in accounting estimates are recognized prospectively.

The areas involving critical estimates or judgments are –

- Estimates of Useful life of Property, plant and equipment and intangibles
- Measurement of defined benefit obligation
- Recognition of deferred taxes
- Estimation of impairment
- Estimation of provision and contingent liabilities

#### 1.1 Standards issued but not effective

The standards issued, but not effective up to the date of issuance of the company’s financial statements are disclosed below.

##### **Ind AS 115, Revenue from Contract with Customers:**

On March 28, 2018, Ministry of Corporate Affairs has notified the Ind AS 115, Revenue from Contract with Customers. The core principal of the new standard is that revenue should be recognized when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Company will adopt the standard from April 1, 2018 and the management is in the process of determining the effect on adoption of Ind AS 115.

##### **Ind AS 21, Foreign currency transactions and advance consideration**

On March 28, 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transactions for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from April 1, 2018. The company has evaluated the effect of this on the financial statements and the impact is not material.





NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018

## 3. INVENTORIES :

(All amounts are in Rupees)

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	01 April 2016
(i) Raw materials	1,919,847	3,304,654	-
(ii) Work-in-progress	-	-	8,235,528
(iii) Finished goods	20,795,232	25,794,780	8,279,313
<b>TOTAL</b>	<b>22,715,079</b>	<b>29,099,434</b>	<b>16,514,841</b>

## 4 TRADE RECEIVABLES

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	01 April 2016
(i) Outstanding for the period exceeding six months			
Considered good	-	-	30,771
Considered doubtful	-	701,830	749,316
	-	701,830	780,087
(ii) Other debts Considered good	2,160,255	12,058,263	10,100,078
Total	2,160,255	12,760,093	10,880,165
Less: Provision for Bad & Doubtful Debts	-	700,000	700,000
<b>TOTAL</b>	<b>2,160,255</b>	<b>12,060,093</b>	<b>10,180,165</b>

## 5 CASH AND CASH EQUIVALENTS

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	01 April 2016
i) Balances with banks	52,531	89,449	71,688
ii) As Fixed Deposits (Margin Money)	4,643,000	5,141,000	1,758,420
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			
iii) Cash on hand	9,472	56,183	33,822
<b>TOTAL</b>	<b>4,705,003</b>	<b>5,286,632</b>	<b>1,863,930</b>

## 6 OTHER FINANCIAL ASSETS

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	01 April 2016
Interest receivable	507,177	217,405	77,516
<b>TOTAL</b>	<b>507,177</b>	<b>217,405</b>	<b>77,516</b>

## 7 OTHER CURRENT ASSETS

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	01 April 2016
(i) Advance for purchase of raw material and stores	6,259	2,244,483	-
(ii) Prepaid Expenses	71,014	57,668	
(iii) Balance with Central Excise and others	10,208	123,400	866,832
(vi) Tax Deducted at Source	181,362	135,301	132,130
(v) Deposits Recoverable	117,196	117,196	257,196
(vi) MAT Credit entitlement	-	-	128,877
(vii) Advance Income tax	-	8,500,000	-
<b>TOTAL</b>	<b>386,039</b>	<b>11,178,048</b>	<b>1,385,035</b>

NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**8 EQUITY SHARE CAPITAL**

(All amounts are in Rupees)

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>Authorised:</b>			
40,00,000 - Equity Shares of Rs 10/- each	40,000,000	40,000,000	40,000,000
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	10,000,000	10,000,000	10,000,000
<b>Issued Subscribed &amp; Fully Paid Up</b>			
30,00,000 - Equity Shares of Rs 10/- each, fully paid up	30,000,000	30,000,000	30,000,000
	<b>30,000,000</b>	<b>30,000,000</b>	<b>30,000,000</b>

**(a) Reconciliation of the number of shares.**

Particulars	As at 31st March 2018		As at 31st March 2017	
	Nos	Amount	Nos	Amount
Shares outstanding at the beginning of the year	3,000,000	30,000,000	3,000,000	30,000,000
Add: Issue during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>3000000</b>	<b>30,000,000</b>	<b>3,000,000</b>	<b>30,000,000</b>

**(b) Rights, preference and restriction attached to shares :**

**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) Shareholders holding more than 5% shares in the Company**

Particulars	As at 31st March 2018		As at 31st March 2017	
	No of shares	Amount	No of shares	Amount
Mr. N. Ravi Prasad	388148	12.94	388148	12.94
M/s. Andhra Pradesh Industrial Development Corporation	-	-	-	-
Mr. N. Ranga Prasad	337500	11.25	337500	11.25
Mr. N. Rajendra Prasad	259298	8.64	259298	8.64
Mr. N. Anantha Lakshmi	248498	8.28	248498	8.28
Smt. N. Anantha Lakshmi	233998	7.80	233998	7.80
Mr. N Ram Prasad	180298	6.01	180298	6.01

**9 OTHER EQUITY**

(All amounts are in Rupees)

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>Surplus/(Deficit) in statement of Profit and Loss</b>			
<b>Opening Balance</b>	<b>(4982105)</b>	<b>(23946418)</b>	<b>(33380668)</b>
Adjustments in Reserves	(49,724)	-	-
Add: Profit / (Loss)	(10,782,247)	18,964,313	9,434,250
Less: Appropriations	-	-	-
<b>Closing Balance</b>	<b>(15,814,076)</b>	<b>(4,982,105)</b>	<b>(23,946,418)</b>

NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018

## 10 FINANCIAL LIABILITIES :

(All amounts are in Rupees)

## (i) BORROWINGS

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>Unsecured loans - Loans from related parties</b>			
Directors	-	-	2360000
Inter-corporate Deposits	2980000	3229000	3373000
<b>TOTAL</b>	<b>2,980,000</b>	<b>3,229,000</b>	<b>5,733,000</b>

## 11 PROVISIONS

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Provision for gratuity	-	790,195	100,000
<b>TOTAL</b>	<b>-</b>	<b>790,195</b>	<b>100,000</b>

## 12 BORROWINGS

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>Secured Loan</b>			
Andhra Bank OD A/c	11,047,769	8,985,353	12,547,051
<b>TOTAL</b>	<b>11,047,769</b>	<b>8,985,353</b>	<b>12,547,051</b>

## 13 TRADE PAYABLES

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
(i) Micro and small enterprises	-	-	-
(ii) Other than micro and small enterprises	976,049	6,215,279	-
<b>TOTAL</b>	<b>976,049</b>	<b>6,215,279</b>	<b>-</b>

## 14 OTHER FINANCIAL LIABILITIES

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Creditors for Other expenses	922,993	2,147,177	854,317
<b>TOTAL</b>	<b>922,993</b>	<b>2,147,177</b>	<b>854,317</b>

## 15 OTHER CURRENT LIABILITIES

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
(i) Dues to Related party- Directors	1,454,483	229,580	662,575
(ii) Advance received from Customers	-	344,250	-
(iii) Statutory liabilities	3,300,582	3,353,615	1,501,887
<b>TOTAL</b>	<b>4,755,065</b>	<b>3,927,445</b>	<b>2,164,462</b>

**NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**
**16 PROVISIONS**

(All amounts are in Rupees)

Particulars	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
Provisions for Income Tax	24,223	9,875,063	5,010,170
<b>TOTAL</b>	<b>24,223</b>	<b>9,875,063</b>	<b>5,010,170</b>

**17 REVENUE FROM OPERATIONS**

(All amounts are in Rupees)

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
Sales of Products (Includes Excise Duty & Excludes Discount and GST)	16,183,258	72,522,262
<b>TOTAL</b>	<b>16,183,258</b>	<b>72,522,262</b>

**18 OTHER INCOME**

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
Interest Income	361,608	400,558
Foreign Exchange Fluctuation		308,911
<b>TOTAL</b>	<b>361,608</b>	<b>709,469</b>

**19 COST OF MATERIAL CONSUMED**

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
Inventory at the beginning of the year	-	-
Add: Purchases	7,798,849	32,108,942
Less: Inventory at the end of the year	-	-
<b>Cost of raw materials and packing materials consumed</b>	<b>7,798,849</b>	<b>32,108,942</b>

**20 CHANGES IN INVENTORIES OF ,FINISHED GOODS,TRADED GOODS AND WORK-IN-PROCESS**

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
<b>Opening inventories</b>		
(i) Finished goods	25,794,780	8,279,313
(ii) Work-In-process	-	8,235,528
<b>Closing inventories</b>		
(i) Finished goods	20,795,235	25,794,780
(ii) Work-In-process	-	-
<b>(Increase) / decrease in inventory</b>	<b>4,999,545</b>	<b>(9,279,939)</b>

**21 EMPLOYEE BENEFITS EXPENSE**

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
(i) Salaries, wages, and bonus	4,669,264	6,525,041
(ii) Contribution to provident fund	233,016	312,167
(iii) Staff welfare expenses	199,184	244,080
<b>TOTAL</b>	<b>5,101,464</b>	<b>7,081,288</b>

**NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**
**22 FINANCE COSTS**

(All amounts are in Rupees)

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
<b>Interest expense on :</b>		
(i) Working capital facility	909,066	819,411
(ii) Others	-	25,000
<b>TOTAL</b>	<b>909,066</b>	<b>844,411</b>

**23 OTHER EXPENSES**

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
Consumption of general stores	40,502	212,439
Power and Fuel	300,309	286,328
Repairs to :	-	
Buildings	111,672	650,705
Machinery	190,828	119,892
Others	27,407	12,176
Vehicle maintenance	243,381	275,941
<b>Sales Expenses :</b>		
Excise duty	844,549	9,275,859
Freight & Others - Domestic Sales	204,212	534,627
<b>Payments to Auditors</b>		
As Auditors	46,000	46,000
for Tax Audit	18,400	18,400
for Certification	2,876	6,326
Rates and Taxes	176,530	65,244
Postage, Telegrams and Telephones	241,867	238,831
Travelling, Conveyance and Vehicle expenses	1,276,929	261,145
Insurance	114,882	12,965
General charges	847,399	956,997
Professional charges	212,643	209,254
Liquidated Damages	-	92,529
Lease Rental Amortization	1,715	-
<b>TOTAL</b>	<b>4,902,101</b>	<b>13,275,658</b>

**24 EARNINGS PER SHARE ('EPS')**

Particulars	31st March 2018	31st March 2017
Profit for the Period	(10782247)	18964313
Shares		
Weighted average shares used for computing basic EPS	3000000	3000000
Weighted average shares used for computing diluted EPS	3000000	3000000
<b>Earning Per Shares</b>		
Basic (in Rs)	(3.59)	6.32
Diluted (in Rs)	(3.59)	6.32

**Note 25****Financial Risk Management**

The Company's activities expose it to market risk, credit risk and liquidity risk. Company's overall risk management focus the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

**I. Market Risk**

Market risk is the risk of loss of the future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments and deposits, foreign currency receivables, payables and borrowings.

**a. Foreign Currency Risk**

Foreign Currency Risk is the risk of impact related to fair value or future cash flows of an exposure in foreign currency, which fluctuate due to change in foreign currency rates. The Company's exposure to the risk of changes in foreign exchange rates is negligible. The company does not enter into any derivative instruments for trading or speculative purposes.

**b. Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market rates relates primarily to the Company's short term borrowing. The Company constantly monitors the credit markets and re-balances its financing strategies to achieve an optimal maturity profile and financing cost.

**II. Credit Risk**

Credit risk arises when a customer or counter party does not meet its obligations under a financial instrument or custom contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing/investing activities, including deposits with banks. The company has a prudent and conservative process for managing its credit risk arising in the course of its business activities. The Company is receiving payments regularly from its customers and hence the Company has no significant credit risk.

**III. Liquidity Risk**

Liquidity risk is defined as the risk that the company will not be able to settle or meet obligations on time or at reasonable price. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities to meet obligations when due. The Company's treasury team is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's liquidity position through rolling forecasts based on expected cash flows

**NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**

**Note 26**

**Forex Transactions**

(Rs. in Lakhs)

Particulars	Current Year	Previous Year
Raw Materials : Value of Imports (CIF)	<b>77,98,849</b>	2,55,71,946
<b>Total</b>	<b>77,98,849</b>	2,55,71,946

**Note 27**

**Capital Management**

The Company's objectives when managing capital are to

- i) Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders.
- ii) Maintain an optimal capital structure to reduce the cost of capital

Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet)

**Gearing Ratio**

Particulars	As at		
	March31,2018	March31,2017	April 01,2016
a) Debt Obligations	1,40,27,769	1,22,14,353	1,82,80,051
b) Cash and Cash equivalents	47,05,003	52,86,632	18,63,930
c) Net Debt (a-b)	93,22,766	69,27,721	1,64,16,121
d) Total Equity	1,41,85,924	2,50,17,895	60,53,582
e) Net Debt/Equity Ratio (c/d)	0.66	0.28	2.71

**Note 28**

**Employee benefits**

In view of very limited strength of the employees, presently working in the Company the requirements of the Ind AS -19 Employee Benefits in respect of Gratuity could not be complied with. However, Provisions for gratuity as required under The Payment of Gratuity Act has been provided for and is being paid as and when liability arises.

**Note 29**

**Related party disclosures as required by the IND AS 24**

The Related party disclosures as required by IND AS – 24 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
6	Pumps India Pvt. Ltd	Key Managerial Personnel & their relatives exercise significant Influence.



**NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**
**1. Transactions with Key Management personnel**

(Amount in Rs.)

S.No	Nature of transaction	Current Year	Previous Year
1	<b>Remuneration</b>		
(a)	<b>Sri.N.Ravi Prasad</b>	11,52,000	11,52,000
	<b>Medical Reimbursement</b>	27,430	67,194
	<b>Club Bills</b>	13,550	12,200
(b)	<b>Sri.N. Rajender Prasad</b>	11,52,000	11,52,000
	<b>Medical Reimbursement</b>	1,083	17,898
	<b>Club Bills</b>	9,000	10,200
2	<b>Un Secured Loans</b>		
	<b>Sri.N. Rajender Prasad</b>		
	Outstanding at the beginning of the year	0	23,60,000
	Amounts received during the year	3,75,000	3,10,000
	Amounts repaid during the year	3,75,000	(26,70,000)
	Outstanding at the end of the year	0	0
3	<b>Current Liabilities – Current Accounts of the</b>		
	<b>Key Managerial Personal</b>		
	<b>Sri.N.Ravi Prasad</b>		
(a)	Outstanding at the beginning of the year	40117	104121
	Amounts received during the year	274609	343806
	Amounts repaid during the year	229395	407810
	Outstanding at the end of the year	85331	40117
(b)	<b>Sri.N.Rajender Prasad</b>		
	Outstanding at the beginning of the year	31863	93655
	Amounts received during the year	778736	385905
	Amounts repaid during the year	133047	447697
	Outstanding at the end of the year	677552	31863

**2. Transactions with Enterprises over which Key Management personal and their relatives exercise Significant Influence:**

S.No.	Nature of Transaction	Current Year	Previous Year
1	<b>Inter Corporate Deposits received</b>		
	<b>Southern Electrodes Limited</b>		
(a)	Outstanding at the beginning of the year	3180000	3180000
	Amounts received during the year	0	0
	Amounts repaid during the year	2,09,000	0
	Outstanding at the end of the year	29,80,000	3180000
(b)	<b>Pumps India Private Limited</b>		
	Outstanding at the beginning of the year	49000	190000
	Amounts received during the year	0	0
	Amounts repaid during the year	49000	144000
	Outstanding at the end of the year	0	49000

S.No.	Nature of Transaction	Current Year	Previous Year
2	<b>Current Liabilities</b>		
	<b>Southern Electrodes Limited</b>		
	Outstanding at the beginning of the year	90035	117035
	Amounts received during the year	0	15000
	Amounts repaid during the year	0	42000
	Outstanding at the end of the year	90035	90035
	<b>Pumps India Pvt.Ltd</b>		
	Outstanding at the beginning of the year	2987	18195
	Amounts received during the year	17434	26106
	Amounts repaid during the year	18434	41314
	Outstanding at the end of the year	1987	2987

**Note 30****Micro, Small and Medium Enterprises**

There are no amounts outstanding as at 31<sup>st</sup>March, 2018 payable to Micro, Small and Medium Enterprises. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31<sup>st</sup> March, 2018. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the Auditors.

**Note 31 Exceptional Item**

Exceptional item includes an amount of Rs.35.00 Lakhs paid to Mr.Chitti Reddy Raji Reddy with regard to revert of lease transaction which was executed on 15.02.2012 for an amount of Rs.16.99 lakhs, the company is of the view to retain the land due to rapid development in Telangana.

**Note 32**

Previous Year's figures have been regrouped wherever necessary to correspond with the current year's figures. Except otherwise stated.

As per our report of even date  
For **BRAHMAYYA & CO.,**  
Chartered Accountants  
Firm Registration No.000513S

Sd/-

**K. Shravan**  
Partner  
Membership No. 215798  
Place: Hyderabad  
Date : 29.05.2018

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**  
Managing Director & CEO  
DIN : 00319537

Sd/-

**N.Rajender Prasad**  
Joint Managing Director & CFO  
DIN : 00145659



**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 32<sup>nd</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 Saturday, 29<sup>th</sup> day of September, 2018.

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)





**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 32<sup>nd</sup> Annual General Meeting of the Company, to be held on Saturday, 29<sup>th</sup> day of September, 2018 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:

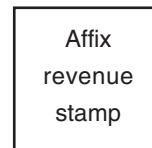
**Resolutions:**

- Adoption of Audited Financial statements for the financial year ended March 31, 2018, and the Reports of the Board of Directors and Auditors thereon.(Ordinary Resolution)

Signed this..... day of..... 2018

Signature of shareholder:

Signature of Proxy holder(s):



**Note :**

- 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.
- 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.

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**  
REGISTERED OFFICE ADDRESS  
DECCAN CHAMBERS, 5<sup>TH</sup> FLOOR, 6-3-666/B, SOMAJIGUDA,  
HYDERABAD – 500 082  
CIN No.L27109TG1985PLC005303

This is intended to bring to your notice that the Securities and Exchange Board of India (SEBI) has directed listed entities to seek the copy of PAN Card and Bank Account details from the share holders with the objective of streamlining the processes relating to maintenance of records transfer of securities and for payment of dividend / interest / redemption amounts to shareholders vide its circular no.SEBI/HO/MIR SD/DOP1/CIR/P/2018/73 Dated April 20, 2018.

Therefore, we request your assistance in providing the following details for our records, which shall be linked to your respective folio:

1. Name of the Shareholder:
2. Folio No.:
3. Self-attested copy of PAN Card:
4. Address of the Shareholder with self attested Proof:
5. Original Cancelled Cheque leaf of the account holder/ Attested Bank Pass Book showing the Bank Account Number and Name of the Account Holder duly attested by the Bank.
6. Shareholder Contact, Phone No, Mobile No./ Land Line No. and email id.

Kindly post/ courier/ hand deliver the above mentioned documents duly signed by the shareholder including joint holders if any, to the Company's Share Transfer Agent Address as mentioned below:

**STA Address:**

**AARTHI CONSULTANTS PVT.LTD**

1-2-285, Domalguda,  
Hyderabad – 500 029.

Phone : 040-27634445/38111/42217,66611921, Fax:27632184

Email: [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com)

Shareholders are also requested to email the scan copy of the same on [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com)

**Important Note:**

Shareholders who have their shares in physical form are required to submit above details via post/ courier/hand deliver the documents.

As per the Circular No.LIST/COMD/152018-19 Dated 05.07.2018 issued by the BSE Ltd and amendment to Regulation 40 of SEBI (LODR) Regulations, 2015, the transfer of shares could be carried out in demat form only after 05/12/2018 and physical transfer of shares will not be effected. Hence, you are advised to get the shares transferred in physical form before the due date.

Yours Faithfully,  
For Southern Magnesium and Chemicals Limited,

Sd/-

**N.Rajender Prasad**

Joint Managing Director & CFO





## COURIER



If undelivered please return to :

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

Regd. Office: DECCAN CHAMBERS (5th Floor), 6-3-666/B,  
Somajiguda, Hyderabad - 500 082.

Phone : 23311789, 23312341

Email : [southernmagnesium@gmail.com](mailto:southernmagnesium@gmail.com)