

**SOUTHERN MAGNESIUM AND
CHEMICALS LIMITED**
(CIN NO.L27109TG1985PLC005303)



36th ANNUAL REPORT
2021 - 2022

CORPORATE INFORMATION**BOARD OF DIRECTORS & KMP:**

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

COMPANY SECRETARY : Mrs. Sneha Sridayal Soni

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

AUDITORS: Brahmayya & Co.
Chartered Accountants, Hyderabad

INTERNAL AUDITORS: K.S. Rao & Co.
Chartered Accountants, Hyderabad

SECRETARIAL AUDITORS: Mr. P.A.P Murthy,
Practicing Company Secretary, Hyderabad.

BANKERS: Union Bank of India, Somajiguda, Hyderabad

WORKS: Gowripatnam, West Godavari District

LISTED AT: BSE Limited

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

CONTENTS

1.	Notice of Annual General Meeting	1
2.	Directors' Report	17
3.	Management's Discussion and Analysis	29
4.	Auditor's Report	31
5.	Annexure to Auditor's Report	35
6.	Balance Sheet	39
7.	Profit and Loss Account	40
8.	Cash Flow Statement	42
9.	Notes to Accounts	43

NOTICE

NOTICE IS HEREBY GIVEN THAT THE 36th ANNUAL GENERAL MEETING OF THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED WILL BE HELD ON FRIDAY, 30th SEPTEMBER, 2022 AT 11:30 A.M. THROUGH VIDEO CONFERENCING (“VC”) / OTHER AUDIO VISUAL MEANS (“OAVM”) TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company including Balance Sheet as at March 31, 2022, statement of Profit & Loss for the year 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 re-appoint M/s Brahmayya & Co., Chartered Accountants (Firm Reg. No. 000513S) as Statutory auditors of the Company and to fix their remuneration.

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

“**RESOLVED THAT** pursuant to Sections 139, 142 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and pursuant to the recommendations of the Audit Committee and the Board of Directors of the Company, M/s Brahmayya & Co., Chartered Accountants (Firm Reg. No. 000513S) be and are hereby re-appointed as the Statutory Auditors of the Company for a further term of five consecutive years, from the conclusion of the 36th Annual General Meeting until the conclusion of the 41st Annual General Meeting to be held in the year 2027 on such remuneration in addition to the reimbursement of the actual out of pocket expenses incurred for the audit of the company and GST as applicable, as may be decided by the Board of Directors in consultation with the Statutory Auditors of the Company.”

SPECIAL BUSINESS:

3. To reappoint Mr. Nuthakki Ravi Prasad (DIN: 00319537) as Managing Director and Chief Executive Officer (CEO) of the Company.

To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution:**

“**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and pursuant to the recommendations received from Nomination and Remuneration Committee, consent of the members be and is hereby accorded to re-appoint Mr. Nuthakki Ravi Prasad (DIN:00319537) as the Managing Director and Chief Executive Officer whose tenure is due to expire on 12.11.2022 for a further period of three years i.e. from 13.11.2022 to 12.11.2025 and not liable to retire by rotation.”

“**RESOLVED FURTHER THAT** Mr. Nuthakki Ravi Prasad, shall be entitled to remuneration of Rs. 96,000 per month which may be amended from time to time, and he is eligible to following perquisites:

Perquisites:

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

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

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

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

- ii. The Company shall pay as per the Company's Policy, the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr. N. Ravi Prasad for himself and his family.
- iii. Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iv. Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v. The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- vi. Mr. Nuthakki Ravi Prasad and his family shall be covered under the Medical claim Insurance Schemes as per the rules of the Company.
- vii. Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month's leave for every twelve months of service.
- viii. Such other benefits in accordance with the schemes and rules applicable to the employees of the company from time to time.
- ix. 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.
- x. The following shall not be included for the purposes of computation for the Managing Director's remuneration or perquisites as aforesaid:
 - a) 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.
 - b) Gratuity payable to the Managing Director at the rate of half month's salary for each completed year of service.
 - c) Encashment of leave at the end of tenure.
 - d) Chauffeur driven company maintained car for use on Company's business and telephone facility at the residence of Managing Director and reimbursement of expenses including entertainment expenses will not be considered as perquisites."

Minimum Remuneration: In terms of applicable provisions of Schedule V of the Companies Act, 2013, where in any financial year during the tenure of the Managing Director, the Company does not have profits or its profits are inadequate, remuneration comprising of salary, perquisites and statutory benefits, approved herein be continued to be paid as Minimum Remuneration to the Managing Director.

The Managing Director shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committee thereof.

Aggregate Remuneration: The aggregate of remuneration, perquisites and allowances payable to the Managing Director individually or to all whole-time directors, if any, of the Company taken together during any financial year respectively shall be in accordance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**RESOLVED FURTHER THAT** the Directors of the Company be and are hereby severally authorized to do all acts, deeds, and things as may be necessary to give effect to the above resolution.”

4. To reappoint Mr. Nuthakki Rajender Prasad (DIN: 00145659) as Joint Managing Director and Chief Financial Officer (CFO) of the Company.

To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and pursuant to the recommendations received from Audit Committee and Nomination and Remuneration Committee, consent of the members be and is hereby accorded to ratify the re-appointment of Mr. Nuthakki Rajender Prasad (DIN: 00145659) as the Joint Managing Director and Chief Financial officer of the Company for a period of three years i.e. from 10.08.2022 to 09.08.2025 and not liable to retire by rotation.”

“**RESOLVED THAT** Mr. Rajender Prasad Nuthakki, shall be entitled to remuneration of Rs. 96,000 per month which may be amended from time to time, and he is eligible to following perquisites

Perquisites:

- i. Housing I: The expenditure incurred by the company on hiring unfurnished accommodation for the Joint Managing Director will be subject to a ceiling of sixty percent of the salary, over and above ten percent payable by the Joint Managing Director.
Housing II: If accommodation in the company owned house is provided, ten percent of salary of the Joint Managing Director shall be deduced 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. Nuthakki 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. Rajender Prasad Nuthakki and family shall be covered under the Medical claim Insurance Schemes as per the rules of the Company.
- vii. Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month's leave for every twelve months of service.
- viii. Such other benefits in accordance with the schemes and rules applicable to the employees of the company from time to time.
- ix. 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.

- x. The following shall not be included for the purposes of computation for the 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 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 telephone facility at the residence of Joint Managing Director and reimbursement of expenses including entertainment expenses will not be considered as perquisites.

Minimum Remuneration: In terms of applicable provisions of Schedule V of the Companies Act, 2013, where in any financial year during the tenure of the Joint Managing Director, the Company does not have profits or its profits are inadequate, remuneration comprising of salary, perquisites and statutory benefits, approved herein be continued to be paid as Minimum Remuneration to the Joint Managing Director.

The Joint Managing Director shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committee thereof.

Aggregate Remuneration: The aggregate of remuneration, perquisites and allowances payable to the Joint Managing Director individually or to all whole-time directors, if any, of the Company taken together during any financial year respectively shall be in accordance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“RESOLVED FURTHER THAT the Directors of the Company be and are hereby severally authorized to do all acts, deeds, and things as may be necessary to give effect to the above resolution.”

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

N. RAJENDER PRASAD
JT. MANAGING DIRECTOR & CFO
(DIN: 00145659)

Place : Hyderabad
Date : 03-08-2022

NOTES:

1. In view of the prevailing COVID-19 pandemic situation across the country, the Ministry of Corporate Affairs ("MCA") vide General Circular No. 14/2020 dated 08.04.2020, General Circular No. 17/2020 dated 13.04.2020, General Circular No. 22/2020 dated 15.06.2020, General Circular No. 33/2020 dated 28.09.2020, General Circular No. 39/2020 dated 31.12.2020, General Circular No. 10/2021 dated 23.06.2021, General Circular No. 20/2021 dated 08.12.2021 and General Circular No. 2/2022 dated 05.05.2022 read with Circular nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79, SEBI/HO/CFD/CMD2/CIR/P/2021/11 and SEBI/HO/CFD/CMD2/CIR/P/2022/62, dated May 12, 2020, January 15, 2021 and May 13, 2022, issued by the Securities and Exchange Board of India (hereinafter collectively referred to as "the Circulars") company is permitted to hold the Annual General Meeting ("AGM" or "Meeting") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Circulars, the AGM of the Company is being held through VC / OAVM.
2. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the Circulars on AGM through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for this AGM and hence the Proxy Form and Attendance Slip are **not annexed** to this Notice.
3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 in respect of Business is annexed hereto and forms part of the Notice.
4. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.
5. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
6. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
7. Corporate members intending to authorize their representatives to attend the Meeting are requested to send a scanned certified copy of the board resolution (pdf/jpeg format) authorizing their representative to attend and vote on their behalf at the Meeting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to shr300@gmail.com with a copy marked to helpdesk.evoting@cdslindia.com.
8. The Register of Members and Share Transfer Books of the Company will be closed from 24.09.2022 to 30.09.2022 (both days inclusive).

9. In terms of the Listing Regulations, securities of listed companies can only be transferred in dematerialized form with effect from 1 April 2019. In view of the above, Members are advised to dematerialize shares held by them in physical form. The ISIN in respect of equity shares is **INE308N01012**.
10. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electricity /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.
11. As part of its “green initiative in Corporate Governance”, MCA allows paperless compliances including service of a notice/document by companies to their Members through electronic mode. Therefore, members are requested to update their e-mail IDs with the Company who have not provided earlier in order to enable the company to follow the instructions of MCA and full fill the initiatives taken by Government of India in this regard in future correspondence to members.
12. In compliance with the aforesaid MCA Circulars and SEBI Circulars Notice of the AGM along with the Annual Report 2021-22 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice of AGM and Annual Report 2021-22 will also be available on the Company’s website www.southernmagnesium.com, website of CDSL (www.evotingindia.com) and on the website of the Stock Exchange, i.e., BSE Limited (www.bseindia.com).
13. The Statutory Registers and the documents pertaining to the items of business to be transacted at the AGM are available for inspection in electronic mode. The shareholders may write an e-mail to southernmagnesium@gmail.com and the Company shall respond suitably.
14. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before 15th September, 2022 through email to southernmagnesium@gmail.com. The same will be replied by the Company suitably.
15. The Meeting shall be deemed to be held at the registered office of the Company at 6-3-666/B Deccan Chambers, 5th Floor, Somajiguda, Hyderabad, Telangana, 500082. Since the AGM will be held through VC / OAVM, the route map to the venue is not annexed to this Notice.
16. SEBI has mandated the submission of permanent account number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form should submit their PAN to the Company or its RTA.
17. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Nomination Form No. SH-13. Members are requested to submit the said details to the Company/ RTA in case shares are held in physical form and to their depository participants in case the shares are held by them in electronic form.
18. In case of joint holders attending the Meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

A. THE INSTRUCTIONS FOR SHAREHOLDERS FOR REMOTE E-VOTING–ARE AS UNDER:

1. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Central Depository Services (India) Limited

(CDSL) on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.

- II. The remote e-voting period commences on Tuesday, September 27, 2022 (9:00 A.M IST) and ends on Thursday, September 29, 2022 (5:00 P.M IST). During this period, Members holding shares either in physical form or in dematerialized form, as on Friday, September 23, 2022 i.e. cutoff date, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.
- III. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC/OAVM but shall not be entitled to cast their vote again.
- IV. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date.
- V. Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 09.12.2020, under Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders’ resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to **all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants**. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

- VI. In terms of SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to above said SEBI Circular, Login method for e-Voting and joining virtual meetings **for Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL	1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-voting is in progress as per the information provided by company. On clicking

Type of shareholders	Login Method
	<p>the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly.</p> <p>3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration</p> <p>4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page or click on https://evoting.cdslindia.com/Evoting/EvotingLogin The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.</p>
Individual Shareholders holding securities in demat mode with NSDL	<p>1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsd.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</p> <p>2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsd.com. Select "Register Online for IDeAS "Portal or click at https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp</p> <p>3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsd.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or</p>

Type of shareholders	Login Method
	e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting
Individual Shareholders (holding securities in demat mode) login through their Depository Participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/ CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 and 22-23058542-43.
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

VII Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form

- i. The shareholders should log on to the e-voting website www.evotingindia.com.
- ii. Click on “Shareholders” tab
- iii. Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- iv. Next enter the Image Verification as displayed and Click on Login.
- v. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- vi. If you are a first time user follow the steps given below:

For physical shareholders and other individual shareholders holding shares in Demat.

PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/ RTA or contact Company/RTA • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iii).

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

B. INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER:-

- i. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
- ii. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
- iii. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the

same shareholders have not participated in the meeting through VC/ OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

- iv. Shareholders who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

C. NOTE FOR NON – INDIVIDUAL SHAREHOLDERS AND CUSTODIANS

- i. Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- ii. A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- iii. After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- iv. The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- v. A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- vi. Alternatively Non-Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer at the email address dhr300@gmail.com and to the Company at the email address viz; southernmagnesium@gmail.com. If they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

D. PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING:

- i. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to Company/RTA email id.
- ii. For Demat shareholders -, Please update your email id & mobile no. with your respective Depository Participant (DP)
- iii. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

E. INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

- i. Shareholder will be provided with a facility to attend the AGM through VC/ OAVM through the CDSL e-Voting system. Shareholders may access the same at [https:// www.evotingindia.com](https://www.evotingindia.com) under shareholders/ members login by using the remote e-voting credentials. The link for VC/ OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
- ii. Shareholders are encouraged to join the Meeting through Laptops/iPads for better experience.

- iii. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
 - iv. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
 - v. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least 5 days prior to meeting mentioning their name, demat account number/ folio number, email id, mobile number at company email id viz; southernmagnesium@gmail.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 5 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at southernmagnesium@gmail.com. These queries will be replied to by the company suitably by email.
 - vi. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
19. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or call- 022-23058738 and 022-23058542/43.
 20. All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai – 400013 or send an email to helpdesk.evoting@cdslindia.com or call 022-23058542/43.
 21. The Company has appointed Ms. Shaik Razia or failing her, Mr. Mohit Kumar Goyal, Partners of M/s D. Hanumanta Raju & Co., Company Secretaries, Hyderabad, as the Scrutinizer for the e-voting process and evoting at the AGM in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for same purpose. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 2 working days of the conclusion of the AGM, a consolidated Scrutinizer’s Report of the total votes cast in favour or against, if any, and submit the same to the Chairman or to a person authorised by him.
 22. The Results declared along with the Scrutinizer’s Report shall be placed on the Company’s website www.southernmagnesium.com and on the website of CDSL not later than 2 working days of the conclusion of the AGM of the Company and shall also be communicated to BSE Limited. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. September 30, 2022.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND SEBI (LODR) REGULATIONS, 2015.**Item No. 2:**

M/s Brahmayya & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company at the 31st Annual General Meeting ('AGM') held on 29th September 2017 for a period of 5 consecutive years, i.e up to the conclusion of 36th AGM. M/s Brahmayya & Co., are eligible for re-appointment for a further period of 5 years. M/s Brahmayya & Co., have given their consent for their re-appointment as Statutory Auditors of the Company and have issued certificate confirming that their re-appointment, if made, will be within the limits prescribed under the provisions of Section 139 of the Companies Act, 2013 ('the Act') and the rules made thereunder. M/s Brahmayya & Co., have confirmed that they are eligible for the proposed appointment under the Act, the Chartered Accountants Act, 1949 and the rules or regulations made thereunder. As confirmed to Audit Committee and stated in their report on financial statements, the Auditors have reported their independence from the Company according to the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') and the ethical requirements relevant to audit. Based on the recommendations of the Audit Committee and the Board of Directors, it is hereby proposed to re-appoint M/s Brahmayya & Co., Chartered Accountants, having registration No. 000513S, as the Statutory Auditors of the Company for the second term of five consecutive years, who shall hold office from the conclusion of the 36th AGM till the conclusion of the 41st AGM of the Company. The Board of Directors have approved a remuneration of Rs. 73,000/- for conducting the audit for the financial year 2021-22, excluding applicable taxes and reimbursement of out-of-pocket expenses on actuals. The remuneration proposed to be paid to the Statutory Auditors during their second term would be in line with the existing remuneration and shall be commensurate with the services to be rendered by them during the said tenure.

The Board of Directors in consultation with the Audit Committee may alter and vary the terms and conditions of appointment, including remuneration, in such manner and to such extent as may be mutually agreed with the Statutory Auditors.

M/s Brahmayya & Co., Chartered Accountants, is a multidisciplinary Audit Firm catering to various clients in diverse sectors and is registered with the ICAI. The firm holds the 'Peer Review' certificate as issued by ICAI.

None of the Directors are in anyway concerned or interested in the resolution set out at item No.2 of the Notice.

The Board recommends the Ordinary Resolution as set out under item No. 2 of the Notice for approval of the members.

Item No. 3:

Mr. Nuthakki Ravi Prasad has rich and varied experience in the industry and is one of the promoter Directors of the company and has been its Director since 1988. The Company has achieved remarkable growth under his leadership, management and guidance and his continued services will lead the Company to achieve new heights.

Based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 03rd August, 2022 re-appointed Mr. Nuthakki Ravi Prasad as Managing Director and Chief Executive Officer (CEO) of the Company for a period of three years w.e.f. 13th November 2022 to 12th November 2025, at such remuneration as specified in the resolution, subject to the approval of shareholders.

The details of Mr. Nuthakki Ravi Prasad as required under the provisions of Schedule V of the Companies Act, 2013, Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions are provided in Annexure to the Notice.

Except Mr. Nuthakki Ravi Prasad, the proposed appointee and Mr. Nuthakki Rajender Prasad being the brother of the proposed appointee, none of the other Directors/KMP are in any way concerned or interested in the special business set out at item No.3 of the Notice.

The Board recommends the Special Resolution as set out under item No. 3 of the Notice for approval of the members.

INFORMATION AS REQUIRED UNDER SCHEDULE V OF THE COMPANIES ACT, 2013 :

Information about the appointee:	
1. Background details	Mr. Nuthakki Ravi Prasad is 60 years of age and has a wide experience and deep knowledge of Magnesium industry. He is Director of the Company since 1988.
2. Past remuneration	The remuneration of Mr. Nuthakki Ravi Prasad, Managing Director and CEO, of the Company has been approved by the Board of Directors at their meeting held on 03.08.2022. His remuneration during the year 2021-22 was Rs. 21,30,630/- as Managing Director and CEO of the Company.
3. Recognition or awards	Nil
4. Job profile and his suitability	Mr. Nuthakki Ravi Prasad has a wide experience and deep knowledge of Metal industry. He is Director of the Company since 1988. Under the leadership of Mr. Nuthakki Ravi Prasad the Company has achieved various milestones and enhanced the stakeholders' value.
5. Remuneration proposed	As stated in the resolution.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Mr. Nuthakki Ravi Prasad has served on the Board of the Company since 1988. He has streamlined the business process / operations of the Company and has been the strategic management personnel. His skill set and his experience places him at par with similar positions on other companies of comparable sizes and nature. The proposed remuneration of Mr. Nuthakki Ravi Prasad is in line with the industry levels and is commensurate with the size of the Company and nature of its business.
7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel or other director	As stated below.

Item No. 4:

Mr. Nuthakki Rajender Prasad has rich and varied experience in the industry and is one of the promoter Directors of the company and has been its Director since 1991. The Company as achieved remarkable growth under his leadership, management and guidance and his continued services will lead the Company to achieve new heights.

Based on the recommendations of the Audit Committee and Nomination and Remuneration Committee, the Board of Directors at their meeting held on 03rd August, 2022 re-appointed Mr. Nuthakki Rajender Prasad as Joint Managing Director and Chief Finance Officer (CFO) of the Company for a period of three years w.e.f. 10th August 2022 to 09th August 2025, at such remuneration as specified in the resolution, subject to the approval of shareholders.

The details of Mr. Nuthakki Rajender Prasad as required under the provisions of Schedule V of the Companies Act, 2013, Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions are provided in Annexure to the Notice.

Except Mr. Nuthakki Rajender Prasad, the proposed appointee and Mr. Nuthakki Ravi Prasad being the brother of the proposed appointee, none of the other Directors/KMP are in any way concerned or interested in the special business set out at item No.4 of the Notice.

The Board recommends the Special Resolution as set out under item No. 4 of the Notice for approval of the members.

INFORMATION AS REQUIRED UNDER SCHEDULE V OF THE COMPANIES ACT, 2013 :

Information about the appointee:	
1. Background details	Mr. Nuthakki Rajender Prasad is 57 years of age and has a wide experience and deep knowledge of Magnesium industry. He is Director of the Company since 1991. He manages the day-to-day affairs, manpower and other activities of the Company. He has extensive experience in quality management systems and entrepreneurial role.
2. Past remuneration	The remuneration of Mr. Nuthakki Rajender Prasad, Joint Managing Director and CFO, of the Company has been approved by the Board of Directors at their meeting held on 03.08.2022. His remuneration during the year 2021-22 was Rs. 20,54,007/- as Joint Managing Director and CFO of the company.
3. Recognition or awards	Nil
4. Job profile and his suitability	Mr. Nuthakki Rajender Prasad is entrusted with substantial powers of the management and is responsible for the general conduct and management of the business and affairs of the Company. Under the leadership of Mr. Nuthakki Rajender Prasad the Company has achieved various milestones and enhanced the stakeholders' value.
5. Remuneration proposed	As stated in the resolution.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Mr. Nuthakki Rajender Prasad has served on the Board of the Company since 1991. He has streamlined the business process / operations of the Company and has been the strategic management personnel. His skill set and his experience places him at par with similar positions on other companies of comparable sizes and nature. The proposed remuneration of Mr. Nuthakki Rajender Prasad is in line with the industry levels and is commensurate with the size of the Company and nature of its business.
7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel or other director	As stated below.

ANNEXURE-1

INFORMATION AS REQUIRED UNDER SCHEDULE V OF THE COMPANIES ACT, 2013 :

General Information:	
1. Nature of industry	The Company is engaged in business of Magnesium Metal and related goods.
2. Date or expected date of commencement of commercial production	The Company is an existing Company and was incorporated on 13.02.1985 and has already commenced commercial operations.

General Information:	
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	NA.
4. Financial performance based on given indicators	The company generated revenue of more than Rs. 233.76 Lakhs and made a profit of more than Rs. 40.04 Lakhs in the Financial Year 2021-22.
5. Foreign investments or collaborations	NIL
Other Information:	
1. Reasons of loss or inadequate profits, steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms	Due to high competition in the market the Company has not earned adequate profits during the year. However, Management is continuously working towards capacity building and optimum utilization of resources at hand to ensure maximum benefit to the company.

Details of Directors seeking re-appointment at the Annual General Meeting under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per SS-2 issued by ICSI.

Particulars	Item No. 3 of the Notice	Item No. 4 of the Notice
Name	Nuthakki Ravi Prasad	Nuthakki Rajender Prasad
DIN	00319537	00145659
Date of Birth	11.08.1961	28.12.1964
Designation	Managing Director and Chief Executive Officer (CEO)	Joint Managing Director and Chief Finance Officer (CFO)
Date of First Appointment	17.08.1988	20.12.1991
Qualification	B.E., M.B.A., and M.S.	M.S.(Chemical Engineer).
Experience / expertise in specific functional areas	Nuthakki Ravi Prasad holds degree in B.E., M.B.A. and Post Graduation in M.S. with over three decades of experience.	Nuthakki Rajender Prasad holds degree in Chemical Engineering and Post Graduation in M.S. with over two decades of Experience.
Terms and conditions of appointment	As set out in the resolution	As set out in the resolution
No. of board meetings attended during the year	4	4
Shareholding as on 31.03.2022	3,90,648 equity shares	2,48,498 equity shares
Remuneration proposed to be paid	As set out in the resolution	As set out in the resolution
Disclosure of relationship between Directors inter-se	Brother of Mr. Nuthakki Rajender Prasad	Brother of Mr. Nuthakki Ravi Prasad
List of other public limited companies in which directorships held	<ul style="list-style-type: none"> ▪ Southern Electrodes Ltd 	<ul style="list-style-type: none"> ▪ Southern Electrodes Ltd
Chairman/Member of the Committees of the Board across all public companies of which he is a Director as on 31.03.2022	NIL	Member Nomination and remuneration committee, Audit Committee and Stake Holder Relationship Committee of the Company.

DIRECTORS' REPORT

To

The Members,

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,

Your Directors hereby present the 36th Annual Report of your Company together with the Audited Financial Statements and the Auditors' Report of your Company for the financial year ended, 31st March, 2022. The summarized financial results for the year ended 31st March, 2022 are as under:

FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2022	Previous Year As on 31.03.2021
Net Sales / Income from Operations	233.76	201.24
Other income	4.03	2.58
Total Expenses	187.33	215.47
Exceptional items	0	0
Net Profit (+) / (Loss) before Tax for the Period	50.46	(11.65)
Current Tax	6.66	0
Deferred Tax	3.76	(2.41)
Net Profit (+) / (Loss) for the Period	40.04	(9.24)

REVIEW OF OPERATIONS:

During the period, revenue of the Company has increased to Rs.233.76 Lakhs as compared from Rs. 201.24 Lakhs of the previous year. The Company has earned a profit of Rs. 40.04 Lakhs in the current year against loss of Rs.9.24 lakhs in the previous year.

With respect to continuing impact of Covid 19 on the business, directors wish to state that the operations of the company w.r.t production and sales are not materially affected. Company has taken all necessary actions to safeguard the health of workers/employees by following the guidelines as issued from time to time by the Government of India and the State Government. There is no major impact on receivables and overall business operations of the company. Company has been paying salaries to all employees and no deductions were made. The company was able to execute/ fulfill orders and was supplying its products as and when orders were placed with the company.

So, the impact of COVID-19 is minimal over the Company's performance, Financials, internal control system and demand for our products continues to be same as in past.

Meanwhile, since the situation is continuously evolving, the impact assessed may be different from the current situation today and the Management will continue to monitor any material changes arising due to the impact of this pandemic on financial and operational performance of the Company and take necessary measures to address the situation.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby confirms and declares that:

- (a) In the preparation of the annual accounts for the year ended 31st March 2022, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the statement of profit and loss of the Company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) The directors had prepared the annual accounts for the year ended 31st March, 2022 on a going concern basis; and
- (e) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DISCLOSURES UNDER SECTION 134 OF THE COMPANIES ACT, 2013**1. State of affairs of the company:**

The Company deals in the business of Magnesium Metal and related goods. During the year, the Company has seen increase in terms of the Sales. The Company has earned a net profit of Rs. 40.04 Lakhs which is reflected in the financial results of the Company.

2. Amounts, if any, carried to reserves:

The Board of Directors of your Company have decided not to transfer any amount to the Reserves for the year under review.

3. Dividend:

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

4. Inter - Corporate deposits:

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

- (a) Accepted during the year - Nil

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

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

- Maximum outstanding during the year - Rs. 21.98

- Outstanding at the end of the year - Rs.20.46

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

5. Share Capital:

The authorised share capital of the Company consists of 40,00,000 equity shares of Rs.10 each and 10,00,000 - 5% redeemable cumulative preference shares of Rs.10 each aggregating to Rs.5 crores.

The paid-up share capital of the Company is Rs.3,00,00,000 divided into 30,00,000 equity shares of Face Value Rs. 10 each. During the year under review, the Company has not issued any shares with differential voting rights nor granted stock options nor sweat equity.

6. Deposits

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

7. Number of meetings of the Board

Secretarial Standards as applicable have been complied with. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time. Further, 4 (Four) meetings of the board were held during the year as per the details given below:

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1	22.06.2021	6	6	100
2	11.08.2021	6	5	83.33
3	10.11.2021	6	6	100
4	14.02.2022	6	6	100

S. No.	Name of the Director	Number of meetings Which director was entitled to attend	No. of meetings attended	% of Attendance
1	Mr. N. Ravi Prasad	4	4	100
2	Mr. N. Rajender Prasad	4	4	100
3	Mr. G. Raghavendra Rao	4	4	100
4.	Mr. V. S. S. Prakash	4	4	100
5.	Mr. K. Eshwaraih	4	4	100
6.	Mrs. Padmavathi Kollipara	4	3	75

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

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

9. Board Evaluation:

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

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

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

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

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

10. Policy on Directors' appointment and remuneration and others details:

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

Nomination and Remuneration Policy of Southern Magnesium and Chemicals Limited is as under:

INTRODUCTION

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

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

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

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

1. DEFINITIONS

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

"Board" means Board of Directors of the Company.

"Committee" means Nomination and Remuneration Committee constituted by the Board

"Directors" mean Directors of the Company.

"Key Managerial Personnel" means

- Chief Executive Officer or the Managing Director or Manager or Whole-time director;
- Chief Financial Officer;
- Company Secretary and such other officer as may be prescribed by the Companies Act, 2013.

"Executive Directors" mean Managing Director/ Joint Managing Director and Whole Time Director, if any.

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

2. GUIDING PRINCIPLE

The guiding principle is that the remuneration and the other terms of employment should effectively help in attracting and retaining talented employees.

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

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

General:

- a) The remuneration package of KMP will be determined by the Committee and recommended to Board for approval. In addition, the approval of the shareholders of the Company and Central Government, wherever required, will be obtained for the remuneration package of Executive Directors. The remuneration package of other senior management personnel will be recommended by Managing Director and Jt. Managing Director and be submitted to Committee for approval.

- b) The remuneration package of Executive Directors shall be in accordance with the percentage / slabs / conditions laid down in the Act.
- c) Increments to the existing remuneration package of Executive Directors may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders.

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

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

Pay and Allowances:

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

Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive Directors in accordance with the provisions of Schedule V of the Act and other applicable provisions.

Provisions for excess remuneration:

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

5. Remuneration to Independent Directors:

Remuneration/Commission:

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

a) Sitting Fees:

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

b) Commission:

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

c) Stock Options:

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

d) Expenses for attending meetings

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

6. Disclosure of information

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

7. Application of the Remuneration Policy

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

8. Performance evaluation criteria for Independent Directors:

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

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

The Company has paid Rs. 2,000/- as fees for attending Board meetings to Mr. Eshwariah Kaparathi (Non-Executive- Independent Director) during the financial year ended on March 31, 2022.

9. Disclosure with respect to remuneration:

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

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

11. Audit Committee:

The Composition of Audit Committee as on March 31, 2022 is as follows:

Name	Category	Designation
Mr. G. Raghavendra Rao	Independent Non- Executive Director	Chairperson
Mr. V. S. S. Prakash	Independent Non- Executive Director	Member
Mr. K. Eshwaraih	Independent Non- Executive Director	Member
Mr. N. Rajender Prasad	Jt. Managing Director and CFO	Member

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

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	22.06.2021	4	4	100%
2.	11.08.2021	4	4	100%
3.	10.11.2021	4	4	100%
4.	14.02.2022	4	4	100%

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

All the recommendations made by the Committees of Board including the Audit Committee were accepted and approved by the Board.

12. Stakeholder Relationship Committee:

The Composition of **Stakeholder relationship committee** as on March 31, 2022 is as follows:

Name	Category	Designation
Mr. G. Raghavendra Rao	Independent Non- Executive Director	Chairperson
Mr. V. S. S. Prakash	Independent Non- Executive Director	Member
Mr. K. Eshwaraih	Independent Non- Executive Director	Member
Mr. N. Rajender Prasad	Jt. Managing Director and CFO	Member

One meeting of the committee was held during the year as per the details given below:

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	19.04.2021	4	4	100%

13. Nomination and remuneration Committee:

The Composition of **Nomination and remuneration Committee** as on March 31, 2022 is as follows:

Name	Category	Designation
Mr. G. Raghavendra Rao	Independent Non- Executive Director	Chairperson
Mr. V. S. S. Prakash	Independent Non- Executive Director	Member
Mr. K. Eshwaraih	Independent Non- Executive Director	Member
Mr. N. Rajender Prasad	Jt. Managing Director and CFO	Member

One meeting of the committee was held during the year as per the details given below:

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	19.4.2021	4	4	100

14. Internal Financial Control Systems and their Adequacy

The details in respect of internal financial control and their adequacy are included in the Management Discussion and Analysis which forms part of this report.

15. Declaration by Independent Directors:

The Company has received necessary declaration from Independent Directors under Section 149(7) of the Companies Act, 2013, that they meets criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations and that they have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

16. Risk Management:

The Board of the company regularly reviewed and has adopted measures to frame, implement and monitor the risk management plan for the company. The Board is responsible for reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risk indentified, if any, by the business functions are systematically addressed through mitigating actions on a continuing basis.

17. Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013:

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review.

18. Particulars of contracts or arrangements made with related parties:

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

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

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

There was no change in the nature of Business.

20. The details of directors or key managerial personnel who were appointed or have resigned during the year:

There was no appointment or resignation of any director or Key Managerial Personnel during the period under review.

21. The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year:

The Company does not have any Subsidiary, Joint venture or associate company which have become or ceased to be its Subsidiaries, joint ventures or associate company during the year.

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

There are no significant material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company and its future operations.

23. Particulars of Employees:

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

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

Non Executive Directors	Ratio to median remuneration
Mr. Raghavendra Rao Griddalur	NA
Mr. Surya Sessa Prakash Valluru	NA
Mr. Kaparathi Eshwaraih	NA
Mrs. Padmavathi Kollipara	NA

Executive Directors	Ratio to median remuneration
Mr. N. Ravi Prasad	17.75 : 1
Mr. N. Rajender Prasad	17.12 : 1

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

Director, chief executive officer, chief financial officer, company secretary	% of increase in remuneration in the financial year
Mr. N. Ravi Prasad –MD and CEO	0.68
Mr. N. Rajender Prasad – Jt.MD and CFO	-0.99
Ms. Sneha S Soni	NA

- c. The percentage increase in median remuneration of employees in the financial year: NA.
- d. The number of permanent employees on the rolls of the company:22
- e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Average increase in salaries of employees other than managerial personnel in 2021-22 was - 4.57%

Average increase in salaries of managerial personnel in 2021-22 is -0.15%

f. Affirmation that the remuneration is as per the remuneration policy of the company:

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

g. Further information required pursuant to Section 197 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, is available at the registered office of the company. If any Member is interested in obtaining this information or a copy thereof, such Member may write to the Company at the Registered Office in this regard.

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

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

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

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

An Internal Complaints Committee (“ICC”) has been set up by the senior management (with women employees constituting the majority). The ICC is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the Policy.

No complaints have been received by the company on sexual harassment during the financial year 2021-2022.

26. Disclosure Requirements:

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

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

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

27. Details in respect of Frauds reported by Auditors under 143(12) of Companies Act 2013

During the period under review there were no instances of Fraud reported by the Auditors in the Company.

28. Auditors:

Pursuant to the provisions of Section 139, 142 and other applicable provisions of the Act read with the rules made thereunder, M/s. Brahmayya & Co., Chartered Accountants (Firm Reg. No. 000513S) were appointed Statutory Auditors of the Company for a period of five consecutive years at the 31st Annual General Meeting (AGM) held on 27th September 2017 on a remuneration mutually agreed upon by the Board of Directors and the Auditors. They hold office until the conclusion of this AGM. The auditors have confirmed that they hold valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India and further confirmed their eligibility for reappointment for a further term of five years.

The Board of Directors at its meeting held on 03rd August, 2022, on the recommendation of the Audit Committee, approved the re-appointment of M/s. Brahmayya & Co., Chartered Accountants (Firm Reg. No. 000513S) as Statutory Auditors for a further period of five consecutive years from the conclusion of the ensuing 36th Annual General Meeting until the conclusion of the 41st Annual General Meeting of the Company to be held in the year 2027 subject to approval of members.

29. Auditors Report:

During the period under review no qualification/reservations/adverse remarks have been made by the Statutory Auditor. The Report provided by them as attached is self-explanatory.

30. Secretarial Auditors' Report:

The company has appointed Mr. P.A.P Murthy, Practising Company Secretary, Hyderabad as the Secretarial Auditor of the company to undertake audit as per the provisions of Section 204 of the Companies Act, 2013 and the report of the secretarial auditor is annexed to this report. Management's reply to the observations, comments and qualifications made by the secretarial auditor are as under:

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

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

31. Annual Return Web Link:

Pursuant to the provisions of Section 92 and Section 134 of the Companies Act, 2013, as amended from time to time, the Annual Return as on March 31, 2022 in form MGT-7 is available on the Company's website <https://southernmagnesium.com/SMCL-Form-MGT-7-2021-22-Website-form.pdf>

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

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

(A) Conservation of energy	: NIL
(B) Technology absorption	: Not Applicable
(C) Foreign exchange earnings	: NIL
(D) Foreign exchange outgo	: Rs. 38.63

33. Maintenance of Cost Records:

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

34. Acknowledgement:

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

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

Place: Hyderabad
Date: 03-08-2022

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

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

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2022
*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]*

To,
The Members,
SOUTHERN MAGNESIUM AND CHEMICALS LIMITED
Deccan Chambers, 5th Floor 6-3-666/B, Somajiguda,
Hyderabad Telangana- 500082.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by “**Southern Magnesium and Chemicals Limited**” (hereinafter called the Company). Secretarial Audit was conducted in accordance with the guidance note issued by the Institute of Company Secretaries of India and in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, according to the explanations given to me, the company has, during the audit period covering the financial year ended on March 31, 2022, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2022 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings. (Not applicable to the Company during the period of audit);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 - (Not applicable to the Company during the period of audit);
 - (d) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 - (Not applicable to the Company during the period of audit);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - (Not applicable to the Company during the period of audit);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - (Not applicable to the Company during the period of audit);
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - (Not applicable to the Company during the period of audit)
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and
 - (j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

(vi) As per the representations and explanations given by the Management and Officers of the Company there are no industry specific laws applicable to the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India and notified under the Companies Act, 2013;
- (ii) The Listing Agreements entered into by the Company with BSE Limited.

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

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

I further report that

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

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

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

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

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

Place : Hyderabad
Date : 03-08-2022

Name of Company Secretary:
P.A.P. Murthy
FCS: 926; C. P. No: 6633
UDIN:F000926D000734252

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

'ANNEXURE A'

To,
The Members,
SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

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

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

Place : Hyderabad
Date : 03-08-2022

Name of Company Secretary:
P.A.P. Murthy
FCS: 926; C. P. No: 6633
UDIN:F000926D000734252

MANAGEMENT DISCUSSION AND ANALYSIS

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

OPPORTUNITIES, RISKS, CONCERNS THREATS & OUTLOOK:

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

The year 2022-23 looks promising with its own sets of challenges and opportunities for us. It is hoped that we will maintain revenue and profitability of the company as in the previous year.

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

INTERNAL CONTROL SYSTEMS & ADEQUACY:

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorized use or disposal. The Internal Audit is conducted at all divisions for all the key areas of business. The Internal Control System is supplemented by a programme of Internal Audit 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:

(INR in Lakhs)

Particulars	2021-22	2020-21
Net Sales / Income from Operations	233.76	201.24
Other income	4.03	2.58
Expenses	187.33	215.47
Exceptional items	0	0
Net Profit (+) / (Loss) before Tax for the Period	50.46	(11.65)
Current Tax	6.66	0
Tax Expenses/Deferred Tax	3.76	(2.41)
Net Profit (+) / (Loss) for the Period	40.04	(9.24)

SEGMENT WISE OR PRODUCT WISE PERFORMANCE: NOT APPLICABLE

HUMAN RESOURCES, INDUSTRY DEVELOPMENT RELATIONS:

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

SENIOR MANAGEMENT DISCLOSURES:

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

CAUTIONARY STATEMENT:

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations and such forward-looking statements involve risks and uncertainties. Actual results could differ materially from those expressed or implied, important factors that could make a difference to the Company's operations include raw

material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts business and other incidental factors. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on these forward looking statements that speaks only as of their dates.

Details of changes in key financial ratios:

Financial Ratios	2021-22	2020-21
Debtors Turnover	13.49 Times	19.33 Times
Inventory Turnover	1.09 Times	0.90 Times
Interest Coverage Ratio	9.44	-0.32
Current Ratio	2.96	2.64
Debt Equity Ratio	0.40	0.55
Operating Profit Margin (%)	26.38%	-1.40%
Net Profit Margin (%)	18.72%	-4.59%
Return on Net Worth	13.98%	-3.75%

The company largely deals with government entities and the business is to a large extent dependent on the orders received from the government entities. During the period revenue of the Company has increased to Rs. 233.76 Lakhs as compared from Rs. 201.24 Lakhs of the previous year.

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

(Mr. N. Rajender Prasad)
Jt. Managing Director & CFO
(DIN: 00145659)

Place : Hyderabad
Date : 03-08-2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED** ("the company"), which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "the financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, the Profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the *Auditors responsibility for the Audit of Financial Statements* section of our report. We are independent of the company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key Audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	Auditor's Response
<p>Revenue Recognition</p> <p>Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers.</p> <p>Revenue from domestic sale of products is recognized on dispatch of products.</p> <p>Revenue from products is stated exclusive of Goods and Service Tax (GST), returns and applicable trade discounts and allowances.</p> <p>Revenue from services is recognized as per the terms of contract with customers when a performance obligation is satisfied by transferring control over a promised good or service.</p>	<p>Principal audit procedures</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the company's revenue recognition policies in line with IND AS 115 - "Revenue from contracts with customers" • Understanding the Revenue recognition policy, evaluating the design and implementation of company's control in respect of revenue recognition. • Testing the supporting documentation for sales transactions recorded during the period closer to the year end and subsequent to the year end, including examination of credit notes issued after the year end to determine whether revenue was recognised in the correct period. <p>Testing the effectiveness of such controls over revenue cut off at year-end.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
- 2) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit,
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books,
 - c) the balance sheet, the statement of profit and loss including other comprehensive income, statement of changes in equity and the cash flow statement dealt with by this Report are in agreement with the books of account,
 - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.
 - e) On the basis of written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act,
 - f) With respect to the adequacy of internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
 - g) With respect to the Managerial remuneration to be included in the auditor's report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the company to its directors during the year is in accordance with the provisions of Section 197 of the Act.
 - h) With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company does not have any pending litigations which would impact its financial position.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- iv.
 - a. The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - b. The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - c. Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) above, contain any material misstatement.
- v. The Company neither declared nor paid any dividend during the year.

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

(K.SHRAVAN)
Partner

Membership No.215798

UDIN: **22215798AJHIDH8812**

Place : HYDERABAD

Date : 20.5.2022

ANNEXURE - A TO THE AUDITOR'S REPORT:

The Annexure referred to in Para 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date, to the members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, for the year ended March 31, 2022.,

- i. In respect of the Company's Property, Plant and Equipment and Intangible Assets:
 - a. (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of right-of-use assets.
(B) The Company has maintained proper records showing full particulars of intangible assets.
 - b. The Company has a regular program of physical verification of its property, plant and equipment, and right of use assets under which the assets are physically verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification
 - c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of all the immovable properties (other than Properties where the company is the lessee, and the lease agreements are duly executed in favour of the lessee) are held in the name of the Company.
 - d. The company did not revalue its Property, Plant and Equipment (including right of use assets) or intangible assets during the year. Accordingly, para 3 (i)(d) of the Order is not applicable.
 - e. There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder
- ii.
 - a. The management has conducted physical verification of inventory at reasonable intervals during the year. In our opinion, the coverage and procedure of such verification by the management is appropriate and no discrepancies of 10% or more in the aggregate for each class of inventory were noticed.
 - b. According to the information and explanations given to us, at any point of time of the year, the Company has not been sanctioned any working capital facility from banks or financial institutions in excess of Rs. 5.00 crores on the basis of security of current assets, and hence reporting under para 3(ii)(b) of the Order is not applicable.
- iii. The company has not granted any loans to companies, firms, Limited Liability Partnerships or any other parties. Therefore, the provisions of Clauses {a} to {f} of sub para {iii} of Para 3 of the said Order are not applicable for the year under report:
- iv. The Company has not granted any loans or made any investments or provided any guarantees or security to the parties covered under sections 185 and 186. Therefore, the provisions of clause 3(iv) of the said order not applicable to the Company
- v. The Company has not accepted any deposit or amounts which are deemed to be deposits. Hence, reporting under clause 3(v) of the Order is not applicable.
- vi. We have broadly reviewed the cost records maintained by the Company pursuant to sub-section (1) of section 148 of the Companies Act and are of the opinion that prime facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii.
 - a. According to the records, the company is regular in depositing undisputed statutory dues including Goods and service tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and all other material statutory dues with the appropriate authorities and there were no arrears of statutory dues as at March 31, 2022 for a period of more than six months from the date they became payable.
 - b. According to the records of the Company and the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute.

- viii. According to the information and explanations given to us, no transactions were surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961) which have not been recorded in the books of accounts.
- ix. a. According to the information and explanations given to us, the Company has not defaulted in repayment of loans or in the payment of interest thereon to any lender.
- b. According to the information and explanations given to us including representation received from the Management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or other lender.
- c. The Company has not taken any term loan during the year and there are no unutilised term loans at the beginning of the year and hence, reporting under clause 3 (ix)(c) of the Order is not applicable.
- d. On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company
- e. the Company does not have subsidiaries, associates or joint ventures. Hence Para 3 (ix) (e) of the above mentioned Order is not applicable;
- f. the company does not have subsidiaries, associates or joint ventures. Hence Para 3 (ix) (f) of the above mentioned Order is not applicable
- x. a. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, para 3 (x)(a) of the Order is not applicable.
- b. The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Hence, reporting under para 3(x)(b) of the order doesn't arise.
- xi. a. No fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- b. No report under section 143(12) of the Act has been filed with the Central Government for the period covered by our audit.
- c. According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the year
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. a. In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business;
- b. We have considered the reports of the Internal Auditors for the period under audit.;
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with its Directors or persons connected with them. Therefore, the provision of clause 3(xv) of the Order is not applicable;
- xvi. a. In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, para 3(xvi) (a) of the Order is not applicable.
- b. The Company is not engaged in any Non-Banking Financial or Housing Finance activities. Accordingly, para 3 (xvi)(b) of the Order is not applicable.
- c. The company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Hence Para 3(xvi) (c) of the said Order is not applicable.

- d. The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, para 3(xvi) (d) of the said Order is not applicable.
- xvii. The company has incurred cash losses during the immediately preceding financial year amounting to Rs. 2.00 lakhs but has not incurred any cash losses during the current financial year.
- xviii. There is no resignation of statutory auditors of the Company during the year.
- xix. On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx. The Company has insufficient profits in the past three financial years, there is no requirement for spending any amount towards Corporate Social Responsibility (CSR) as per the Act. Hence, reporting under clause 3(xx)(a) and (b) of the Order is not applicable for the year.
- xxi. The Company does not have subsidiaries, associates or joint ventures. Hence para 3 {xxi} of the above said Order with regard to qualifications or adverse remarks in CARO reports of the companies included in the consolidated financial statements, is not applicable.

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

(K.SHRAVAN)
Partner

Place : HYDERABAD
Date : 20.5.2022

Membership No.215798
UDIN: **22215798AJHIDH8812**

ANNEXURE – B TO THE AUDITOR'S REPORT

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to financial statements of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED (“the Company”) as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

‘Our responsibility is to express an opinion on the Company’s internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal

financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material aspects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

(K.SHRAVAN)
Partner

Membership No.215798

UDIN: **22215798AJHIDH8812**

Place : HYDERABAD
Date : 20.5.2022

BALANCE SHEET AS AT 31ST MARCH, 2022

(Rs. In Lakhs)

Particulars	Note No.	As at 31 March, 2022	As at 31 March, 2021
A ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	2	38.62	47.30
(b) Other Non Current Assets		1.13	1.14
(c) Deferred Tax Asset	3	5.68	9.44
Total Non-Current Assets		45.43	57.88
Current assets			
(a) Inventories	4	212.59	215.02
(b) Financial Assets			
(i) Trade receivables	5	20.83	10.89
(ii) Cash and cash equivalents	6	1.82	0.99
(iii) Others bank balances	7	117.00	100.00
(iv) Others financial assets	8	2.03	5.76
(c) Other current assets	9	40.69	3.34
(d) Current tax asset (net)	10	-	2.71
Total Current Assets		394.96	338.71
TOTAL ASSETS		440.39	396.59
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	11	300.00	300.00
(b) Other Equity	12	-13.59	-53.63
Total Equity		286.41	246.37
Liabilities			
Non - current liabilities			
(a) Financial Liabilities			
(i) Borrowings	13	20.46	21.98
Total Non-Current Liabilities		20.46	21.98
Current liabilities			
(a) Financial Liabilities			
(i) Borrowings	14	94.90	112.63
(ii) Trade payables	15		
- Total outstanding dues of micro and small enterprises			
- Total outstanding dues of other than micro and small enterprises		-	5.42
(iii) Other financial liabilities	16	25.59	6.52
(b) Other current liabilities	17	9.40	3.67
(c) Current Tax liability (Net)		3.63	-
Total Current liabilities		133.52	128.24
TOTAL EQUITY & LIABILITIES		440.39	396.59

The accompanying notes form an integral part of the financial statements

01 to 34

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

K. Shravan
Partner
Membership No. 215798

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

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

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

Place : Hyderabad
Date : 20.05.2022

Mrs. Sneha Sridayal Soni
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2022

(Rs. In Lakhs)

Particulars	Notes	Year Ended	Year Ended
		31st March, 2022	31st March, 2021
I. Revenue from operations	18	233.76	201.24
II. Other Income	19	4.03	22.58
III. Total Income		237.79	203.82
IV. Expenses			
Cost of raw materials consumed	20	74.10	79.15
Changes in inventories of finished goods and work-in-progress	21	(5.18)	13.86
Employee benefits expenses	22	70.44	71.87
Finance costs	23	5.98	8.83
Depreciation and amortization expenses	2	9.61	9.65
Other expenses	24	32.37	32.10
Total expenses (IV)		187.32	215.47
V. Profit / (Loss) before Exceptional item and tax (III-IV)		50.46	(11.65)
VI. Exceptional Items		-	-
VII. Profit/(Loss) before tax (V+VI)		50.46	(11.65)
VIII. Tax Expenses			
Current Tax		6.66	-
Relating to previous year		-	-
Deferred tax		3.76	(2.41)
IX. Profit/(Loss) for the Period (VIII-IX)		40.04	(9.24)
Other Comprehensive Income			
(i) Items that will not be reclassified subsequently to Profit or Loss Account		-	-
(ii) Income Tax relating to Items that will not be reclassified to profit or loss		-	-
Total other Comprehensive Income for the period (VIII)		-	-
X. Total Comprehensive Income/(Loss) for the Period (VII+VIII)		40.04	(9.24)
XI. Earning per equity share (Face value of Rs 10/- each)			
(1) Basic		1.33	(0.31)
(2) Diluted		1.33	(0.31)
The accompanying notes form an integral part of the financial statements Note		1 to 34	

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

K. Shravan
Partner
Membership No. 215798

Place : Hyderabad
Date : 20.05.2022

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

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

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

Mrs. Sneha Sridayal Soni
Company Secretary

(Rs. In Lakhs)

A. Equity Share Capital

Particulars	No. of shares	Amount in Rs.
Balance as at 1st April, 2020	3,000,000	300.00
Changes in Equity share capital during 2020-21	0	0
Balance as at 31st March, 2021	3,000,000	300.00
Changes in Equity share capital during 2021-22	0	0
Balance as at 31st March 2022	3,000,000	300.00

B. Other Equity

Particulars	As at 31-03-2022	As at 31-03-2021
Surplus in statement of Profit and Loss		
Opening Balance	(53.63)	(44.39)
Add : Profit / (Loss)	40.04	(9.24)
Less : Appropriations	-	-
Closing Balance	(13.59)	(53.63)

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

K. Shravan
Partner
Membership No. 215798

Place : Hyderabad
Date : 20.05.2022

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

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

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

Mrs. Sneha Sridayal Soni
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

(Rs. In Lakhs)

Sl. No.	Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
	Cash flows from/(used in) operating activities		
	Net Profit/ (Loss) before tax	50.46	(11.65)
	Adjustments for :		
	Depreciation and amortisation expenses	9.61	9.65
	Interest Income	(4.03)	(2.40)
	Finance costs	5.98	8.83
	Operating Profit before working capital changes	62.02	4.43
	Changes in operating assets and liabilities:		
	(Increase) / Decrease in Inventories	2.43	19.45
	(Increase) / Decrease in Trade receivables	(9.94)	(0.96)
	(Increase) / Decrease in financial and non financial assets	(33.61)	(2.21)
	Increase / (Decrease) in Trade payables	(5.42)	5.42
	Increase / (Decrease) in financial liabilities and other liabilities	24.79	(0.22)
	Increase / (Decrease) in Provisions		(10.59)
	Cash generated/(used in) from Operations	40.27	15.32
	Income tax paid (net of refunds)	0.31	(0.78)
	Net Cash generated from operating activities (A)	39.96	16.10
	Cash flows from/(used in) investing activities		
	Purchase of property, plant and equipment	(0.93)	1.79
	Interest received	4.03	2.40
	Movment in other bank balances	(17.00)	(73.07)
	Net Cash generated from/(used in) investing activities (B)	(13.90)	(72.46)
	Cash flows from/(used in) Financing activities		
	Repayment of Borrowings	(1.52)	(1.92)
	Proceeds/(Repayment) from Current borrowings	(17.73)	64.36
	Interest paid	(5.97)	(8.83)
	Net cash used in financing activities (C)	(25.22)	53.61
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	0.83	(2.74)
	Cash and cash equivalents as at the beginning of the year	0.99	3.74
	Cash and cash equivalents as at the end of the year	1.82	0.99
	Reconciliation of cash and cash equivalents as per the statement of cash flow		
	Cash and cash equivalents at the end of the year	As at 31st March, 2022	As at 31st March, 2021
	Cash on hand	0.68	0.56
	Current accounts	1.14	0.43
	Total	1.82	0.99

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

K. Shravan
Partner
Membership No. 215798

Place : Hyderabad
Date : 20.05.2022

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

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

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

Mrs. Sneha Sridayal Soni
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**Corporate Information**

Southern Magnesium & Chemicals Limited (SMCL or “the Company”) is promoted by Dr. N B Prasad and family. The Company is in the business of manufacturing magnesium metal, in a joint venture with the Andhra Pradesh Industrial Development Corporation. The Company diversified its business into production of various downstream products like magnesium granules, magnesium powder, magnesium alloy and magnesium extrusion.

1. Basis of Preparation of Financial Statements:**Statement of compliance**

These financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as specified under section 133 of the Companies Act 2013 read together with the Rule 4 of Companies (Indian Accounting Standards) Rules, 2015 as amended by Companies (Indian Accounting Standards) Amendment Rules 2016 to the extent applicable and the other relevant provisions of the Act, pronouncements of the regulatory bodies applicable to the Company. The accounting policies are applied consistently to all the periods presented in the financial statements.

The Financial statements of the Company for the year ended 31 March, 2022 were approved by the Board of Directors on 20th May, 2022.

These financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company’s annual reporting date, 31 March 2022. The accounting policies are applied consistently to all the periods presented in the financial statements. The financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below.

1.1 Current Vs Non-current classifications:

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule III (Division II) to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

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

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

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

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

Depreciation and Amortization Expense

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

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

b. Impairment of Assets:

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

c. Valuation of Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is arrived at by using weighted average method and includes all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition.

d. Financial Instruments

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

I. Financial Assets

Initial recognition and measurement

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

Subsequent Measurement

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

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

Financial Asset measured at amortized cost

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

Financial Assets Measured at fair value through other comprehensive income

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

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

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

De-recognition of Financial Assets

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

II. Financial Liabilities.

Initial recognition and measurement

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

Subsequent Measurement

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

Financial Liabilities at amortized cost

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

De recognition of Financial Liabilities

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

e. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the date of commencement of lease, the Company recognises a Right-of-use asset ("ROU") and a corresponding liability for all lease arrangements in which it is a lessee, except for leases with the term of twelve months or less (short term leases) and low value leases. For short term and low value leases, the Company recognises the lease payment as an operating expense on straight line basis over the term of lease.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate explicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

f. Foreign Exchange Transactions:

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

g. Revenue Recognition

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

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership in the goods are transferred to the buyer. Revenue is measured at fair value of the consideration received or receivable, Amount disclosed as revenue are excluding goods and service tax (GST), sales tax or value added taxes or service taxes or duties collected on behalf of the government, and net off returns, trade discounts, rebates and any amount collected on behalf of third parties.

Interest/ Dividend

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

h. Borrowing Costs:

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

i. Provisions, Contingent Liabilities and Contingent Assets:

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

j. Income Taxes

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

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

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

k. Earnings Per Share

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

l. Critical Accounting Estimates and Judgments

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

The areas involving critical estimates or judgments are –

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

1.23 Recent accounting pronouncements

(i) Adoption of recent accounting pronouncements

a) Amendment in Schedule III of the Companies Act, 2013

On 24th March, 2021, the Ministry of Corporate Affairs (“MCA”) through a notification amended Schedule III of the Companies Act, 2013 which is applicable from 01st April, 2021. The effect of said amendment has been incorporated in these financial statements to the extent applicable to the Company.

b) Standards issued but not effective

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification, and the Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the ‘10 percent’ test of Ind AS 109 in assessing whether to de recognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements

Ind AS 106 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any significant impact in its financial statements.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

2. Property, Plant & Equipment

(Rs. In Lakhs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.2021	Additions during the year	Deletions During the year	As at 31.03.2022	Upto 01.04.2021	For the year	Upto 31.03.2022	As at 31.03.2022	As at 31.03.2021
(A) Tangible Assets									
(i) Land: - Factory	2.36	-	-	2.36	-	-	-	2.36	2.36
(ii) Buildings:									
(a) Factory	41.35	-	-	41.35	35.34	1.03	36.38	4.97	6.01
(b) Non-Factory	24.98	-	-	24.98	11.46	0.40	11.87	13.11	13.51
(iii) Plant and Machinery	14.37	0.22	-	14.59	13.38	0.02	13.41	1.18	0.99
(iv) Electrical Installations	1.33	-	-	1.33	0.99	0.05	1.04	0.29	0.34
(v) Weighing Machines	4.10	-	-	4.10	3.90	-	3.90	0.20	0.20
(vi) Fire Fighting Equipment	0.30	-	-	0.30	0.28	-	0.28	0.01	0.01
(vii) Data Processing Equipment	1.25	0.31	-	1.56	1.19	0.04	1.23	0.33	0.06
(viii) Lab Equipment	8.15	-	-	8.15	7.74	-	7.74	0.41	0.41
(ix) Furniture and Fixtures	2.68	-	-	2.68	2.50	0.02	2.51	0.17	0.18
(x) Vehicles	50.44	-	-	50.44	29.26	7.90	37.17	13.28	21.18
(xi) Office equipment	7.02	0.40	-	7.42	4.97	0.15	5.12	2.31	2.05
Total	158.33	0.93	-	159.26	111.03	9.61	120.65	38.62	47.30
Previous Year	156.55	1.79	-	158.34	101.39	9.65	111.04	47.04	55.16

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.2021	Additions during the year	Deletions During the year	As at 31.03.2022	Upto 31.03.2021	For the year	Upto 31.03.2022	As at 31.03.2022	As at 31.03.2021
(b) Intangible Assets									
Process Knowhow	5.00	-	-	5.00	5.00	-	5.00	-	-
Total	5.00	-	-	5.00	5.00	-	5.00	-	-
Previous Year	5.00	-	-	5.00	5.00	-	5.00	-	-

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

3 Deferred Tax Asset (Net) (Rs. In Lakhs)

Particulars	As at	As at
	31 March 2022	31 March 2021
Deferred Tax Asset		
MAT Credit	8.34	8.34
On Expenses Allowed on Payment basis	-	0.33
On Unused Carry forward Losses	-	4.38
Gross Deferred Tax Asset	8.34	13.05
Deferred Tax Liability		
On Property, Plant and Equipment	2.66	3.61
Gross Deferred Tax Liability	2.66	3.61
Net Deffred Tax Asset/(Liability)	5.68	9.44

4 INVENTORIES :

Particulars	As at	As at
	31 March 2022	31 March 2021
(i) Raw materials	127.96	135.57
(ii) Finished goods	84.63	79.45
TOTAL	212.59	215.02

5 TRADE RECEIVABLES

Particulars	As at	As at
	31 March 2022	31 March 2021
A. Secured	-	-
B. Unsecured		
i. Considered good	20.83	10.89
ii. Significant increase in credit risk	7.02	7.02
iii. Credit Impaired	-	-
Less: Provision for doubtful allowance	7.02	7.02
TOTAL	20.83	10.89

6 CASH AND CASH EQUIVALENTS

Particulars	As at	As at
	31 March 2022	31 March 2021
i) Cash on hand	0.68	0.56
ii) Balances with banks in Current Accounts	1.14	0.43
TOTAL	1.82	0.99

7 OTHER BANK BALANCES

Particulars	As at	As at
	31 March 2022	31 March 2021
Margin money deposits against over draft facility	117.00	100.00
TOTAL	117.00	100.00

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

8 OTHER FINANCIAL ASSETS

(Rs. In Lakhs)

Particulars	As at	
	31 March 2022	31 March 2021
(i) Interest receivable	0.85	4.54
(ii) Deposits Recoverable	1.17	1.17
(iii) Advances to Staff	0.01	0.04
TOTAL	2.03	5.75

9 OTHER CURRENT ASSETS

Particulars	As at	
	31 March 2022	31 March 2021
(i) Advance for purchase of raw material and stores	38.73	0.08
(ii) Prepaid Expenses	1.86	0.70
(iii) Balance with Central Excise and others	0.10	0.10
(iv) GST Receivable	-	2.45
TOTAL	40.69	3.33

10 CURRENT TAX ASSET (Net)

Particulars	As at	
	31 March 2022	31 March 2021
Income tax (Net of Advance tax)	-	2.71
Total	-	2.71

11 EQUITY SHARE CAPITAL

Particulars	As at	
	31 March 2022	31 March 2021
Authorised:		
40,00,000 - Equity Shares of Rs 10/- each	400	400
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	100	100
Issued Subscribed & Fully Paid Up		
30,00,000 - Equity Shares of Rs 10/- each, fully paid up	300	300
Total	300	300

11 (a) Reconciliation of the number of shares.

Particulars	As at 31st March 2022		As at 31st March 2021	
	Nos	Amount	Nos	Amount
Shares outstanding at the beginning of the year	3,000,000	300	3,000,000	300
Add: Issue during the year	-	-	-	-
Shares outstanding at the end of the year	3,000,000	300	3,000,000	300

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022
11(b) Rights, preference and restriction attached to shares :

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

11(c) Shareholders holding more than 5% shares in the Company

Particulars	As at 31st March 2022		As at 31st March 2021	
	No of shares	% held	No of shares	% held
Mr. N. Ravi Prasad	390648	13.02	390648	13.02
M/s. Andhra Pradesh Industrial Development Corporation	337500	11.25	337500	11.25
Mr. N. Ranga Prasad	259298	8.64	259298	8.64
Mr. N. Rajender Prasad	248498	8.28	248498	8.28
Smt. N. Anantha Lakshmi	233998	7.80	233998	7.80
Mr. N Ram Prasad	180298	6.01	180298	6.01

11(d) Shares held by promoters of the Company

Particulars	As at 31st March 2022		% Change during the year
	No of shares	% total sales	
Mr. N. Ravi Prasad	390648	13.02	Nil
M/s. Andhra Pradesh Industrial Development Corporation	337500	11.25	Nil
Mr. N. Ranga Prasad	259298	8.64	Nil
Mr. N. Rajender Prasad	248498	8.28	Nil
Smt. N. Anantha Lakshmi	233998	7.80	Nil
Mr. N Ram Prasad	180298	6.01	Nil

12 OTHER EQUITY

Particulars	As at 31 March 2022	As at 31 March 2021
Surplus/(Deficit) in statement of Profit and Loss		
Opening Balance	(53.63)	(44.39)
Add: Profit / (Loss)	40.04	(9.24)
Closing Balance	(13.59)	(53.63)

13 FINANCIAL LIABILITIES :
(i) BORROWINGS

Particulars	As at 31 March 2022	As at 31 March 2021
Unsecured loans - Loans from related parties		
Inter-corporate Deposits	20.46	21.98
TOTAL	20.46	21.98

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

14 BORROWINGS

Particulars	As at 31 March 2022	As at 31 March 2021
Secured Loan Union Bank of India OD A/c	94.90	112.63
TOTAL	94.90	112.63

15 TRADE PAYABLES

Particulars	As at 31 March 2022	As at 31 March 2021
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	5.42
TOTAL	-	5.42

16 OTHER FINANCIAL LIABILITIES

Particulars	As at 31 March 2022	As at 31 March 2021
Creditors for Other expenses	9.19	3.11
Employee benefit payable	16.40	3.41
TOTAL	25.59	6.52

17 a) OTHER CURRENT LIABILITIES

Particulars	As at 31 March 2022	As at 31 March 2021
(i) Dues to related party Directors	6.91	1.02
(ii) Statutory liabilities	2.49	2.64
TOTAL	9.40	3.66

17 b) Current Tax Liability (Net)

Particulars	As at 31 March 2022	As at 31 March 2021
Income tax (net of advance tax)	3.64	-
TOTAL	3.64	-

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

18 REVENUE FROM OPERATIONS

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Sales of Products	213.92	201.24
Job work Charges - Services	19.84	-
TOTAL	233.76	201.24

19 OTHER INCOME

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Interest Income	4.03	2.40
Misc. Income	-	0.18
TOTAL	4.03	2.58

20 COST OF MATERIAL CONSUMED

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Inventory at the beginning of the year	135.57	141.16
Add: Purchases	66.49	73.57
Less: Inventory at the end of the year	127.96	135.57
Cost of raw materials consumed	74.10	79.16

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

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Opening inventories		
(i) Finished goods	79.45	93.31
(ii) Work-In-process	-	-
Closing inventories		
(i) Finished goods	84.63	79.43
(ii) Work-In-process	-	-
(Increase) / decrease in inventory	(5.18)	13.86

22 EMPLOYEE BENEFITS EXPENSE

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
(i) Salaries, wages, and bonus	63.43	64.86
(ii) Contribution to provident fund	3.93	4.05
(iii) Staff welfare expenses	3.08	2.96
TOTAL	70.44	71.87

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

23 FINANCE COSTS

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Interest expense on :		
(i) Working capital facility	5.97	7.62
(ii) Others	0.01	1.21
TOTAL	5.98	8.83

24 OTHER EXPENSES

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Consumption of general stores	1.05	3.13
Power and Fuel	3.00	3.78
Repairs to :		
Buildings	-	0.34
Machinery	8.19	5.36
Others	0.08	1.02
Vehicle maintenance	2.84	1.85
Freight & Others	1.56	0.88
Payments to Auditors		
As Auditors	0.46	0.46
for Tax Audit	0.15	0.15
for Certification	0.12	0.06
Rates and Taxes	0.26	0.25
Postage, Telegrams and Telephones	0.86	1.12
Travelling, Conveyance and Vehicle expenses	1.60	0.82
Insurance	1.38	1.49
Professional charges	2.73	2.57
Miscellaneous expenses	8.10	8.83
TOTAL	32.37	32.10

25 EARNINGS PER SHARE (EPS)

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Profit/(Loss) for the Period	40.03	(9.24)
Face Value of Share of Rs.	Rs. 10 Each	Rs. 10 Each
Weighted Avg. No. of. Shares for computing basic and diluted EPS	3,000,000	3,000,000
Earnings Per Share Basic and Diluted (in Rs.)	1.33	(0.31)

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022**Note 26****Financial Risk Management**

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

I. Market Risk

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

a. Foreign Currency Risk-

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

b. Interest Rate Risk-

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

II. Credit Risk

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

III. Liquidity Risk

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

Note 27**Fair value hierarchy**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to level 3 as described below

Level 1 – Quoted prices in an active market:

This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques with observable inputs:

This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). There are no financial instruments held by the company which fall under this category

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022
Level 3 – Valuation techniques with significant unobservable inputs:

This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. There are no financial instruments held by the company which fall under this category.

Note 28
Capital Management

The Company's objectives when managing capital are to

- i) Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders.
- ii) Maintain an optimal capital structure to reduce the cost of capital Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratio:

Gearing Ratio

Particulars	As at	
	March 31,2022	March 31,2021
a) Debt Obligations	115.36	134.61
b) Cash and Cash Equivalents	1.82	0.99
c) Net Debt (a-b)	113.54	133.62
d) Total Equity	286.41	246.37
e) Gearing Ratio	0.40	0.54

Note 29

Reconciliation of Tax Expense and Accounting profit multiplied by Applicable tax rate

Particulars	Current Year	Previous Year
(I) Tax expense/(credit) recognized in Statement of Profit and loss		
Current Tax	6.66	0
Deferred Tax	3.76	(2.41)
Relating to previous years		
Total	10.42	(2.41)
(II) Effective tax Reconciliation		
(a) Profit/(loss) before tax	50.46	(11.65)
(b) Applicable tax rate	26%	26%
(c) Tax expense/(credit) on Net profit (a*b)	13.12	(3.02)
(d) Utilisation of unrecognised tax losses	(3.42)	-
(e) Other adjustments	0.73	0.62
(f) Tax Expense as per Statement of Profit and loss (c+d+e)	10.41	(2.41)

Note 30
Employee benefits

In view of very limited strength of the employees, presently working in the Company the requirements of the Ind AS -19 Employee Benefits in respect of Gratuity could not be complied with. However, Liability for Gratuity is being funded through Life Insurance Corporation of India.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022
Note 31
Related party disclosures as required by the IND AS 24

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

1. Transactions with Key Management Personal (INR in lakhs)

S.No.	Name of the transaction	Current Year	Previous Year
1	Remuneration	36.86	36.86
2	Medical Reimbursement	1.81	1.82
3	Club Subscriptions	0.41	0.46
4	Current Liabilities – Current Accounts of the Key Managerial Personal		
	Outstanding at the beginning of the year	1.02	0.73
	Amounts received during the year	57.60	6.03
	Amounts repaid during the year	51.71	5.74
	Outstanding at the end of the year	6.91	1.02

2. Transactions with Enterprises over which Key Management personal and their relatives exercise Significant Influence:
(INR in lakhs)

S.No.	Nature of Transaction	Current Year	Previous Year
1	Inter Corporate Deposits received		
	Outstanding at the beginning of the year	21.98	23.90
	Amounts received during the year	0	0
	Amounts repaid during the year	1.52	1.92
	Outstanding at the end of the year	20.46	21.98
2	Current Liabilities		
	Outstanding at the beginning of the year	0.04	0.82
	Amounts received during the year	0	0
	Amounts repaid during the year	0.01	0.78
	Outstanding at the end of the year	0.03	0.04

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

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

Note 32
Micro, Small and Medium Enterprises

There are no amounts outstanding as at 31stMarch, 2022 payable to Micro, Small and Medium Enterprises. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2022. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the Auditors.

Note 33

Additional disclosures required by Schedule III (amendments dated 24 March 2021) to the Companies Act, 2013;

(A) Trade Receivables Ageing

Particulars	Outstanding as at March 31, 2022						
	Not due	Less than 6 months	6 months - 1year	1-2 yrs.	2-3 yrs.	More than 3 yrs.	Total
(i) Undisputed Trade Receivables - considered good		20.83					20.83
(ii) Undisputed trade receivables - which have significant increase in credit risk						7.02	7.02
(iii) Disputed trade receivables - which have significant increase in credit risk							0
Less: Allowance for doubtful receivables							(7.02)
Total		20.83	0	0	0	7.02	20.83

Particulars	Outstanding As at March 31, 2021						
	Not due	Less than 6 months	6 months - 1year	1-2 yrs.	2-3 yrs.	More than 3 yrs.	Total
(i) Undisputed Trade Receivables - considered good		10.89					10.89
(ii) Undisputed trade receivables - which have significant increase in credit risk						7.02	7.02
(iii) Disputed trade receivables - which have significant increase in credit risk							0
Less: Allowance for doubtful receivables							(7.02)
Total		10.89	0	0	0	7.02	10.89

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

(B) Trade Payables Ageing

Particulars	Outstanding As at March 31, 2022					
	Not due	Less than 1 year	1-2 years.	2-3 years.	More than 3 years.	Total
(i) MSME	-	-	-	-	-	-
(ii) Others	-	-	-	-	-	-
(iii) Disputed dues -MSME	-	-	-	-	-	-
(iv) Disputed dues -Others	-	-	-	-	-	-
Total	-	-	-	-	-	-

Particulars	Outstanding As at March 31, 2021					
	Not due	Less than 1 year	1-2 years.	2-3 years.	More than 3 years.	Total
(i) MSME	-	-	-	-	-	-
(ii) Others	5.42	-	-	-	-	5.42
(iii) Disputed dues -MSME	-	-	-	-	-	-
(iv) Disputed dues -Others	-	-	-	-	-	-
Total	5.42	-	-	-	-	5.42

(C) Financial Ratios

	Ratio	Numerator	Denominator	31st March,2022	31st March,2021	Variance
1.	Current Ratio	Current assets	Current liabilities	2.96	2.64	12%
2.	Debt Equity Ratio (in times)	Debt	Shareholders Equity	0.40	0.55	-26%
3.	Return on Equity (in %)	Profit after tax	Average Shareholder's Equity	4%	-1%	5%
4.	Inventory Turnover Ratio (times)	Gross Revenue	Average inventories	1.09	0.90	22%
5.	Trade Receivables Turnover Ratio	Gross Revenue	Average trade receivables	14.74	19.33	-24%
6.	Trade Payables Turnover Ratio	Total Purchases	Average trade payales	24.53	27.14	-10%
7.	Net Capital Turnover Ratio (in times)	Gross Revenue	Working Capital	0.89	0.96	-6%
8.	Net Profit Ratio (in %)	Profit after tax	Revenue from operations	17%	-5%	22%
9.	Return on Capital Employed*	Profit before tax	Average Capital Employed	0.17	0.02	772%

*Improvement in Return on Capital Employed is on account of increase in earnings before interest and tax in the FY 2021-22.

(D) Additional Information

- (i) The Company do not have any Benami property and neither any proceedings have been initiated or is pending against the Company for holding any Benami property.
- (ii) The Company do not have any transactions with companies struck off.
- (iii) The Company do not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- (iv) The Company has not been declared a wilful defaulter by any bank or financial institution or any other lender during the current period.
- (v) The Company have not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2022

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
 - b. provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- (vi) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - b. provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (vii) The loan has been utilised for the purpose for which it was obtained and no short term funds have been used for long term purpose.
- (viii) The Company is in compliance with the number of layers prescribed under clause (87) of section 2 of the Companies Act read with the Companies (Restriction on number of Layers) Rules, 2017.
- (ix) The Company have not traded or invested in Crypto currency or Virtual Currency during the financial year
- (x) The Company have not any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

Note 34

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

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

K. Shravan
Partner
Membership No. 215798

Place : Hyderabad
Date : 20.5.2022

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

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

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

Mrs. Sneha Sridayal Soni
Company Secretary





SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

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

Phone : 23311789, 23312341

Email : southernmagnesium@gmail.com