

**SOUTHERN MAGNESIUM AND  
CHEMICALS LIMITED**

(CIN NO.L27109TG1985PLC005303)



**28<sup>th</sup> ANNUAL REPORT  
2013 - 2014**

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**CORPORATE INFORMATION**

**BOARD OF DIRECTORS:**

Mr. N. RAVI PRASAD	Managing Director and CEO
Mr. N. RAJENDER PRASAD	Joint Managing Director and CFO
Mrs. MARIYAMMA	APIDC Nominee Director
Mr. K. ESHWARAIAH	Director
Mr..V. S. S. PRAKASH	Director
Mr. G. RAGHAVENDRA RAO	Director (w.e.f 13.08.2014)

**REGISTERED OFFICE:**

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

**AUDITORS:**

K S Rao & Co.  
Chartered Accountants,  
Hyderabad.

**BANKERS:**

Andhra Bank  
Somajiguda, Hyderabad

**WORKS:**

Gowripatnam  
West Godavari District

**MINES:**

Mulugu Mandal  
Warangal District  
Andhra Pradesh

**LISTED AT:**

BSE Limited

**REGISTRAR &  
SHARE TRANSFER AGENTS:**

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

## NOTICE

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the Members of Southern Magnesium and Chemicals Limited will be held on Tuesday, the 30<sup>th</sup> September, 2014 at 11.30 AM 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, 2014, the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Schedules and Notes attached thereto, along with the Reports of Auditors and Directors thereon.
2. To appoint statutory Auditors  
“RESOLVED that pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013, consent of the members of the company be and is hereby accorded to appoint M/s. K. S. Rao & Co., Chartered Accountants (Firm Registration No. 003109S) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the fifth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting held after this Annual General Meeting) on such remuneration and out of pocket expenses as may be decided by the Board in consultation with the Audit Committee from time to time”.

### SPECIAL BUSINESS:

3. To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.  
“Resolved that subject to the provisions of sections 149, 150 and 152 of Companies Act, 2013 and other applicable provisions, if any of the Act and Rules made there under consent of the members be and is hereby accorded to appoint Mr. Surya Sesa Prakash Valluru (DIN: 02661625) as Independent Director of the Company for a period of five consecutive years from 13.08.2014 and shall not be subject to retirement by rotation.”
4. To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.  
“Resolved that subject to the provisions of sections 149, 150 and 152 of Companies Act, 2013 and other applicable provisions, if any of the Act and Rules made there under consent of the members be and is hereby accorded to appoint Mr. Eshwariah Kaparathi (DIN: 02728256) as Independent Director of the Company for a period of five consecutive years from 13.08.2014 and shall not be subject to retirement by rotation.”
5. To consider and if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution.  
“Resolved that subject to the provisions of sections 149, 150, 152 and 161 of Companies Act, 2013 and other applicable provisions, if any of the Act and Rules made there Mr.G.Raghavendra Rao (DIN:00470659) who was appointed as Additional Director on 13.08.2014 and holds office upto the date of this Annual General Meeting of the Company, be and is hereby appointed as a Director of the Company for a period of five consecutive years from 13.08.2014 and shall not be subject to retirement by rotation.”
6. To consider and if thought fit, to pass with or without modifications the following resolution as a Special Resolution.  
To appoint Mr.N.Ravi Prasad as Managing Director and Chief Executive Officer of the Company pursuant to Section 203 of the Companies Act, 2013 and to enhance his remuneration.

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the recommendations received from nomination and remuneration committee consent of the members be and is hereby accorded to appoint Mr. N.Ravi Prasad (DIN: 00319537) as the Managing Director and Chief Executive officer of the Company with immediate effect for the remaining period in terms of his appointment made on the Board meeting held on 13.11.2013.”

“RESOLVED THAT Mr. Ravi Prasad Nuthakki, shall be entitled to remuneration of Rs.60,000/- per month.

Perquisites:

i) Housing I :The expenditure incurred by the company on hiring unfurnished accommodation for the Managing Director will be subject to a ceiling of sixty percent of the salary, over and above ten percent payable by the Managing Director.

Housing II : If accommodation in the company owned house is provided, ten percent of salary of the Managing Director shall be deducted by the company.

Housing III : If the company does not provide accommodation, the Managing Director shall be entitled to House rent allowance subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Managing Director.

- ii) The Company shall pay as per the Company's Policy the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr.N.Ravi Prasad for himself and his family.
- iii) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iv) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- vi) Mr.N.Ravi Prasad and family shall be covered under the Mediclaim Insurance Schemes as per the rules of the Company.
- vii) Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month's leave for every twelve months of service.
- viii) Such other benefits in accordance with the schemes and rules applicable to the members of the company from time to time.

For the purpose of calculating the above ceilings, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual costs. The Company will pay tax on non monetary perquisites to the appointee as per the amended section 10CC of the Income Tax Act, 1961.

The following shall not be included for the purposes of computation for the Wholetime Managing Director's remuneration or perquisites as aforesaid

- i) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act.

- ii) Gratuity payable to the Wholetime Managing Director at the rate of half month's salary for each completed year of service.
- iii) Encashment of leave at the end of tenure.
- iv) Chauffeur driven company maintained car for use on Company's business and telephones facility at the residence of Wholetime Managing Director and reimbursement of expenses including entertainment expenses will not be considered as perquisites.

Minimum Remuneration : In the event of losses or inadequacy of profits during the above period, the Managing Director is entitled to a minimum salary and perquisites as provided in Schedule V and other applicable provisions to the Companies Act 2013".

The Managing Director shall be entitled to the reimbursement of expenses actually and properly incurred by him for the business of the Company.

Mr.N.Ravi Prasad satisfy all the conditions mentioned in Part I of Schedule V to the Act and also satisfy conditions mentioned under section 196 (3) of the Companies Act, 2013. He is not disqualified from being appointed as Managing Director under section 164 of the Companies Act, 2013. The whole time Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions of section 166 of the Companies Act, 2013 with regard to duties of Directors.

The particulars set out above, may be treated as an abstract of the terms of contract for the remuneration/re appointment of Mr.N.Ravi Prasad as Wholetime Managing Director of the Company, which is required to be given to every member under the provisions of the Companies Act, 2013.

The draft of the Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10.00 a.m. to 12.00 noon on any working day upto the date of the Annual General Meeting.

The Board recommends the Resolution for your approval.

"RESOLVED FURTHER THAT Mr. N. Rajender Prasad, Joint Managing Director (DIN: 00145659) of the Company, be and is hereby authorized to do all acts, deeds, and things as may be necessary to give effect to the above resolution."

7. To consider and if thought fit, to pass with or without modifications the following resolution as an Special Resolution:

To re-designate Mr. N. Rajender Prasad as Joint Managing Director and Chief Financial officer of the Company and to enhance his remuneration

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the recommendations received from nomination and remuneration committee and consent of the members be and is hereby accorded to appoint Mr. N.Rajender Prasad (DIN: 00145659) as the Joint Managing Director and Chief Finance officer of the Company with immediate effect for the remaining period in terms of his appointment made on the Board meeting held on 10.08.2011.

"RESOLVED THAT Mr. Rajender Prasad Nuthakki, shall be entitled to remuneration of Rs.60,000/- per month.

Perquisites:

- i) Housing I : The expenditure incurred by the company on hiring unfurnished accommodation for the Joint Managing Director will be subject to a ceiling of sixty percent of the salary, over and above ten percent payable by the Joint Managing Director.

Housing II : If accommodation in the company owned house is provided, ten percent of salary of the Joint Managing Director shall be deducted by the company.

Housing III : If the company does not provide accommodation, the Joint Managing Director shall be entitled to House rent allowance subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Joint Managing Director.

- ii) The Company shall pay as per the Company' s Policy the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr.N.Rajender Prasad for himself and his family.
- iii) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iv) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- vi) Mr.N.Rajender Prasad and family shall be covered under the Mediclaim Insurance Schemes as per the rules of the Company.
- vii) Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month' s leave for every twelve months of service.
- viii) Such other benefits in accordance with the schemes and rules applicable to the members of the company from time to time.

For the purpose of calculating the above ceilings, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual costs. The Company will pay tax on non monetary perquisites to the appointee as per the amended section 10CC of the Income Tax Act, 1961.

The following shall not be included for the purposes of computation for the Wholetime Joint Managing Director' s remuneration or perquisites as aforesaid

- i) The Company' s contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act.
- ii) Gratuity payable to the Wholetime Joint Managing Director at the rate of half month' s salary for each completed year of service.
- iii) Encashment of leave at the end of tenure.
- iv) Chauffeur driven company maintained car for use on Company' s business and telephones facility at the residence of Wholetime Joint Managing Director and reimbursement of expenses including entertainment expenses will not be considered as perquisites.

Minimum Remuneration : In the event of losses or inadequacy of profits during the above period, the Joint Managing Director is entitled to a minimum salary and perquisites as provided in Schedule V and other applicable provisions to the Companies Act 2013".

The Joint Managing Director shall be entitled to the reimbursement of expenses actually and properly incurred by his for the business of the Company.

Mr.N.Rajender Prasad satisfy all the conditions mentioned in Part I of Schedule V to the Act and also satisfy conditions mentioned under section 196 (3) of the Companies Act, 2013. He is not disqualified from being appointed as Joint Managing Director under section 164 of the Companies Act, 2013. The whole time Joint Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions of section 166 of the Companies Act, 2013 with regard to duties of Directors.

The particulars set out above, may be treated as an abstract of the terms of contract for the remuneration/re appointment of Mr.N.Rajender Prasad as Wholetime Joint Managing Director of the Company, which is required to be given to every member under the provisions of the Companies Act, 2013.

The draft of the Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10.00 a.m. to 12.00 noon on any working day upto the date of the Annual General Meeting.

The Board recommends the Resolution for your approval.

“RESOLVED FURTHER THAT Mr. N.Ravi Prasad, Managing Director (DIN: 00319537) of the Company, be and is hereby authorized to do all acts, deeds, and things as may be necessary to give effect to the above resolution.”

8. To ratify remuneration of Cost Auditors

“RESOLVED that pursuant to the provisions of section 148 of the Companies Act, 2013 and the relevant rules made thereunder the remuneration of Rs. 20,000/- of cost auditors plus reimbursement for travelling and out of pocket expenses as approved by the Board of the Company to be paid to M/s.K.K.Rao Associates, Cost Accountants, Hyderabad to conduct the audit of the cost records of the company for the financial year ending 31.03.2015 be and is hereby ratified and confirmed.”

“RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorised to do all such acts and deeds as may be required to give effect to the above resolution.”

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

Place: Hyderabad  
Date: 13.08.2014

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

NOTES:

1. An Explanatory Statement pursuant to section 102 of the companies Act, 2013 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 27.09.2014 to 30.09.2014 (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. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
6. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
7. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electric /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.
8. 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.
9. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
10. E-Voting : The Company is pleased to provide E-voting facility through Central Depository Services (India) Limited (CDSL) as an alternative, for all members of the Company to enable them to cast their votes electronically on the resolutions mentioned in the notice of Annual General Meeting of the Company. The Company has appointed Mr D Hanumantha Raju, Partner, M/s D Hanumantha Raju & Co., Hyderabad, Practicing Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The E-voting rights of the shareholders/beneficial owners shall be reckoned on the equity shares held by them as on the Friday August 29, 2014.

(a) Instructions for e-voting

- a) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- b) Click on "Shareholders" tab.
- c) Now enter your User ID

For Members holding shares in Demat Form	For Members holding shares in Physical Form
For CDSL: 16 digits beneficiary ID,	Folio Number registered with the Company

- d) Next enter the Image Verification as displayed and Click on Login.
- e) 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.
- f) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)-</p> <p>Physical Shareholders who have not updated their PAN with the Company are requested to use the first two letters of their name in Capital Letter followed by 8 digits folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the folio number. Eg. If your name is Ramesh Kumar with folio number 1234 then enter RA00001234 in the PAN field-</p> <p>Demat Shareholders who have not updated their PAN with their Depository Participant are requested to use the first two letters of their name in Capital Letter followed by 8 digit CDSL client id. For example: CDSL Account holder name is Rahul Mishra and Demat A/c No. is 12058700 00001234 then default value of PAN is ' RA00001234' .</p>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <p>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 Folio/Client ID</p>

- g) After entering these details appropriately, click on "SUBMIT" tab.
- h) Members holding shares in Physical form will then reach directly to the voting screen.
- i) 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.  
  
If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- j) Click on the relevant EVSN for the "Southern Magnesium and Chemicals Limited" on which you choose to vote.
- k) On the voting page, you will see Resolution Description and against the same the option ' YES/NO' for voting. Enter the number of shares (which represents number of votes) under YES/NO.
- l) Click on the "RESOLUTION FILE LINK" if you wish to view the entire Notice of the Annual General Meeting.
- m) 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.

- n) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- o) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- p) Note for Non-Individual Shareholders & Custodians:
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates. They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com). After receiving the login details they have to create a user who would be able to link the account(s) 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. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- q) 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)
11. Since the Company is required to provide facility to the members to exercise their right to vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form and not casting their vote electronically, may cast their vote at the Annual General Meeting.
12. The Scrutinizer shall within a period of not exceeding three (3) working days from the conclusion of the e-Voting period unlock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairperson of the Company.
13. The results shall be declared on or after the Annual General Meeting of the Company. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.southernmagnesium.com](http://www.southernmagnesium.com) and on the website of CDSL within two (2) days of passing of the resolutions at the Annual General Meeting of the Company on September 30, 2014 and communicated to the Bombay Stock Exchange Limited.

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

Place: Hyderabad  
Date: 13.08.2014

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

EXPLANATORY STATEMENT  
(Pursuant to section 102 of the Companies Act 2013)

ITEM NO.3 and 4

Members are hereby informed that in terms of Section 149 of the Companies Act, 2013 and Rules made there under, the Independent Directors may hold office for a term up to five consecutive years on the Board. He also informed that such appointments are not subject to retirement by rotation and they are eligible for re-appointment for another term of five years subject to the approval of the members by special resolution.

In view of this, it is proposed to appointment of both Independent Directors of the Company i.e. Mr. Surya Sessa Prakash Valluru and Mr. Eshwariah Kaparathi for a period of five years to bring in line with the provisions of the Companies Act, 2013.

Hence, the Board recommends the resolution for your approval.

None of Directors or their relatives except Mr. Surya Sessa Prakash Valluru and Mr. Eshwariah Kaparathi may be deemed to be concerned or interested in the resolution.

ITEM NO.5

The members may note that Mr. G.Raghavendra Rao was inducted into Board as Additional Director in Independent category of the company, with effect from 13.08.2014 pursuant to the provisions of Section 149, 150, 152 and 161 of the Companies Act, 2013 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from member of the Company along with the requisite deposit under Section 160 proposing the candidature of the above said person for the Office of Director whose period of office is not subject to retire by rotation.

As per the provisions of section 160 of the Act, any such proposal ought to be approved by the members in the General Meeting.

Hence, the Board recommends the resolution for your approval.

None of Directors or their relatives except Mr. G.Raghavendra Rao may be deemed to be concerned or interested in the resolution.

ITEM NO.6

The members may note that Mr. N Ravi Prasad was appointed as Managing Director of the company by the Board of Directors at its meeting held on 13.11.2013 for a period of 3 years at such remuneration as may be determined by the Board from time to time subject to the approval of members. Also he was designated to hold office of Chief Executive Officer of the company under section 203 by the Board at its meeting held on 13.08.2014 for the remaining term of his appointment made on the Board meeting held on 13.11.2013. Therefore, he now holds office as the Managing Director and Chief Executive Officer of the Company.

As per the provisions of section 196, 197, 203 and Schedule V this requires approval of members by way of special resolution. Hence, the Board recommends the resolution for your approval.

None of Directors or their relatives except Mr. N. Ravi Prasad and Mr. N. Rajender Prasad may be deemed to be concerned or interested in the resolution.

ITEM NO.7

The members may note that Mr. N Rajender Prasad was appointed as Joint Managing Director of the company by the Board of Directors at its meeting held on 20.12.2011 for a period of 3 years at such remuneration as may be determined by the Board from time to time subject to the approval of members. Also he was designated to hold office of Chief Finance Officer of the company under section 203 by the Board at its meeting held on 13.08.2014 for the remaining term of his appointment made on the Board meeting held on 10.08.2011. Therefore, he now holds office as the Joint Managing Director and Chief Finance Officer of the Company.

As per the provisions of section 196, 197, 203 and Schedule V this requires approval of members by way of special resolution. Hence, the Board recommends the resolution for your approval.

None of Directors or their relatives except Mr. N. Ravi Prasad and Mr. N. Rajender Prasad may be deemed to be concerned or interested in the resolution.

ITEM NO.8

The Board of Directors at its Meeting held on 13.08.2014 approved the appointment of M/s.K.K.Rao Associates, Cost Accountants, Hyderabad as Cost Auditors of the Company for the financial year ending March 31, 2015 and also payment of remuneration of Rs.20,000/- per annum (excluding Service Tax) plus reimbursement of travelling and out-of-pocket expenses as recommended by the Audit Committee at its meeting held on 13.08.2014 in terms of provisions of Rule 14 (3) of the Companies (Audit and Auditors) Rules, 2014 subject to the ratification by the Members.

The Board commends this Resolution for the approval by the Members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise in the Resolution.

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

Place: Hyderabad  
Date: 13.08.2014

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

DIRECTORS PROFILE

Name of the Director	D.O.B.	Date of Appointment	Qualifications	No. of Shares held in the Company
MR. N. RAVI PRASAD:	11.08.1961	17.08.1988	B.E., M.S., M.B.A.	388148
MR. N. RAJENDER PRASAD:	28.12.1964	20.12.1991	M.S. Chemical Engineering	248498
MR. V. S. S. PRAKASH:	12.05.1958	30.04.2009	B.com	Nil
MR. K. ESHWARAIAH:	12.08.1954	30.05.2013	DGM RRL (Retd.,) APIDC	Nil
MR..G.RAGHAVENDRA RAO	22.04.1964	13.08.2014	B.E.Mechanical	Nil

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 28<sup>th</sup> Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March, 2014.

### FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2014	Previous Year As on 31.03.2013
Net Sale and other Income	175.68	208.97
Profit/(Loss) Before Depreciation and Interest	30.68	60.02
Depreciation, and Interest	6.99	4.81
Net Profit / Net Loss (-)	23.69	55.21
Total Cum. Loss	578.71	602.40

### REVIEW OF OPERATIONS:

During the year 2013-14, the Company had an income of Rs. 175.68 Lakhs against which the Company incurred a net profit of Rs. 23.69 Lakhs as compared to the income of Rs. 208.97 Lakhs and a net Profit of Rs. 55.21 Lakhs in the previous year 2012-13.

### DIVIDEND:

In view of the accumulated losses, your Directors have decided not to recommend dividend for the year.

### PUBLIC DEPOSITS:

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

### LISTING:

The equity shares of your company are listed on BSE Limited.

### CAPITAL OF THE COMPANY:

The Authorised Capital of the company stands at Rs. 5,00,00,000/- divided into 40,00,000 equity shares of Rs. 10/- each and 10,00,000 preference shares of Rs.10/- each. The Issued, Subscribed and Paid up capital of the company stands at Rs. 4,00,00,000 divided into 30,00,000 equity shares of Rs 10/- each and 10,00,000 preference shares of Rs.10/- each.

### SUBSIDIARY COMPANY:

The Company has no subsidiaries.

### INSURANCE:

The company's assets have been adequately insured against major risks.

### DIRECTORS:

In accordance with the Companies Act, 2013 read with Articles of Association of the company, the Directors namely Mr. V. S. S. Prakash, Director and Mr. Eshwariah Kaparthi are re-appointed as the Independent Directors in pursuance of Section 149 and other applicable provisions and are not subject to retire by rotation. Your Board recommends the re-appointment of the Directors above in the best interests of the company.

Mr. G.Raghavendra Rao was appointed as Additional Director in Independent Category on 13.08.2014 and is now proposed to be regularised and appointed as a non-rotational Independent Director for a period of five years.

Also the Board has re-appointed Mr. N Ravi Prasad as the Managing Director at its meeting held on 13.11.2013 and changed his designation as Managing Director and Chief Executive Officer at its meeting held on 13.08.2014.

Also the Board has re-designated Mr. N Rajender Prasad as the Jt. Managing Director and changed his designation as Jt. Managing Director and Chief Financial Officer at its meeting held on 13.08.2014.

**DIRECTORS RESPONSIBILITY STATEMENT:**

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- I) In the preparation of the Annual Accounts, the Applicable accounting standards have been followed.
- II) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period:
- III) Proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for the preventing and detecting fraud and other irregularities.
- IV) The Directors have prepared the Annual Accounts on a going concern basis.

**PARTICULARS OF EMPLOYEES**

There is no employee who is falling under section 217 (2A). Therefore, the disclosures required to be made under section 217 (2A) of the Companies Act, 1956 and the rules made there under are not applicable.

**AUDITORS**

Your directors propose the appointment of M/s. K. S. Rao & Co, Chartered Accountants, Hyderabad as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the company.

**COST AUDITOR**

Your Directors have appointed Mr. Karuchola Koteswara Rao, Hyderabad, Cost Accountant, as the cost auditor for the financial year 2013-14.

**CLARIFICATIONS ON AUDITORS' COMMENT IN AUDITORS REPORT:**

- 1. Emphasis of matter:  
In view of the losses of the Company, the Board has taken decision to provide for gratuity when it materializes.
- 2. Basis for qualified opinion:  
Although this net worth of the Company has been eroded, the Company is presently making profits and hopes to come to positive net worth in the coming years.

**MANAGEMENT DISCUSSION AND ANALYSIS:**

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

**CORPORATE GOVERNANCE**

As a listed company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors is given elsewhere in the Annual report.

**CODE OF CONDUCT:**

The Code of conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. Code of conduct has also been place signed on the

website the company. A declaration signed by the Managing Director is given elsewhere in the Annual report.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A) Conservation of Energy	Nil
B) Technology absorption, adoption and innovation.	
Specific areas in which R & D carried out by the company	Nil
Benefits derived as a result of the above R & D	Nil
Future plan of action	Nil
Expenditure on R & D	
a. Capital	Nil
b. Recurring	Nil
c. Total	Nil
d. Total R & D Expenditure as a percentage of Total Turnover	Nil
1) Efforts made towards Technology	N.A
2) Benefits derived as a result of the above efforts	N.A
3) In case of imported technology imported during 1 <sup>st</sup> 5 years (reckoned for the beginning of the Financial year) following information is furnished:	
a) Technology	N.A
b) Year Import	N.A
c) Has Technology been fully absorbed	N.A
d) If not fully absorbed, area not applicable	N.A
e) Where this has not been the case, reason therefore and future plans of action	N.A

#### C) FOREIGN EXCHANGE EARNING & OUT GO

During the year Foreign Exchange out go was Rs.60.27 lakhs and Foreign Exchange earnings was Rs. Nil.

#### ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the excellent service rendered by all the employees of the Company.

#### DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT:

The shareholders

I, N. Ravi Prasad, Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

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

Place: Hyderabad  
Date: 13.08.2014

(N.Ravi Prasad)  
Managing Director



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## COMPLIANCE CERTIFICATE

CIN of the Company - L27109TG1985PLC005303  
Authorised Capital - Rs. 5,00,00,000  
Paid-up Capital - Rs. 4,00,00,000

To  
The Members  
Southern Magnesium and Chemicals Limited  
Deccan Chambers, 5<sup>th</sup> Floor  
6-3-666/B, Somajiguda  
Hyderabad - 500 082.

I have examined the registers, records, books and papers of Southern Magnesium And Chemicals Limited (the Company) as required to be maintained under the Companies Act, 1956/2013 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31<sup>st</sup> March, 2014. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. the Company has kept and maintained registers as stated in Annexure ' A ' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. the Company has duly filed the forms and returns as stated in Annexure ' B ' to this certificate with the Registrar of Companies within the time prescribed under the Act and the rules made there under.
3. the Company being a Public Limited Company, no comments are required in respect of number of members.
4. the Board of Directors duly met 5 (Five) times on 30<sup>th</sup> May, 2013, 17<sup>th</sup> July, 2013, 29<sup>th</sup> August, 2013, 13<sup>th</sup> November, 2013 and 29<sup>th</sup> January, 2014 in respect of which meetings, notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose, which were not available for our inspection.
5. the Company has closed its Register of Members from 29<sup>th</sup> September, 2013 to 30<sup>th</sup> September 2013, during the financial year and the necessary compliance of section 154 has been made.
6. the Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2013 was held on 30<sup>th</sup> September, 2013 after giving due notice to the members of the Company and the resolutions passed thereat were recorded in Minutes Book maintained for the purpose, which were not available for our inspection.
7. no extraordinary general meeting was held during the financial year.
8. the Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 and 185 of the Companies Act, 2013 as applicable.
9. the Company has complied with the provisions of Section 297 of the Act in respect of the contracts specified in that section.
10. the Company has made necessary entries in the register maintained under section 301 of the Act.
11. as there were no instances falling within the purview of section 314 of the Act, the Company has not obtained necessary approvals from the Board of Directors, members or of Central Government.
12. the Company has not issued any duplicate share certificates during the financial year.

13. the Company :
  - i. has transfers during the year. However, there are no allotments/transmissions of securities during the financial year.
  - ii. has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - iii. was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
  - iv. transferred the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to investor education and protection fund. – Not Applicable.
  - v. has complied with the requirements of section 217 of the Act. However Board's Report has been signed by Managing Director only.
14. the Board of Directors of the company is duly constituted. There was appointment of an additional director in the company, however there was no appointment of any, alternate directors and directors to fill casual vacancy during the financial year.
15. the company has not appointed any Managing Director/Whole-time director/Manager during the financial year.
16. the Company has not appointed any sole-selling agents during the financial year.
17. the Company has not obtained any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such other authorities under the various provisions of the Act during the financial year.
18. the directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. the Company has not issued any shares, debentures or other securities during the financial year.
20. the Company has not bought back any shares during the financial year.
21. the Company has not redeemed any preference shares or debentures during the financial year under review.
22. there were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. the Company has not invited or accepted any deposits falling within the purview of Section 58A during the financial year.
24. the Company has made borrowings during the financial year from Shriram City Union Finance Limited and they are within the borrowing limits of the company as per section 293(1)(d) of the Companies Act, 1956 and section 180(1)(c) of the Companies Act, 2013 as applicable during the financial year.
25. the Company has not made any loans or advances or given guarantees or provided securities or investment in other body corporate during the financial year as per Section 372A of the Companies Act, 1956.
26. the Company has not altered the provisions of the Memorandum with respect to situation of the Companys' registered office from one state to another during the year under scrutiny.
27. the Company has not altered the provisions of the Memorandum with respect to the main objects of the Company during the year under scrutiny.
28. the Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny .

29. the Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. the Company has not altered its Articles of Association during the financial year.
31. there was no prosecution initiated against or show cause notices received by the Company and no fines and penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. the Company has not received any money as security from its employees during the financial year.
33. the Company has not constituted any Provident Fund pursuant to section 418 of the Act during the financial year.

Place: Hyderabad  
Date: 13.08.2014

Signature:

Name of Company Secretary:  
P.A.P. Murthy  
FCS: 926; C. P. No: 6633

### ‘ ANNEXURE - A ’

#### REGISTERS AS MAINTAINED BY THE COMPANY

SNo.	NAME OF THE REGISTER	UNDER SECTION
1	Register of Members	150
2	Minutes of Meetings of Board of Directors and Members	193
3	Register of Director, Managing Director and Secretary.	303
4	Register of particulars of contracts in which Directors are interested	301
5	Books of Accounts and Cost Records	209
6	Register of investments or loans made, guarantee given or security provided	372A
7	Register of directors' shareholding	307
8	Register of Share Transfers	
9	Register of Fixed Assets	
10	Register of Documents Sealed	
11	Register of Renewed and Duplicate Certificates	
12	Register of Charges	143
13	Register of Deposits	58A
14	Register of Investments	

Place: Hyderabad  
Date: 13.08.2014

Signature:

Name of Company Secretary:  
P.A.P. Murthy  
FCS: 926; C. P. No: 6633

## ' ANNEXURE - B'

Forms and returns filed by the Company with Registrar of Companies during the financial year ended 31<sup>st</sup> March, 2014.

SNo	Form No/ Return	Filed under Section	Description	Date of Filing & SRN	Whether filed within prescribed time Yes / No	If delay in filing whether Requisite Additional fee paid Yes / N.A.
1.	Form 32	260	Appointment of Additional Director	24.06.2013 & B77767895	YES	N.A
2.	Form AXBRL	209(1)(d)	Cost Audit Compliance Certificate	27.09.2013 & S22592075	YES	N.A
3.	Form 32	303(2)	Regularisation of Additional Director	29.10.2013 & B88065859	YES	N.A
4	Form 66	383A	Compliance Certificate	29.10.2013 & Q20282125	YES	N.A.
5	Form23 AC & 23 ACAXBRL	220	Balance sheet and Profit & Loss Account	30.10.2013 & Q21610456	YES	N.A.
6	Form20 B	159	Annual Return	18.11.2013 & Q23820251	YES	N.A.

Place: Hyderabad

Date: 13.08.2014

Signature:

Name of Company Secretary:

P.A.P. Murthy

FCS: 926; C. P. No: 6633

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The year 2013-14 was challenging. The Depreciation of the Rupees increased the cost of raw material. However the user industries were not able to absorb the same due to a slow down in the industry.

2014-15 started of slowly but we have seen a pickup up in demand. The company should post better results this year compared to the last year.

### 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 unauthorised use or disposal. The Internal Audit 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 31.03.2014 (Rs in lakhs)	As at 31.03.2013 (Rs in lakhs)
Net Sale and other Income	175.68	208.97
Profit (loss) before Depreciation and interest	30.68	60.02
Depreciation And Interest	6.99	4.81
Net Profit/ (Net loss)	23.69	55.21
Total Cum. Loss	578.71	602.40

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 optimise 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

Place: Hyderabad  
Date: 13.08.2014

(N.Ravi Prasad)  
Managing Director

## REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on code of Governance:

Corporate Governance is a synonym for sound management, transparency and disclosure. The Company's Philosophy of Corporate Governance envisages the highest level of transparency, accountability equity in all its dealings with shareholders, employees, government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance. In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the Stock Exchanges the details are set out below:

2. Board of Directors:

Composition and Category of Directors:

The Board of Directors Comprises 2 Executive Directors and 4 Non-Executive Directors. The Composition of the Board is in conformity with the listing requirements.

The details of the Directors being appointed/ re-appointed on retirement by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV) (G) of the Listing Agreement, are mentioned in the Directors' Report, forming part of the Annual Report.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of the private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship/Membership of board Committees includes only Audit and shareholders/ Investor Grievances Committees.

Pecuniary relationship or transaction of the Non-executive Directors vis-à-vis the company. None of the Non-executive Directors has any pecuniary relationship or transactions with the company.

During the Year under review 5 Board Meetings were held on 30.05.2013, 17.07.2013, 29.08.2013, 13.11.2013 and 29.01.2014.

The compositions of the Board of Directors and their attendance at the meeting during the year and at the last Annual General Meeting as also number of other Directorship of committees are as follows:

Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance At Last A.G.M	No. of Other Directorship	Committee Memberships in other cos.
Mr. N. Ravi Prasad	Promoter Managing Director	5	Yes	3	-
Mr. N. Rajender Prasad	PromoterJoint ManagingDirector	5	Yes	3	-
Mr.K. Eshwaraiah	Independent Non – Executive Director	5	Yes	-	-
Mr.G.RaghavendraRao (w.e.f 13.08.2014)	Independent Non – Executive Director	1	No	-	-
Mr.V. S. S. Prakash	Independent Non – Executive Director	5	Yes	-	-
Mrs. Mariamma	NomineeDirector Independent Non – Executive Director	1	No	2	-

#### AUDIT COMMITTEE

The composition of the Audit Committee is in compliance with the clause 49 of the Listing Agreement and the terms of reference, role and scope are in line with those prescribed by clause 49 of the Listing Agreement with the Stock Exchanges.

The Audit Committee comprises of 3 (Three) Non-executive Independent Directors and One Executive Director. The Audit Committee met 4 (Four) times during the year under review on 30.05.2013, 17.07.2013, 13.11.2013, 29.01.2014

The Composition of Audit Committee and the details of meeting attended are given below:

Sl. No	Name	Position held in the Committee	Number of committee meeting attended
1	Mr. G.Raghavendra Rao (w.e.f. 13.08.2014)	Chairman	1
2	Mrs. Mariamma	Member/Chairperson	1
3	Mr. K. Eshwaraiah	Member	4
4	Mr. N. Rajender Prasad	Member	4
5	Mr. V. S. S. Prakash	Member	4

During these meetings, the Committee inter alia, reviewed the financial statements including changes in accounting policies and practices before submitting to the Board, recommended the appointment of statutory Auditors including fixation of audit fee, and reviewed the company' s financial and risk management policies.

#### INVESTORS' GRIEVANCE COMMITTEE:

The responsibilities of the committee include

- to approve share transfers and transmissions and
- to approve splitting of share certificates, consolidation of share certificates and related matters including wish you of fresh share certificates in lieu of the split / consolidated certificates and redressal of all

share holders queries and grievances. The Committee has been meeting at regular intervals to resolve the complaints and replied / resolved to the satisfaction of the investors.

During the year the committee met on 25.07.2013, 06.08.2013 & 06.11.2013

The Composition of share holders / investors' grievance committee and the details of meeting attended are given below.

Sl. No	Name	Position held in the Committee	Number of committee meeting attended
1	Mr. G.Raghavendra Rao(w.e.f. 13.08.2014)	Member	-
2	Mr. K. Eshwaraiah	Member	1
3	Mr.N.Rajender Prasad	Chairman	3
4	Mr.V.S.S.Prakash	Member	3

#### REMUNERATION COMMITTEE:

The responsibilities of remuneration committee are to appraise the performance of Executive Directors and senior officers of the Company and to determine and recommended to the Board compensation payable to the above said persons.

The Composition of remuneration committee and the details are given below.

S.No.	Name	Position held in the Committee
1	Mr.G.Raghavendra Rao	Chairman
2	Mr.N.Rajender Prasad	Member
3	Mr.V.S.S.Prakash	Member
4	Mr.K.Eshwaraiah	Member

The details of the share holding and salary / perquisites paid to the Managing Directors and Joint Managing Director for the Financial Year ended 2014 are as under:

S.No.	Name	Salary	Provident Fund	Perquisites	Total	No. of Equity Shares held
1	Mr. N. Ravi Prasad	672000	50400	65426	787826	388148
2	Mr. N. Rajender Prasad	672000	50400	10770	733170	248498

The sitting fees paid for the year 2013-14 to the Board Directors, Audit Committee, Remuneration Committee share holders / investors Grievances Committee are as under.

Name	Sitting Fee
Mr. K.Eshwaraiah	2500

#### DETAILS ON GENERAL BODY MEETINGS:

Financial Year	Date	Time	Location
2012-2013	30.09.2013	11.30 A.M	Hotel I. K. London, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082
2011-2012	29.09.2012	11.30 A.M	Hotel I. K. London, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082
2010-2011	30.09.2011	11.30 A.M	Hotel I. K. London, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082



POSTAL BALLOT:

During the year 2013-14, there are no resolutions passed under Postal Ballot pursuant to Section 192 A of the Companies Act, 1956.

DISCLOSURES:

- (a) There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) In the preparation of financial statements, no treatment materially different from that prescribed in Accounting Standards had been followed.
- (c) There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.
- (d) The Company has complied with the non –mandatory requirements to relating to remuneration committee.
- (e) Managing Director of the Company has furnished the requisite Certificates to the Board of Directors under Clause 49 of the Listing Agreement.

MEANS OF COMMUNICATION:

The Quarterly Financial Results and Share Holding Pattern of the Company are furnished to the Stock Exchange.

GENERAL SHARE HOLDERS INFORMATION:

Annual General Meeting:

Date & Time : Tuesday, 30.09.2014 at 11.30 A.M.

Venue : Hotel I. K. London, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082

Financial Calendar (Tentative): Financial Year April 2014- to March, 2015

First Quarter Results	:	13.08.2014
Second Quarter Results	:	14.11.2014
Third Quarter Results	:	14.02.2015
Fourth Quarter Results	:	30.05.2015
Book Closure Dates	:	27.09.2014 to 30.09.2014 (Both Dates inclusive)
Listing on Stock Exchange	:	BSE Limited
Listing Fees	:	Listing fee for the year 2014-15 has paid
Stock Code	:	For equity shares: BSE: 513498
ISIN No.	:	For equity shares: - INE308N01012

Stock Market Price Data:

Trading of Shares at BSE Ltd, Mumbai.

Registrar and Share Transfer Agents:

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

Share Transfer System:

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of 15 days from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization of shares are processed and the confirmation is given within 21 days on receipt.

Name & Details of Compliance Officer:

Mr. N. Rajender Prasad  
Deccan Chambers, 5<sup>th</sup> Floor, 6-3-666/B,  
Somajigua, Hyderabad – 500 082  
Ph: 040-23311789, Fax No: 040-23319871  
Email Id : [southernmagnesium@gmail.com](mailto:southernmagnesium@gmail.com)

Distribution of Shareholding as on 31<sup>st</sup> March, 2014:

No .of Shares	No. of Share Holders		No of Shares Held	
	Nos	%	Nos	%
Up to 500	3793	95.23	523700	17.46
501 – 1000	84	2.11	65800	2.19
1001-2000	39	0.98	59600	1.99
2001-3000	29	0.73	73200	2.44
3001-4000	2	0.05	7500	0.25
4001-5000	4	0.10	19300	0.64
5001-10000	7	0.18	64200	2.14
Above 10001	25	0.63	2186700	72.89
Total	3983	100	3000000	100

Shareholding pattern as on 31<sup>st</sup> March, 2014:

Particulars	Category	No. of shares held	Percentage of shareholding
A	Shareholding of Promoter and promoter group		
1.	Promoters & Persons acting in concert	1698800	56.63
	Sub- Total A	1698800	56.63
B	Public Shareholding		
1.	Institutions	100000	3.33
2.	Non- Institutions		
a)	Bodies Corporate	340000	11.33
b)	Indian public and others	728800	24.29
c)	Any others		
	i) NRI' s	NIL	NIL
	ii) Clearing Members	132400	4.41
	Sub Total B	1301200	43.37
	Grand Total (A+B)	3000000	100.00

Dematerialization of Shares and Liquidity:

The Company has obtained demat connectivity with CDSL and the ISIN is INE308N01012. All the shareholders are requested to contact Registrars and Share transfer Agents at the above mentioned address for Dematerialisation of shares.

Address for Investor correspondences:

Mr. N. Rajender Prasad  
Deccan Chambers, 5<sup>th</sup> Floor, 6-3-666/B,  
Somajigua, Hyderabad – 500 082  
Ph: 040-23311789  
Fax No: 040-23319871  
Email Id : [southernmagnesium@gmail.com](mailto:southernmagnesium@gmail.com)

CEO/MD Certification:

As required by the clause 49 (V) of the Listing Agreement, the certificate from CEO is attached elsewhere in the annual report.

Compliance Certificate:

The Practicing Company Secretary has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the Practicing Company Secretary will be sent to the stock exchange along with the Annual Report of the Company.

## DECLARATION BY THE MANAGING DIRECTOR & CEO

Dear Share Holders,

I N. Ravi Prasad, Managing Director of M/s. Southern Magnesium and Chemicals Limited, Certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) These statements present a true and fair view of the state of affairs of the Company and of the results of the operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of Company's code of conduct.
3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.
4. We indicate to the Auditors and to the Audit Committee:
  - (a) Significant changes in internal controls over financial reporting during the year;
  - (b) Significant changes in the accounting policies during the year;

- (c) No instances of significant fraud of which we have become aware of and which involve the management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes and instances.

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

Place: Hyderabad  
Date: 13.08.2014

(N.Ravi Prasad)  
Managing Director

## CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
Southern Magnesium and Chemicals Limited

We have reviewed the compliance of conditions of Corporate Governance by M/s. Southern Magnesium and Chemicals Limited, for the year ended on March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

No investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad  
Date: 13.08.2014

Signature:

Name of Company Secretary:  
P.A.P.MURTHY  
FCS: 926; C. P. No: 6633

## INDEPENDENT AUDITORS' REPORT

To the Members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD (A.P) ("The Company") which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and Cash flow Statement for the year then ended, and Summary of Significant Accounting Policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of these Financial Statements that give a true and fair view of the Financial position, Financial performance and Cash flows of the Company in accordance with the Accounting Standards referred in the sub-section(3C) of section 211 of the Companies Act 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our Audit. We conducted our Audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain the reasonable assurance about whether the financial statements are free from material misstatement.

An Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements

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

Basis for Qualified Opinion

The Company has not adopted and complied with the requirements of AS-15 'Employee Benefits' in respect of the Gratuity liability, which constitutes a departure from the Accounting standards referred to in section 211(3C) of the Act. In view of this the liability of the company in this regard could not be ascertained. Consequently, we are unable to comment about the impact of this on the profit for the year, income tax and shareholder's funds.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on the date; and
- (c) In the case of the Cash flow statement, of the cash flows for the year ended on that date.

### Emphasis of matter

We draw attention to Note 20.1 in the financial statements which states that the Company's current liabilities exceeded its current assets by Rs. 2.065 crores. Further, as indicated by the Company's Balance Sheet as at March 31, 2014, the net worth of the Company has eroded completely. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### Report on other Legal and Regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - (d) except for the matter described under the basis for qualified opinion paragraph, in our opinion, the Balance sheet, Statement of Profit and Loss, and Cash flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
  - (e) on the basis of Written representations received from the Directors as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - (f) Since the Central Government has not issued any notification as to the rate at which cess is to be paid under section 441A of the Companies Act 1956 nor has it issued any rules under the said section prescribing the manner in which such cess is to be paid, no cess is due and payable by the company.

For K.S.RAO & CO.,  
Chartered Accountants  
Firms' Regn.No.003109S

(P.GOVARDHANA REDDY)  
Partner  
Membership No.029193

Place: Hyderabad  
Date: 26.05.2014

## ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

Statement on the Companies (Auditor' s Report) Order 2003

Re: SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

- i)
  - (a) The Company maintains proper records showing full particulars, including quantitative details and situation of fixed assets;
  - (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
  - (c) The company had not disposed off any fixed assets during the year.
- ii)
  - (a) Management had physically verified the inventory at reasonable intervals.
  - (b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) The Company maintains proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) Sub-paras (a) to (d) of paragraph (iii) with regard to Principal Recoveries and overdue amounts, are not applicable since the Company has not granted any loans.
  - (e) The Company has taken unsecured loans in earlier years from two Companies and from other three parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding at the beginning of the year was Rs. 240.50 lakhs and the yearend balance was Rs.172.00 lakhs and
  - (f) In our opinion the terms and conditions on which the unsecured loans were availed by the Company are not prima facie prejudicial to the interest of the company.
  - (g) The company has repaid principal amount of Rs.68.50 lakhs during the year and the loans are interest free.
- iv) In our opinion there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and there were no weaknesses in internal control system.
- v)
  - (a) There were no transactions that need to be entered into a register required to be maintained under section 301 of the Act during the year except acceptance of unsecured loans from directors and inter-corporate deposits.
  - (b) In view of the above comment, clause v (b) of Para 4 of the said Order is not applicable.
- vi) The Company has not accepted deposits from the public, so the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company during the year under report.
- vii) The Company has no internal audit system. However, there are adequate internal control procedures commensurate with its size and nature of its business.
- viii) It is informed that Cost Accounts and records have been made and maintained and the same were not reviewed by us.
- ix)
  - (a) The Company is not regular in depositing undisputed statutory dues in respect of Provident Fund and Sales Tax.

An undisputed amount of Rs.93,080/- in respect of interest on Sales Tax was in arrears as at 31.03.2014 for a period of more than six months from the date it became payable.

The Company deposits regularly Excise Duty, Service Tax and Income Tax. During the year under report there were no amounts depositable in respect of Investor Protection Fund, Employee's State Insurance, Wealth Tax, Customs Duty.

- (b) There are no dues of sales tax, income tax, custom tax, wealth tax, cess which have not been deposited on account of any dispute.
- x) Company's accumulated losses at the end of the financial year were more than 50% of its net worth and it had not incurred cash loss in the period under report and also in the immediately preceding financial year.
- xi) Company has not borrowed money from a financial institution or from a bank. Hence, clause (xi) of the above said Order is not applicable with regard to defaults in repayments of dues.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) This clause is not applicable to the Company since this Company is neither a Chit Fund nor Nidhi/ mutual benefit fund Society.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv) As per the information given by the Company it has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) During the year under report the Company has not availed term loans. Hence clause (xvi) of the above said Order is not applicable.
- xvii) In our opinion the funds raised on short-term basis were not used for long term investment.
- xviii) During the period under report the company had not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix) This clause is not applicable since the Company has not issued any Debentures.
- xx) During the period under report the management has not raised any money through public issue.
- xxi) During the year under report no fraud on or by the company has been either noticed or reported.

For K.S.RAO & CO.,  
Chartered Accountants  
Firms' Regn.No.003109S

(P.GOVARDHANA REDDY)  
Partner  
Membership No.029193

Place: Hyderabad  
Date: 26.05.2014



**BALANCE SHEET AS AT 31ST MARCH, 2014**

(All amounts are in rupees)

Particulars	Note No.	As at 31 March 2014	As at 31 March 2013
<b>I Equity and Liabilities</b>			
(1) Shareholders' funds			
(a) Share capital	2	40,000,000	40,000,000
(b) Reserves and surplus	3	(56,871,530)	(59,240,226)
		(16,871,530)	(19,240,226)
(2) Current liabilities			
(a) Short-term borrowings	4	19,611,837	26,088,142
(b) Trade payables		214,312	407,133
(c) Other current liabilities	5	11,634,641	8,931,927
(d) Short-term provisions	6	170,560	152,685
		31,631,350	35,579,887
<b>Total</b>		<b>14,759,820</b>	<b>16,339,661</b>
<b>II Assets</b>			
(1) Non-current assets			
Fixed assets	7		
(i) Tangible assets		3,780,221	3,950,902
(ii) Intangible assets		-	-
		3,780,221	3,950,902
(2) Current assets			
(a) Inventories	8	5,297,846	4,535,959
(b) Trade receivables	9	4,702,792	6,546,754
(c) Cash and cash equivalents	10	681,588	260,768
(d) Short-term loans and advances	11	294,960	1,038,830
(e) Other current assets	12	2,413	6,448
		10,979,599	12,388,759
<b>Total</b>		<b>14,759,820</b>	<b>16,339,661</b>
Significant Accounting Policies	1		
Explanatory Notes & Other Disclosures	20-25		

As per our report of even date

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

For and on behalf of the Board

P.GOVERDHANA REDDY  
Partner  
Membership No. 029193

N.Ravi Prasad  
Managing Director

N.Rajender Prasad  
Joint Managing Director

Place : Hyderabad  
Date : 26.05.2014

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

(All amounts are in Rupees)

Particulars	Note No.	Current Year	Previous Year
I Revenue from operations	13	17,568,247	20,879,639
II Other income	14	23,260	17,061
III Total Revenue (I + II)		<u>17,591,507</u>	<u>20,896,700</u>
IV Expenses			
Cost of raw materials consumed	15	9,459,512	11,888,951
Changes in inventories of finished goods and work-in-progress	16	(761,886)	(2,228,461)
Employee benefits expense	17	2,791,403	2,558,472
Finance costs	18	499,457	233,713
Depreciation and amortization expense	8	199,756	247,215
Other expenses	19	3,034,570	2,082,849
Total expenses		<u>15,222,811</u>	<u>14,782,739</u>
V Profit before exceptional and extraordinary items and tax (III-IV)		2,368,696	6,113,961
VI Exceptional items:			
Revocation Charges paid to Bombay Stock Exchange		-	(592,700)
VII Profit/ (Loss) before extraordinary items and tax (V-VI)		<u>2,368,696</u>	<u>5,521,261</u>
Extraordinary Items		-	-
VIII Profit/ (Loss) before tax (VII-VIII)		<u>2,368,696</u>	<u>5,521,261</u>
IX Tax expense:			
(1) Current tax	-	-	-
(2) Deferred tax	23 (d)	-	-
X Profit / (Loss) for the period (VIII-IX)		<u>2,368,696</u>	<u>5,521,261</u>
XI Earnings per equity share (Face value of Rs.10/- Each)	23 (c)		
(1) Basic		0.62	1.67
(2) Diluted		0.62	1.67
Significant Accounting Policies	1		
Explanatory Notes & Other Disclosures	20-25		

As per our report of even date

For K.S.RAO &amp; CO.

Chartered Accountants

Firm Registration No.003109S

For and on behalf of the Board

P.GOVERDHANA REDDY

Partner

Membership No. 029193

N.Ravi Prasad  
Managing DirectorN.Rajender Prasad  
Joint Managing Director

Place : Hyderabad

Date : 26.05.2014

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(All amounts are in Rupees)

Sl. No.	Particulars	As at 31 March 2014	As at 31 March 2013
<b>I</b>	<b>Cash Flow from Operating Activities</b>		
	Profit for the year before tax	2,368,696	5,521,261
	<b>Adjustments for:</b>		
	Depreciation	199,756	247,215
	Interest expenses for the year	480,000	233,713
	Interest Income	(23,260)	(16,557)
	<b>Operating Profit before Working Capital changes</b>	<b>3,025,191</b>	<b>5,985,631</b>
	<b>Adjustments for :</b>		
	Increase / (Decrease) in Trade Payables	(192,821)	218,907
	Increase / (Decrease) in Other Current Liabilities	2,702,714	58,126
	Increase / (Decrease) in Short-term Provisions	17,875	(2,350)
	(Increase) / Decrease in Inventories	(761,886)	(1,490,323)
	(Increase) / Decrease in Trade Receivables	1,843,963	(818,946)
	(Increase) / Decrease in Short-term Loans & Advances	743,870	(16,600)
	(Increase) / Decrease in Other Current Assets	4,035	(3,300)
	<b>Cash generated from operations</b>	<b>7,382,941</b>	<b>3,931,145</b>
	Less : Taxes Paid	-	-
	<b>Net cash flow from Operating Activities (A)</b>	<b>7,382,941</b>	<b>3,931,145</b>
<b>II</b>	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed Assets	(29,075)	(31,800)
	Interest received during the year	23,260	16,557
	<b>Net cash used in Investing Activities (B)</b>	<b>(5,815)</b>	<b>(15,243)</b>
<b>III</b>	<b>Cash Flow from Financing Activities</b>		
	Repayment of Short-term borrowings	(6,850,000)	(3,535,362)
	Interest paid	(106,305)	(233,713)
	<b>Net cash used in Financing Activities (C)</b>	<b>(6,956,305)</b>	<b>(3,769,075)</b>
<b>IV</b>	<b>Net Increase/ (Decrease) in Cash and Cash equivalents (A+B+C) (D)</b>	<b>420,820</b>	<b>146,827</b>
	Cash and Cash equivalents as at 31.03.2013 - Opening Balance	260,768	113,941
	Cash and Cash equivalents as at 31.03.2014 - Closing Balance	<b>681,588</b>	<b>260,768</b>

As per our report of even date  
For K.S.RAO & CO.  
Chartered Accountants  
Firm Registration No.003109S

For and on behalf of the Board

P.GOVERDHANA REDDY  
Partner  
Membership No. 029193

(N.Ravi Prasad)  
Managing Director

(N.Rajender Prasad)  
Joint Managing Director

Place : Hyderabad  
Date : 26.05.2014

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## 2. Share Capital

(All Amounts in Rupees)

PARTICULARS	As At 31st March, 2014	As At 31st March, 2013
<b>Authorised:</b>		
40,00,000 - Equity Shares of Rs 10/- each.	40,000,000	40,000,000
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	10,000,000	10,000,000
<b>Issued, subscribed and paid up:</b>		
30,00,000 - Equity Shares of Rs 10/- each, fully paid up	30,000,000	30,000,000
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	10,000,000	10,000,000
	<u>40,000,000</u>	<u>40,000,000</u>

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

Particulars	Equity Shares		Preference Shares	
	Number of Share held	Amount	Number of shares held	Amount
Number of shares at the beginning of the year	3,000,000	30,000,000	1,000,000	10,000,000
Add: Shares Issued during the year	-	-	-	-
	3,000,000	30,000,000	1,000,000	10,000,000
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	3,000,000	30,000,000	1,000,000	10,000,000

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

- (i). **Equity Shares:** The company has one class of equity shares having a par value of Rs.10/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.
- (ii). **Preference Shares:** 5% Cumulative Redeemable Preference shares were issued by the Company with the following periods of redemption:

Date of issue	No. of preference shares	Face value	Amount in Rs.	Time Limit for redemption*
29.03.1999	300,000	10/-	3,000,000	Redeemable at par after 3 years and before 7 years
29.03.1999	300,000	10/-	3,000,000	Redeemable at par after 3 years and before 5 years
28.09.1999	100,000	10/-	1,000,000	Redeemable at par after 3 years before 10 years.
17.04.2000	200,000	10/-	2,000,000	Redeemable at par after 3 years and before 7 years
24.07.2000	100,000	10/-	1,000,000	Redeemable at par after 3 years and before 10 years.

\* Period of redemption is extended up to March 2015 vide a resolution passed on 27.09.2005 through postal ballot.

The above shares are redeemable at par.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

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

Name of the Share Holder	As at 31st March 2014		As at 31st March 2013	
	Number of shares held	% out of total number of shares of the company	Number of shares held	% out of total number of shares of the company
Mr. N. Ravi Prasad	388,148	12.94%	299,850	10.00%
M/s. Andhra Pradesh Industrial Development Corporation	337,500	11.25%	337,500	11.25%
Dr. N.B. Prasad	-	-	225,000	7.50%
M/s. Pumps India Private Limited	-	-	218,990	7.30%
Mr. N. Ranga Prasad	259,298	8.64%	171,000	5.70%
Mr. N. Rajendra Prasad	248,498	8.28%	160,200	5.34%
Smt. N. Anantha Lakshmi	233,998	7.80%	-	-
Mr. N Ram Prasad	180,298	6.01%	-	-
<b>Total</b>	<b>1,647,740</b>		<b>1,412,540</b>	

## 3. Reserves and Surplus

(All amounts are in Rupees)

Particulars	As at 31 March 2014		As at 31 March 2013	
(i) Capital Reserve - Subsidy received		1,000,000	-	1,000,000
(ii) Balance in Statement of Profit and Loss				
Opening Balance	(60,240,226)		(65,761,487)	
Add: Profit for the year	2,368,696		5,521,261	
Balance as at the end of the year		(57,871,530)		(60,240,226)
<b>Total</b>		<b>(56,871,530)</b>		<b>(59,240,226)</b>

## 4. Short-term borrowings (Unsecured)

(All amounts are in Rupees)

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Loans from Related Parties (Interest free, Repayable on Demand)		
: Directors	950,000	7,800,000
: Others	12,500,000	12,500,000
: Inter Corporate Deposits	3,750,000	3,750,000
(ii) Loan from Shriram City Union Finance Limited	2,411,837	2,038,142
<b>Total</b>	<b>19,611,837</b>	<b>26,088,142</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## 5. Other current liabilities

(All amounts are in Rupees)

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Dues to Related Parties		
: Directors	<b>973,514</b>	1,084,588
: Others	<b>661,762</b>	3,561,762
(ii) Advances received against sale of land	<b>7,699,862</b>	1,699,862
(iii) Creditors for expenses	<b>1,183,756</b>	1,744,033
(iv) Statutory Liabilities	<b>1,115,747</b>	841,682
<b>Total</b>	<b>11,634,641</b>	<b>8,931,927</b>

## 6. Short-term provisions

Particulars	As at 31 March 2014	As at 31 March 2013
(i) <b>Provision for employee retirement benefits</b>		
Gratuity	<b>100,000</b>	100,000
(ii) <b>Other provisions</b>		
Bonus payable	<b>70,560</b>	52,685
<b>Total</b>	<b>170,560</b>	<b>152,685</b>

## 7. Fixed Assets

(All amounts are in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 31.03.2013	Additions during the year	As at 31.03.14	Upto 31.03.13	For the Year	Upto 31.03.14	As at 31.03.14	As at 31.03.13
<b>(A) Tangible Assets</b>								
(i) Land:								
(a) Factory	235,862		235,862	-	-	-	235,862	235,862
(b) Mines	105,000		105,000	-	-	-	105,000	105,000
(c) Mines - Lease Hold	197,651		197,651				197,651	197,651
(ii) Buildings:								
(a) Factory	4,135,121		4,135,121	2,655,870	138,113	2,793,983	1,341,138	1,479,251
(b) Non-Factory	2,497,589		2,497,589	824,005	40,711	864,716	1,632,873	1,673,584
(iii) Plant and Machinery	1,404,803	7,400	1,412,203	1,334,563	260	1,334,823	77,380	70,240
(iv) Electrical Installations	82,966		82,966	78,766	-	78,766	4,200	4,200
(v) Weighing Machines	410,491		410,491	390,216		390,216	20,275	20,275
(vi) Fire Fighting Equipment	29,810		29,810	28,439		28,439	1,371	1,371
(vii) Data Processing Equipment	112,840		112,840	101,742	5,456	107,198	5,642	11,098
(viii) Lab Equipment	814,615		814,615	773,884		773,884	40,731	40,731
(ix) Furniture and Fixtures	258,584		258,584	258,517		258,517	67	67
(x) Vehicles	632,318		632,318	600,702		600,702	31,616	31,616
(xi) Office equipment	313,121	21,675	334,796	233,165	15,216	248,381	86,415	79,956
<b>Total</b>	<b>11,230,771</b>	<b>29,075</b>	<b>11,259,846</b>	<b>7,279,869</b>	<b>199,756</b>	<b>7,479,625</b>	<b>3,780,221</b>	<b>3,950,902</b>
<b>Previous Year</b>	<b>11,198,971</b>	<b>31,800</b>	<b>11,230,771</b>	<b>7,032,654</b>	<b>247,215</b>	<b>7,279,869</b>	<b>3,950,902</b>	<b>4,166,317</b>
Particulars	GROSS BLOCK			AMORTISATION			NET BLOCK	
	As at 31.03.2013	Additions during the year	As at 31.03.14	Upto 31.03.13	For the Year	Upto 31.03.14	As at 31.03.14	As at 31.03.13
<b>(b) Intangible Assets</b>								
Process Knowhow	500,000	-	500,000	500,000	-	500,000	-	-
<b>Total</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>
<b>Previous Year</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## 8. Inventory

(All amounts are in Rupees)

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Finished goods	<b>5,297,846</b>	4,535,959
Total	<b>5,297,846</b>	4,535,959

Finished Goods have been valued at the lower of cost and net realisable value.  
The inventories have been valued and certified by the Managing Director.

## 9. Trade Receivables (Unsecured)

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Debts outstanding for a period exceeding six months		
Considered good	30,771	498,557
Considered doubtful	701,830	701,830
	<u>732,601</u>	<u>1,200,387</u>
(ii) Other debts Considered good	4,670,191	5,346,368
Sub Total	5,402,792	6,546,755
Less : Provision for Bad & Doubtful Debts	700,000	-
Total	<u>4,702,792</u>	<u>6,546,755</u>

## 10. Cash and Cash equivalents

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Balances with banks		
In Current Accounts	76,792	66,529
In Fixed Deposits maturity within 12 months (Margin Money)	561,000	145,570
Fixed Deposit receipts are held by a bank as 100% margin with a lien marked in favour for the Bank Guarantees issued by them		
(ii) Cash on hand	43,796	48,669
Total	<u>681,588</u>	<u>260,768</u>

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

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Advance for purchase and expenses	-	743,049
(ii) Tax deducted at source	93,701	91,708
(iii) MAT credit Entitlement	15,864	15,864
(iii) Deposits recoverable	120,596	153,817
(iv) Balance with Central Excise	64,799	34,392
Total	<u>294,960</u>	<u>1,038,830</u>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## 12. Other Current Assets

(All amounts are in Rupees)

Particulars	As at 31 March 2014	As at 31 March 2013
(i) Interest Accrued - Fixed Deposits	2,413	1,908
(ii) Interest Accrued - APSEB	-	4,540
Total	<u>2,413</u>	<u>6,448</u>

## 13. Revenue from operations

Particulars	Current Year	Previous Year
Sale of products (Net of duties & taxes)	19,722,159	21,784,659
Income from Job work	-	1,517,406
	<u>19,722,159</u>	<u>23,302,065</u>
Less: Excise duty	2,153,912	2,422,426
Total	<u>17,568,247</u>	<u>20,879,639</u>

## 14. Other Income

Particulars	Current Year	Previous Year
Interest Income (TDS: Rs. 1,993)	23,260	16,557
Interest Income pertaining to Previous year	-	504
Total	<u>23,260</u>	<u>17,061</u>

## 15. Raw materials consumed

Particulars	Current Year	Previous Year
Opening Stock of Raw Materials	-	738,138
Add: Purchases during the year	<u>9,459,512</u>	<u>11,150,813</u>
	9,459,512	11,888,951
Less : Closing Stock	-	-
Total	<u>9,459,512</u>	<u>11,888,951</u>

Particulars	Current Year	Previous Year
Details of raw materials consumed		
Magnesium Metal	3,432,573	2,729,445
Magnesium Powder	<u>6,026,939</u>	<u>9,159,506</u>
	<u>9,459,512</u>	<u>11,888,951</u>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

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

Particulars	Current Year	Previous Year
Opening Stock:		
Finished Goods	4,535,959	2,307,498
Work-in-progress	-	-
	<u>4,535,959</u>	<u>2,307,498</u>
Closing Stock:		
Finished Goods	5,297,846	4,535,959
Work-in-progress	-	-
	<u>5,297,846</u>	<u>4,535,959</u>
(Increase)/ Decrease in inventories	(761,887)	(2,228,461)

## 17. Employee Benefits Expense

Particulars	Current Year	Previous Year
Salaries and Wages	2,579,038	2,384,607
Staff welfare expenses	90,863	54,332
Contribution to provident and other funds	121,502	119,533
Total	<u>2,791,403</u>	<u>2,558,472</u>

## 18. Finance Costs

Particulars	Current Year	Previous Year
Interest expense	499,457	212,713
Other Borrowing Costs	-	21,000
Total	<u>499,457</u>	<u>233,713</u>

## 19. Other Expenses

Particulars	Current Year	Previous Year
Consumption of general stores	116,102	131,564
Power	355,983	212,164
Repairs to : Plant and machinery	71,745	147,449
: Other assets	11,464	3,944
Insurance	-	12,925
Rates and taxes (excluding taxes on income)	194,395	15,373
Payments to Auditor as : Auditor	28,090	28,091
: Tax Audit	8,427	-
: Tax Audit earlier years	47,753	-
: for certification	12,359	10,111
Carriage and freight	319,253	519,330
Postage, telegrams and telephones	194,665	157,523
Travelling and conveyance	146,461	101,530
Vehicle maintenance	89,064	54,825
General charges	557,810	354,206
Professional charges	78,781	78,776
Debit Balance Written off	11,430	-
Liquidator damage charges	6,978	9,899
Excise duty (See Note - 21)	83,810	245,139
Provision for Bad & Doubtful debts	700,000	-
Total	<u>3,034,570</u>	<u>2,082,849</u>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## 1. Significant Accounting Policies

- a) The Financial statements are prepared on historical cost basis.
- b) Fixed Assets:  
Tangible fixed assets are stated at cost net of depreciation provided.
- c) Depreciation  
Depreciation on the fixed assets is provided on Straight line Method Basis in accordance with Schedule XIV to the Companies Act, 1956.
- d) Inventory:
- Raw materials are valued at lower of cost and realizable value.
  - Finished goods and Work in progress are valued at lower of cost and net realisable value. Excise duty against finished goods lying in bonded godown at the end of the year is considered by making appropriate adjustments in the statement of profit and loss.
  - Cost Formula used is 'weighted average cost'.
- e) Provident Fund  
Provident Fund contributions are remitted to Provident Fund Commissioner and the same are charged to revenue.
- f) Contingent Liabilities  
All Contingent Liabilities are indicated by way of a note and would be paid/ provided upon crystallization.

## 20. Explanatory Notes &amp; Other Disclosures

20.1 Financial Statements of the Company have been prepared on "Going Concern basis" despite complete erosion of net worth and the current liabilities exceeding the current assets by Rs. 2.065 Crores.

## 20.2 Contingent Liabilities

- (i) Arrears of Fixed cumulative dividends on preference shares. (Rs. in Lakhs)

Particulars	Current Year	Previous Year
Arrears of cumulative Dividend on 5 % preference shares	72.25	67.25

- (ii) Interest on Late Filing of TDS Returns of Rs. 65,440/- not acknowledged as debt by the Company.

21. Excise Duty expenditure of Rs. 83,810/- represents the differential excise duty in respect of finished goods as on 01.04.2013 and as on 31.03.2014.

## 22. Additional Information

- a. Value of imports calculated on C.I.F basis during the financial year in respect of:

Particulars	Current Year	Previous Year
Raw materials	55,75,235	78,29,721
Total	55,75,235	78,29,721

- b. Earnings in foreign exchange:

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

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

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

Particulars	Current Year		Previous Year	
	Amount in Rs.	%	Amount in Rs.	%
Indigenous	34,32,573	36.29	33,13,743	27.89
Imported	60,26,939	63.71	85,67,859	72.11
Total	94,59,512	100.00	1,18,81,602	100.00

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

a. Segment Reporting

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

b. Related Party Disclosures

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

S. No	Related Parties	Nature of Relationship
1	Mr. N. Ravi Prasad, Managing Director	Key Management Personnel
2	Mr. N. Rajender Prasad, Joint Managing Director	
3	Smt. N. Anantha Lakshmi	Relatives of Key Management Personnel
4	Mr. N. Ram Prasad	
5	Southern Electrodes Ltd	Associate Companies
6	Pumps India Pvt. Ltd	

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

S.no	Nature of transaction	Current Year	Previous Year
1	Remuneration	13,44,000	13,44,000
2	Medical Reimbursement	55,477	18,286
3	Club Subscriptions	20,719	15,983
4	Un secured Loans:		
	Outstanding at the beginning of the year	78,00,000	98,00,000
	Received during the year	-	-
	Repaid during the year	(68,50,000)	(20,00,000)
	Outstanding at the close of the year	9,50,000	78,00,000
5	Current Liabilities:		
	Outstanding at the beginning of the year	10,79,907	6,70,164
	Received during the year	27,88,061	59,11,472
	Repaid during the year	(32,25,725)	(55,01,729)
	Outstanding at the end of the year	6,42,243	10,79,907

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

## 2. Transactions with Relatives of Key Management personnel (Amount in Rs.)

S.no	Nature of transaction	Current Year	Previous Year
1	Un secured Loans:		
	Outstanding at the beginning of the year	1,25,00,000	1,25,00,000
	Received during the year	-	-
	Repaid during the year	-	-
	Outstanding at the end of the year	1,25,00,000	1,25,00,000
2	Current Liabilities:		
	Outstanding at the beginning of the year	35,61,762	40,61,762
	Received during the year	-	-
	Repaid during the year	(29,00,000)	(5,00,000)
	Outstanding at the end of the year	6,61,762	35,61,762

## 3. Transactions with Associate Companies (Amount in Rs.)

S.no	Nature of transaction	Current Year	Previous Year
1	Inter Corporate Deposits received:		
	Outstanding at the beginning of the year	37,50,000	37,50,000
	Received during the year	-	-
	Repaid during the year	-	-
	Outstanding at the end of the year	37,50,000	37,50,000
2	Current Liabilities:		
	Outstanding at the beginning of the year	10,08,720	13,02,618
	Received during the year	-	1,50,000
	Repaid during the year	(4,67,000)	(4,43,898)
	Outstanding at the end of the year	5,41,720	10,08,720

## c. Earnings per share (Amount in Rs.)

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

Particulars	Current Year	Previous Year
Profit as per Profit & Loss Account	23,68,696	55,21,261
Less: Preference Dividend @5% of Rs.1,00,00,000	(5,00,000)	(5,00,000)
Earnings available to Equity Shareholders	18,68,696	50,16,217
Number of equity Shares outstanding	30,00,000	30,00,000
Basic and Diluted earnings per share in Rupees ( Face value of Rs.10/- each)	0.62	1.67

## d. Accounting for Taxes on income

## i) Current Tax

Provision for current tax is not required in view of the brought forward unabsorbed depreciation and business loss, both under book profits tax and normal provisions of the income tax act.

## ii) Deferred Tax

In view of the absence of reasonable certainty that sufficient future taxable income will be available against which deferred tax asset can be realized, the Company has considered it

prudent not to provide for deferred tax asset of Rs. 75,24,845 (Previous Year Rs. 82,72,453), in accordance with Accounting Standard – 22, Accounting for taxes on income, resulted on account of brought forward losses and unabsorbed depreciation.

(Amount in Rs.)

S.no	Items of Deferred Tax Assets	Current Year	Previous Year
1	Unabsorbed Depreciation	2,69,47,184	2,97,32,903
2	Unabsorbed Loss	Nil	Nil
3	Disallowances under 43 B	2,91,940	98,295
4	Disallowances under 40(a) (ia)	2,500	1,250
	Total (A)	2,72,41,624	2,98,32,448

S.no	Items of Deferred Tax Liabilities	Current Year	Previous Year
1	Depreciation	28,89,376	30,60,754
	Total (B)	28,89,376	30,60,754

Particulars	Current Year	Previous Year
Net Deferred Tax Asset (A-B)	2,43,52,248	2,67,71,694
Tax thereon @ 30.9 %	75,24,845	82,72,453

Note – 24

Dues to Micro, Small and Medium Enterprises

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

Note – 25

Previous Year' s figures

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

As per our report of even date

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

For and on behalf of the Board

P.GOVERDHANA REDDY  
Partner  
Membership No. 029193

N.Ravi Prasad  
Managing Director

N.Rajender Prasad  
Joint Managing Director

Place : Hyderabad  
Date : 26.05.2014



## SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

Deccan Chambers, 5th Floor, 6-3-666/B,  
Somajiguda, Hyderabad - 500 082.  
(L27109TG1985PLC005303)

Member' s Folio Number \_\_\_\_\_

No. of Shares held \_\_\_\_\_

### ATTENDANCE SLIP

(To be handed over at the Entrance of the Meeting Hall)

I hereby record my presence at the 28th Annual General Meeting of the Company being held on 30.09.2014 at Hotel I.K. London Residency, 6-3-656, Kapadia Lane, Somajiguda; Hyderabad – 500 082 at 11.30 a.m.

Name of the Attending Member ( in Block Letters): \_\_\_\_\_

Name of the Proxy: \_\_\_\_\_  
(to be filled in if the proxy attends instead of the member)

Signature of the Member/Proxy: \_\_\_\_\_

\* To be signed at the time of handing over this slip

Note: Shareholders/Proxy holders are requested to bring the attendance slip with them duly filled in when they come to the meeting and hand it over at the gate after affixing the signature on it.

**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 - 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:
--	--	--

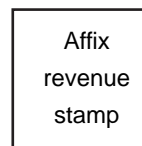
as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual general meeting of the company, to be held on the 30.09.2014 day At 11.30 A.M. at Hotel I.K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolu- tion No.	Resolution	Vote optional (Please mention no. of Shares)		
		For	Against	Abstain
<b>Ordinary Business</b>				
1	To receive, consider and adopt the financial Statements containing audited Balance Sheet as at 31 <sup>st</sup> March 2014 and the Profit and Loss Account for the year ended on that date, Cash Flow Statements, Notes and Schedules to Accounts and the Reports of the Directors and the Auditors thereon			
2	Appointment of Auditors and fixing their remuneration			
<b>Special Business</b>				
3	Appointment of Surya Sessa Prakash Valluri as Independent Director			
4	Appointment of Eshwariah Kaparathi as Independent Director			
5	Appointment of G. Raghavendra Rao as Director			
6	Appointment of Ravi Prasad Nuthakki as Managing Director & Chief Executive Officer and to enhance his Remuneration			
7	To re-designate Mr. N. Rajender Prasad as Joint Managing Director & Chief Financial Officer and to enhance his Remuneration			
8	To Ratify Remuneration of Cost Auditors			

Signed this..... day of..... 2014

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.



BOOK-POST  
Printed Matter



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



# SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

Deccan Chambers, 5th Floor, 6-3-666/B, Somajiguda, Hyderabad-500 082.  
Phones : 23311789, 23312341, Fax : 040 - 23319871 E-mail : southernmagnesium@gmail.com

## FORM B

### Format of covering letter of the annual audit report to be filed with the Stock Exchange

1. Name of the Company	Southern Magnesium and Chemicals Limited
2. Annual Financial Statements for the Year ended	31 March 2014
3. Type of Audit qualification	Qualified
4. Frequency of qualification	Appeared first time 2007-08 repetitive since 6 years
Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p><b>Basis for Qualified Opinion</b> The Company has not adopted and complied with the requirements of AS-15 'Employees Benefits' in respect of the Gratuity liability, which constitutes a departure from the Accounting standards referred to in section 211 (3C) of the Act. In view of this the liability of the company in this regard could not be ascertained. Consequently, we are unable to comment about the impact of this on the profit for the year, income tax and shareholder's funds.</p> <p><b>Emphasis of matter</b> We draw attention to Note 20.1 in the financial statements which states that the Company's Current liabilities exceeded its current assets by Rs.2.065 crores. Further, as indicated by the Company's Balance Sheet as at March, 31, 2014, the net worth of the Company has eroded completely. These conditions, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.</p> <p><b>Managements Response</b> 1) Basis for qualified opinion: In view of the losses of the Company, the Board has taken decision to provide for gratuity when it materializes. 2) Emphasis of matter: Although this net worth of the Company has been eroded, the Company is presently making profits and hopes to come to positive net worth in the coming years.</p>
Additional comments from the Board/Audit Committee Chair:	Nil

Signed by

For Southern Magnesium and Chemicals Ltd

N. Ravi Prasad  
Managing Director and CEO

For K S Rao & Co  
Chartered Accountants  
Firms' Regn. No.003109S

P. Govardhan Reddy  
Partner  
M.No. 029193

Place : Hyderabad  
Date: 18.10.2014

For Southern Magnesium and Chemicals Ltd

G. Raghavendra Rao  
G.Raghavendra Rao  
Audit Committee Chairman

