

**Dear Shareholder,**

Re : Updating of Shareholders' records

You are one of the valued shareholders of our Company. To serve you efficiently, the Company must have the correct and updated details of the shareholders.

You are therefore requested to provide the following information in the table given below for updating our records and rendering quick & efficient service.

<b>Sr. No.</b>	<b>Particulars</b>	<b>Information required</b>
1.	Name & Folio No.	:
2.	PAN Number	:
3.	Contact details - Phone / Mobile	:
4.	Email Id	:
5.	Details of Bank Account	:

Kindly return this letter to us after filling in the above details. You may also email your particulars on Email id - [secretarial@gujaratpetrosynthese.com](mailto:secretarial@gujaratpetrosynthese.com)

Thank you,

**N. Ravi Prasad**  
Managing Director & CEO

**NOTICE**

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of Southern Magnesium and Chemicals Limited will be held on Friday, the 29<sup>th</sup> day, of September, 2017 at 11.30 A.M at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 to transact the following Business

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2017, the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Schedules and Notes attached thereto, along with the Reports of Auditors and Directors thereon.
2. **Appointment of Statutory Auditors:**

“**RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members of the company be and is hereby accorded to appoint M/s. Brahmayya & Co., Chartered Accountants (Firm Registration No. 000513S) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the fifth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting to be held after this Annual General Meeting) on such remuneration and out of pocket expenses as may be decided by the Board of Directors from time to time”.

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

Place : Hyderabad  
Date : 28.08.2017

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

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on a poll instead of him /she and the proxy need not be a member of the company. Proxies, in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from 23.09.2017 to 29.09.2017 (both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
4. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
5. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
6. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electricity /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.
7. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
8. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
9. **Voting through electronic means**

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

The e-voting period commences on 26.09.2017 (9.00 A.M. IST) and ends on 28.09.2017 (5.00 P.M. IST). During this period, Members of the company, holding shares **either in physical form or in dematerialized form, as on 22.09.2017 (cut off date), may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently.**

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

- (i) The voting period begins on 26<sup>th</sup> September, 2017 (9.00 A.M) and ends on 28<sup>th</sup> September 2017 (5.00 P.M). During this period shareholders' of the Company, holding shares either in physical form or in Dematerialized form, as on the cut-off date (record date) of 22.09.2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

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

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

<b>PAN</b>	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both Demat shareholders as well as physical shareholders)
	<ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company /Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> </ul>
	<ul style="list-style-type: none"> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 (which is printed on address lable) in the PAN field.</li> </ul>
<b>DOB</b>	Enter the Date of Birth as recorded in your Demat account or in the company records for the said Demat account or folio in dd/mm/yyyy format.
<b>Dividend Bank Details</b>	Enter the Dividend Bank Details as recorded in your Demat account or in the company records for the said Demat account or folio.
	<ul style="list-style-type: none"> <li>• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member ID / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection Screen. However, members holding shares in Demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other company on which they are eligible to vote,

Provided that company opts for e-voting through CDSL platform, It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For Members holding shares in physical form, the details can be used only for e- voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A Confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporate.
  - a scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - after receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - the list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the System for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

## DIRECTORS' REPORT

To

The Members,

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,**

Your Directors hereby present the 31<sup>st</sup> Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31<sup>st</sup> March, 2017. The summarized financial results for the year ended 31<sup>st</sup> March, 2017 are as under:

**FINANCIAL REPORT / OPERATIONS:**

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2017	Previous Year As on 31.03.2016
<b>Net Sales / Income from Operations</b>	<b>651.92</b>	321.43
<b>Other income</b>	<b>7.09</b>	2.66
<b>Operating Expenses</b>	<b>368.90</b>	180.06
<b>Net Profit (+) / (Loss) before Tax for the Period</b>	<b>290.11</b>	144.03
<b>Tax Expenses</b>	<b>100.47</b>	49.69
<b>Net Profit (+) / (Loss) for the Period</b>	<b>189.64</b>	94.34

**REVIEW OF OPERATIONS:**

During the period revenue of the Company has increased to Rs. 651.92 Lakhs as compared to Rs. 321.43 Lakhs of the previous year. The net profit before tax has also increased to Rs. 290.11 Lakhs from Rs. 144.03 Lakhs of the previous year.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors confirm that in the preparation of Profit & Loss Account for the year end and Balance Sheet as at that date ("Financial Statements") that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The directors had prepared the annual accounts on a going concern basis; and
- (e) The directors 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 Sale/profits which is reflected in the financial results of the Company for the year.

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

The company transferred Rs. 189.64 Lakhs to the general reserve and surplus.

**3. Dividend:**

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

**4. Inter - Corporate deposits:**

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

(a) Accepted during the year - Nil

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

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

Maximum outstanding during the year; Rs. 33,73,000/-

Outstanding at the end of the year; - Rs. 32,29,000/-

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

**5. Fixed Deposits**

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

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

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

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	28.05.2016	6	6	100
2.	27.07.2016	6	5	83.33
3.	28.10.2016	6	5	83.33
4.	10.02.2017	6	5	83.33
5.	21.03.2017	6	5	83.33

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

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

**8. Board Evaluation:**

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

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

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

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

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

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

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

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

#### **INTRODUCTION**

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

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

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

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

#### **1. DEFINITIONS**

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

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

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

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

**“Key Managerial Personnel”** means

Chief Executive Officer or the Managing Director or Manager Whole-time director;

Chief Financial Officer;

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

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

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



**2. GUIDING PRINCIPLE**

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

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

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

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

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

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

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

**4.1.1.1. Minimum Remuneration:**

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

**4.1.1.2 Provisions for excess remuneration:**

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

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

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

**a) Sitting Fees:**

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

**b) Commission:**

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

**c) Stock Options:**

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

**d) Expenses for attending meetings**

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

**6. Disclosure of information**

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

**7. Application of the Remuneration Policy**

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

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

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

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

The company has paid Rs. 1500/- as fees for attending Board meetings to Mr. K. Eshwariah (Non-Executive- independent Director) during the financial year ended on March 31, 2017.

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

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

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

The Composition of Nomination and remuneration Committee as on March 31, 2017 is as follows:

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

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.	28.05.2016	4	4	100
2.	27.07.2016	4	4	100
3.	28.10.2016	4	4	100
4.	10.02.2017	4	4	100

#### 8. Stakeholder relationship committee:

The Composition of **Stakeholder relationship committee** as on March 31, 2017 is as follows:

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

One meeting of the committee was held during the year on 28-10-2016 which was attended by all committee members.

#### 9. Internal Financial Control Systems and their Adequacy:

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

#### 10. Audit Committee

The Composition of Audit Committee as on March 31, 2017 is as follows:

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

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

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

During the financial year, Audit Committee met four times on May 28<sup>th</sup>, 2016; July 27<sup>th</sup>, 2016; October 28<sup>th</sup>, 2016 and February 10<sup>th</sup>, 2017.

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

Name	Number of meetings held	Number of meetings attended
Mr. G. Raghavendra Rao	4	4
Mr. K. Eshwaraih	4	4
Mr. V.S.S. Prakash	4	4
Mr. N. Rajender Prasad	4	4

#### 13. Declaration by Independent Directors:

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

**14. Risk Management:**

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

**15. Particulars of Loans, Guarantees or Investments Under Section 186 of the Companies Act, 2013:**

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

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

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

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

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

There was no change in the nature of Business.

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

During the period under review, at the Annual General Meeting held on 25<sup>th</sup> August, 2016, Mr. Nuthakki Ravi Prasad (DIN: 00319537) had been re-appointed as the Managing Director and Chief Executive Officer whose tenure was due to expire on 12.11.2016 for a further period of three years i.e. from 13.11.2016 to 12.11.2019 and Mr. Rajender Prasad Nuthakki (DIN: 00145659) as the Joint Managing Director and Chief Finance officer of the Company whose tenure was due to expire on 09.08.2016 for a period of three years i.e. from 10.08.2016 to 09.08.2019.

Further, in the Board meeting held on 21<sup>st</sup> March, 2017 Board noted resignation letter dated 16-03-2017 tendered by Mrs. Chilukuri Mariamma Nominee of Andhra Pradesh Industrial Development Corporation (A.P.I.D.C) and approved appointment of Mrs. Edupuganti Mahalakshmi has Nominee Director for Andhra Pradesh Industrial Development Corporation (A.P.I.D.C).

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

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

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

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

**21. Particulars of Employees:**

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

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

Non Executive Directors	Ratio to median remuneration
Mr. G. Raghavendra Rao	NA
Mrs. Chilukuri Mariamma	NA
Mr. V.S.S. Prakash	NA
Mr/ K. Eshwariah	NA

Executive Directors	Ratio to median remuneration
Mr. N. Ravi Prasad	15.35:1
Mr. N. Rajender Prasad	14.81:1

**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	5.27
Mr. N. Rajender Prasad – Jt.MD and CFO	-4.50

**c. The percentage increase in median remuneration of employees in the financial year : -7.56**

**d. The number of permanent employees on the rolls of the company: 26**

**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 2016-17 was 6.62%.

Average increase in salaries of managerial personnel in 2016-17 was 0.24%.

**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.

**22. 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.

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

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

No complaint have been received by the company on sexual harassment during the financial year 2016-2017.

**24. Disclosure Requirements:**

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

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

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

**25. Auditors:**

Pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members of the company be and is hereby accorded to appoint M/s. Brahmayya & Co., Chartered Accountants (Firm Registration No. 000513S) Hyderabad, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the fifth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting to be held after this Annual General Meeting) on such remuneration and out of pocket expenses as may be decided by the Board of Directors from time to time.

**26. Clarifications on Auditors Comments in Auditors Report:**

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

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

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

**27. Secretarial Auditors' Report:**

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

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

The board of directors of the company have discussed that the company is required to appoint a Company Secretary as per the provisions of section 203 of the Companies Act 2013, and the relevant rules made thereunder, and as per SEBI (LODr) Regulations, 2015. Also they express their inability to find a suitable candidate for the post inspite of continuous efforts made by them. They have discussed the requirement of a good candidate with a few professors and reputed Practicing Company Secretaries and Chartered Accountants known to them and are hoping to find a suitable candidate soon to meet the requirements as per the Act.

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

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

**3. The remote E-voting facility was open to shareholders only for one day for the Annual General Meeting held on 25.08.2016.**

The board of directors of the company submit that voting facility was supposed to be opened and closed as per the provisions of the Act, but due to some technical error the E-voting facility could be opened only for one day. However this time company has taken adequate care and has given strict instructions to provide voting facility in electronic mode as per the provisions of the Act.

**4. 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 to complete de-materialization of their share holding immediately.

**28. Annual Return:**

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

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

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

<b>(A)Conservation of energy</b>	:	<b>NIL</b>
<b>(B)Technology absorption</b>	:	<b>Not Applicable</b>
<b>(C)Foreign exchange earnings</b>	:	<b>NIL</b>
<b>(D)Foreign exchange outgo</b>	:	<b>Rs. 2,55,71,946/-</b>

**30. Acknowledgement:**

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

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

**Place:** Hyderabad  
**Date :** 28.08.2017

**Sd/-  
Mr. N. Rajender prasad  
Jt. Managing Director & CFO  
(DIN- 00145659)**

**Sd/-  
Mr. N. Ravi Prasad  
Managing Director & CEO  
(DIN- 00319537)**

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**As on the financial year ended on 31.03.2017**  
**of**  
**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

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

**I. REGISTRATION AND OTHER DETAILS:**

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

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

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

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

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

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



**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**i) Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year(01.04.2016)				No. of Shares held at the end of the year (31.03.2017)				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(1) Indian</b>									
(a) Individual/HUF	1118642	505158	1623800	54.13	1136642	413058	1549700	51.66	(2.47)
(b) Central Govt.	0	0	0	0	0	0	0	0	0
(c) State Govt(s).	0	0	0	0	0	0	0	0	0
(d) Bodies Corp.	0	75000	75000	2.50	0	71200	71200	2.37	(0.13)
(e) Banks / FI	0	0	0	0	0	0	0	0	0
(f) Any other.....	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (1):-</b>	<b>1118642</b>	<b>580158</b>	<b>1698800</b>	<b>56.63</b>	<b>1136642</b>	<b>484258</b>	<b>1620900</b>	<b>54.03</b>	<b>(2.6)</b>
<b>(2) Foreign</b>									
(a) NRIs – Individuals	0	0	0	0	0	0	0	0	0
(b) Other – Individuals	0	0	0	0	0	0	0	0	0
(c) Bodies Corp.	0	0	0	0	0	0	0	0	0
(d) Banks / FI	0	0	0	0	0	0	0	0	0
(e) Any Other.	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter (A)=(A) (1)+(A) (2)</b>	<b>1118642</b>	<b>580158</b>	<b>1698800</b>	<b>56.63</b>	<b>1136642</b>	<b>484258</b>	<b>1620900</b>	<b>54.03</b>	<b>(2.6)</b>
<b>A. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture	0	0	0	0	0	0	0	0	0
i) Capital Funds	0	0	0	0	0	0	0	0	0
j) Others (Specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B) (1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Non – Institutions</b>									
a) Bodies Corp.									
i) Indian	43500	339900	383400	12.78	80100	339900	420000	14	1.22
ii) Overseas									
b) Individuals									
i) Individual Shareholders holding nominal share capital upto Rs. 2 lakh	83300	788700	872000	29.07	115600	755000	870600	29.02	(0.05)
ii) Individual Shareholders holding nominal share capital in excess of Rs. 2 Lakh	0	37700	37700	1.26	32600	20700	53300	1.78	0.52
c) Others (Specify)									
(Clearing Members)	8100	0	8100	0.27	35200	0	35200	1.17	0.90
<b>Sub-total (B) (2):-</b>	<b>134900</b>	<b>1166300</b>	<b>1301200</b>	<b>43.37</b>	<b>263500</b>	<b>1115600</b>	<b>1379100</b>	<b>45.97</b>	<b>2.6</b>
<b>Total Public Shareholding (B) = (B) (1)+ (B) (2)</b>	<b>134900</b>	<b>1166300</b>	<b>1301200</b>	<b>43.37</b>	<b>263500</b>	<b>1115600</b>	<b>1379100</b>	<b>45.97</b>	<b>2.6</b>
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
<b>Grand Total(A+B+C)</b>	<b>1253542</b>	<b>1746458</b>	<b>3000000</b>	<b>100</b>	<b>263500</b>	<b>1115600</b>	<b>3000000</b>	<b>100</b>	<b>0</b>

**(ii) Shareholding of Promoters:**

S. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of Change the Year
		% of No. of Shares	% of Shares total Shares of the company	Pledged/encumbered to total shares	% of No. of Shares	% of Shares total Shares of the Company	during Pledged encumbered to total shares	
1.	Mrs.Urmi Prasad	6,200	0.21	0	6,200	0.21	0	0
2.	Ms. Anantha Lakshmi. N.	2,33,998	7.80	0	2,33,998	7.80	0	0
3.	Mr.Ravi Prasad Nuthakki	3,88,148	12.94	0	3,88,148	12.94	0	0
4.	Mr.N.Rajender Prasad	2,48,498	8.28	0	2,48,498	8.28	0	0
5.	Mrs.N.Naga Ratna	64,100	2.14	0	64,100	2.14	0	0
6.	Mr.Ram Prasad Nuthakki	1,80,298	6.01	0	1,80,298	6.01	0	0
7.	Ms.N.Rama Parvati	32,100	1.07	0	20,500	0.68	0	(0.39)
8.	Mr.Satyanarayana Nandigam	1,800	0.06	0	1,800	0.06	0	0
9.	Mr.Srinivasa Rao Vuppuluri	1,700	0.06	0	1,700	0.06	0	0
10.	Mr. Haranadh Katragadda	1,800	0.06	0	1,800	0.06	0	0
11.	Mr.Rambabu Mullapudi	2,000	0.07	0	2,000	0.07	0	0
12.	Venkata Seshagiri Rao							
	Devulapalli	1,800	0.06	0	1,800	0.06	0	0
13.	Mr.Ratnam Bodapati	1,800	0.06	0	1,800	0.06	0	0
14.	Mr.Ranga Prasad	2,59,298	8.64	0	2,59,298	8.64	0	0
15.	Mr. A.Subhadra	3,000	0.10	0	3,000	0.10	0	0
16.	GPL Finance and Investments Ltd	75,000	2.50	0	71,200	2.37	0	(0.13)
17.	Mr. RV Mulla Pudi	62,500	2.08	0	0	0	0	(2.08)
18.	Mr. P V Krishna Rao	10,000	0.33	0	10,000	0.33	0	0
19.	Mr. P.Narendra Nath Chowdary	20,000	0.67	0	20,000	0.67	0	0
20.	Mr. P S R V K Ranga Rao	10,000	0.33	0	10,000	0.33	0	0
21.	Ms. P.Sujatha	10,000	0.33	0	10,000	0.33	0	0
22.	Mr. P.A.Ramaiah	20,000	0.67	0	20,000	0.67	0	0
23.	Mr. P.V.Raidu	5,000	0.17	0	5,000	0.17	0	0
24.	Mr. P.Ravi	5,000	0.17	0	5,000	0.17	0	0
25.	Mr. N.B.Prasad	2,500	0.08	0	2,500	0.08	0	0
26.	Mr.S.Satya Narayana Murthy	2,500	0.08	0	2,500	0.08	0	0
27.	Mr. Raghu V Batta	49,760	1.66	0	49,760	1.66	0	0

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

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

S.No	Name of the Shareholders  For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	of total % shares of the company	No. of shares	% of total shares of the company
1	Andhra Pradesh Industrial Development Corporation	337500	11.25	337500	11.25
2	Stocktalks Private Limited	11000	0.37	31000	1.03
3	G.Lakshmi	37700	1.25	20700	0.69
4	D.Srinivas	20000	0.66	20000	0.66
5	J.Ashok Rao	18000	0.60	18000	0.60
6	Surender Reddy	16200	0.54	16200	0.54
7	Ashwin Kedia	15000	0.50	15000	0.50
8	Mohan Rao	13000	0.43	13000	0.43
9	GVR Raju	12200	0.40	12200	0.40
10	Om Prakash Chugh	20000	0.67	10000	0.33

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

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

**V. INDEBTEDNESS:**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount		1,82,80,051		1,82,80,051
ii) Interest due but not paid		0		0
iii) Interest accrued but not due		0		0
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>1,82,80,051</b>	<b>0</b>	<b>1,82,80,051</b>
<b>Change in Indebtedness during the financial year</b>				
Addition		-		-
Reduction		(60,65,698)		(60,65,698)
<b>Net Change</b>	<b>0</b>	<b>(60,65,698)</b>		<b>(60,65,698)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount		1,22,14,353		1,22,14,353
ii) Interest due but not paid		0		0
iii) Interest accrued but not due		0		0
<b>Total (i+ii+iii)</b>		<b>1,22,14,353</b>		<b>1,22,14,353</b>

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

S.No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Managing Director & CEO N. Ravi Prasad	Jt. Managing Director & CFO N. Rajender Prasad		
1	Gross salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	11,52,000	11,52,000		23,04,000
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	2,95,394	2,44,098		5,39,492
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0		0
2	Stock Option	0	0		0
3	Sweat Equity	0	0		0
4	Commission - as % of profit - others, specify...	0	0		0
5	Others, please specify	0	0		0
	<b>Total (A)</b>	<b>14,47,394</b>	<b>13,96,098</b>		<b>28,43,492</b>
	<b>Ceiling as per the Act</b>	<b>60,00,000</b>	<b>60,00,000</b>		<b>1,20,00,000</b>

**B. Remuneration to other Directors:**

S.No	Particulars of Remuneration	Name of Directors				Total Amount
		K. Eshwaraiah		Smt. Mariyamma		
	1 Independent Directors					
	• Fee for attending board / committee meetings	1500	-	-	-	1500
	• Commission	-	-	-	-	-
	• Others, please specify	-	-	-	-	-
	<b>Total (1)</b>	1500	-	-	-	1500
	2. Other Non-Executive Directors	0		0		
	• Fee for attending board / committee meetings					
	• Commission					
	• Others, please specify					
	<b>Total (2)</b>	0		0		
	<b>Total (B) = (1)+(2)</b>	1500	-	-	-	1500
	<b>Total Managerial Remuneration</b>	NA	-	-	-	NA
	<b>Overall Ceiling as per the Act</b>	NA	-	-	-	NA

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

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

S.No	Particulars of Remuneration	Key Managerial Personnel			
		CEO*	CS	CFO*	Total
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0	0	0	0
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	0
2.	Stock Option	0	0	0	0
3.	Sweat Equity	0	0	0	0
4.	Commission	0	0	0	0
	- As % of Profit	0	0	0	0
	- Others, Specify.....	0	0	0	0
5.	Others, Please Specify	0	0	0	0
	Total	0	0	0	0

\* As disclosed under VI - A above

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

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

Sd/-  
**Mr. N. Rajender prasad**  
Jt. Managing Director & CFO  
(DIN- 00145659)

Sd/-  
**Mr. N. Ravi Prasad**  
Managing Director & CEO  
(DIN- 00319537)

Place : Hyderabad

Date : 28.08.2017

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

FOR THE FINANCIAL YEAR ENDED 31.03.2017

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

To,  
The Members,

**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by "**Southern Magnesium and Chemicals Limited**" (hereinafter called the company). Secretarial Audit was conducted in accordance with the guidance note issued by the Institute of Company Secretaries of India, 1980 and in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and read with the statutory auditor's report on financial statements and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, according to the explanations given to us, the company has, during the audit period covering the financial year ended on March 31, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings. (Not applicable to the Company during the period of audit);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the period of audit);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the period of audit);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ;(Not applicable to the Company during the period of audit); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;(Not applicable to the Company during the period of audit)
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) As per the representations and explanations given by the Management and Officers of the Company there are no industry specific laws applicable to the Company.

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

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

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

1. The Company has not appointed "Company Secretary" and the "Compliance Officer" as required under Section 203(1) of the Companies Act, 2013 read with Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 6(1) of SEBI (LODR) Regulations, 2015.
2. The company has received few show cause notices from Stock Exchange. The company replied to such notices & there is no further communication/ information from Stock Exchange.
3. The remote E-voting facility was open to shareholders only for one day for the Annual General Meeting held on 25.08.2016.
4. 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.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

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

**For D.HANUMANTA RAJU & CO  
COMPANY SECRETARIES**

**Sd/-**

**CS MOHIT KUMAR GOYAL  
PARTNER**

**ACS: 32655, CP NO: 12751**

**Place: Hyderabad  
Date : 28.08.2017**

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

**'Annexure A'**

To,  
The Members,  
**SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**

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

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

**For D.HANUMANTA RAJU & CO  
COMPANY SECRETARIES**

**Sd/-**

**CS MOHIT KUMAR GOYAL  
PARTNER**

**ACS: 32655, CP NO: 12751**

**Place: Hyderabad  
Date : 28.08.2017**

## 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:

The year 2017-18 has started off slowly. Part of this could be because some orders were completed in the previous year, leading to higher sales and profit that year. However we are hopeful that fresh orders will pickup the second half the year.

### INTERNAL CONTROL SYSTEMS & ADEQUACY:

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

### FINANCIAL AND OPERATIONAL PERFORMANCE:

Highlights of financial and operational Performance are given below:

Particulars	As at 31.03.2017 (Rs in lakhs)	As at 31.03.2016 (Rs in lakhs)
Net Sale and other Income	651.92	321.43
Other Income	7.09	2.66
Operating Expenses	368.90	180.06
Net Profit (+) / (loss) before Tax for the period	290.11	144.03
Exceptional Items	-	-
Tax Expenses	100.47	49.69
Net Profit (+) / (loss) for the period	189.64	94.34

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

### HUMAN RESOURCES, INDUSTRY DEVELOPMENT RELATIONS:

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

### SENIOR MANAGEMENT DISCLOSURES:

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

### CAUTIONARY STATEMENT:

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

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

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

Place : Hyderabad  
Date : 28.08.2017



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

We have audited the accompanying standalone financial statements of **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**, , HYDERABAD ,TELANGANA ("The Company") which comprise the Balance Sheet as at 31<sup>st</sup> March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and Matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the Disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,

- (a) In the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2017;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on the date.

And

- (c) In the case of the Cash flow statements, of the cash flow for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies(Auditor's Report) Order 2016 ("the Order") issued by the Central Government of India in terms of sub-section(11) of section 143 of the Companies Act 2013, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order .
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our Knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014
  - (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure B**"; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
    - iv. The company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of accounts maintained by the Company and as produced to us by the Management (Refer to Note No 27 to the audited Financial Statements)

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

**Sd/-**  
**(NAGA PRASADU)**  
Partner  
Membership No. 231388

Place : HYDERABAD  
Date : 12.05.2017

**ANNEXURE REFERRED TO PARAGRAPH 9 OF OUR REPORT OF EVEN DATE**

The Annexure referred to in Para 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date, to the members of **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED**, HYDERABAD, for the year ended March 31, 2017.,

1. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
b. As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No discrepancies were noticed on such verification.  
c. The title deeds of immovable properties are held in the name of the Company.
2. The inventory has been physically verified by the management at reasonable intervals and in our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on physical verification between the physical stocks and the book stocks.
3. a. During the year, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.  
b. In view of our comment in para (a) above, Clause (III) (a), (b) and (c) of paragraph 3 of the Companies (Auditor's Report) Order 2016 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, the Company has not advanced any loan to any Director and no investments were made during the year as referred to in sections 185 and 186 of the Act. Therefore, the provisions of Paragraph 3(iv) of the of the Companies (Auditor's Report) Order 2016 are not applicable to the Company.
5. The Company has not accepted any deposits from the public. Hence the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed there under; do not apply to this Company.
6. In view of the present activity carried on by the company the para 3(vi) of the said order with respect to cost records is not applicable.
7. a. According to the records, the company is regular in depositing undisputed statutory dues including, Provident fund and ESI, 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, 2017 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.
8. The Company has availed Over draft facility from a nationalized bank and not defaulted in repayment;
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year under review;
10. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
11. Managerial remuneration has been paid in compliance with provisions of Sec 197 read with Schedule V to the Companies Act 2013,
12. The Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable;
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with 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;
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year;
15. The Company has not entered into non-cash transactions with directors or persons connected with him;
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

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

**Sd/-**  
**(NAGA PRASADU)**  
Partner  
Membership No. 231388

Place : HYDERABAD

Date : 12.05.2017

**ANNEXURE-B REFERRED TO IN PARAGRAPH 10 (f) OF OUR REPORT OF EVEN DATE**

1. We have audited the internal financial controls over financial reporting of **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED** (“the Company”) as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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

**Auditors’ Responsibility**

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

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

6. A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that:
  - a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
  - b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- c. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**Qualified Opinion**

8. According to the information and explanations given to us and based on our audit, the following material weakness have been identified as at March 31, 2017;
9. The Company did not have an appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the Company recognizing revenue without establishing reasonable certainty of ultimate collection.

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

In our opinion, except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

We have considered the material weakness identified and reported above in determining the nature timing, and extent of audit tests applied in our audit of the March 31, 2017 financial statements of the Company, and the material weakness does not affect our opinion on the financial statements of the Company.

Place : HYDERABAD  
Date : 12.05.2017

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

**Sd/-**  
**(NAGA PRASADU)**  
Partner  
Membership No. 231388

## BALANCE SHEET AS AT 31ST MARCH, 2017

(All amounts are in Rupees)

Particulars	Note No.	As at 31 March 2017	As at 31 March 2016
<b>I Equity and Liabilities</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital	2	30,000,000	30,000,000
(b) Reserves and surplus	3	<u>(4,982,105)</u>	<u>(23,946,418)</u>
		25,017,895	6,053,582
<b>(2) Non Current Liabilities</b>			
(a) Deferred Tax Liabilities(Net)		779,015	798,532
(b) Long Term Provisions	4	790,195	100,000
<b>(3) Current liabilities</b>			
(a) Short-term borrowings	5	12,214,353	18,280,051
(b) Other current liabilities	6	12,289,901	3,018,779
(c) Short-term provisions	7	<u>9,875,063</u>	<u>5,010,170</u>
		34,379,317	26,309,000
<b>Total</b>		<u>60,966,421</u>	<u>33,261,114</u>
<b>II Assets</b>			
<b>(1) Non-current assets</b>			
Fixed assets			
(i) Tangible assets	8	<u>3,124,810</u>	<u>3,239,627</u>
		3,124,810	3,239,627
<b>(2) Current assets</b>			
(a) Inventories	9	29,099,434	16,514,841
(b) Trade receivables	10	12,060,093	10,180,165
(c) Cash and cash equivalents	11	5,286,632	1,863,930
(d) Short-term loans and advances	12	11,120,380	1,385,035
(e) Other current assets	13	<u>2,75,072</u>	<u>77,516</u>
		57,841,611	30,021,487
<b>Total</b>		<u>60,966,421</u>	<u>33,261,114</u>
<b>Significant Accounting Policies</b>		1	
<b>Explanatory Notes &amp; Other Disclosures</b>		22-27	

As per our report of even date

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

Sd/-

**M. NAGA PRASADU**  
Partner  
Membership No. 231388

Place : Hyderabad  
Date : 12.05.2017

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**  
Managing Director

Sd/-

**N.Rajender Prasad**  
Joint Managing Director

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

(All amounts are in Rupees)

Particulars	Note No.	Current Year	Previous Year
<b>I Revenue from operations</b>	<b>14</b>	<b>65,192,566</b>	32,143,341
<b>II Other income</b>	<b>15</b>	<b>709,469</b>	266,154
<b>III Total Revenue</b>		<b>65,902,035</b>	<b>32,409,495</b>
<b>IV Expenses</b>			
Cost of raw materials consumed	<b>16</b>	<b>32,108,942</b>	20,715,263
Changes in inventories of finished goods and work-in-progress	<b>17</b>	<b>(9,279,939)</b>	(11,703,321)
Employee benefits expense	<b>18</b>	<b>7,081,288</b>	4,628,401
Finance costs	<b>19</b>	<b>844,411</b>	946,113
Depreciation and amortization expense	<b>8</b>	<b>189,901</b>	172,830
Other expenses	<b>20</b>	<b>5,945,962</b>	3,246,788
<b>Total expenses</b>		<b>36,890,565</b>	<b>18,006,075</b>
<b>V Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>29,011,470</b>	14,403,420
<b>VI Exceptional items</b>	<b>21</b>	-	-
<b>VII Profit before extraordinary items and tax (V-VI)</b>		<b>29,011,470</b>	14,403,420
Extraordinary Items		-	-
<b>VIII Profit before tax (VII-VIII)</b>		<b>29,011,470</b>	14,403,420
<b>IX Tax expense:</b>			
(1) Current tax		<b>9,875,063</b>	5,010,170
(2) Prior period		<b>191,612</b>	0
(2) Deferred tax	<b>25 (d)(ii)</b>	<b>(19,417)</b>	(41,000)
<b>X Profit for the period (VIII-IX)</b>		<b>18,964,313</b>	<b>9,434,250</b>
<b>XI Earnings per equity share (Face value of Rs.10/- Each)</b>	<b>23 (c)</b>		
(1) Basic		<b>6.32</b>	3.14
(2) Diluted		<b>6.32</b>	3.14
<b>Significant Accounting Policies</b>	<b>1</b>		
<b>Explanatory Notes &amp; Other Disclosures</b>	<b>22-27</b>		

As per our report of even date

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

Sd/-

**M. NAGA PRASADU**  
Partner  
Membership No. 231388

Place : Hyderabad  
Date : 12.05.2017

For and on behalf of the Board of Directors

Sd/-

**N.Ravi Prasad**  
Managing Director

Sd/-

**N.Rajender Prasad**  
Joint Managing Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

(All amounts are in Rupees)

Sl. No.	Particulars	Current Year	Previous Year
<b>I</b>	<b>Cash Flow from Operating Activities</b>		
	Profit for the year before tax	29,011,470	14,403,420
	<b>Adjustments for:</b>		
	Depreciation	189,901	172,830
	Profit on sale of assets	-	-
	Interest	844,411	946,113
	Interest earned	(400,558)	(109,854)
	Excess provision written back	-	-
	<b>Operating Profit before Working Capital changes</b>	<b>29,645,224</b>	<b>15,412,509</b>
	<b>Adjustments for :</b>		
	Increase / (Decrease) in Trade Payables	-	-
	Increase / (Decrease) in Other Current Liabilities	9,271,122	<b>686,037</b>
	Increase / (Decrease) in Short-term Provisions	-	-
	Increase / (Decrease) in Long-term Provisions	690,195	-
	(Increase) / Decrease in Inventories	(12,584,593)	<b>(8,587,134)</b>
	(Increase) / Decrease in Trade Receivables	(1,879,928)	<b>(2,031,203)</b>
	(Increase) / Decrease in Short-term Loans & Advances	(9,735,345)	(87,268)
	(Increase) / Decrease in Other Current Assets	(197,555)	90,150
	<b>Operating Profit before Tax Expenses</b>	<b>15,209,120</b>	5,483,091
	Less: Taxes paid	(5,201,782)	(462,220)
	<b>Cash generated from operations</b>	<b>10,007,338</b>	<b>5,020,871</b>
	<b>Net cash flow from Operating Activities (A)</b>	<b>10,007,338</b>	<b>5,020,871</b>
<b>II</b>	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed Assets	(75,084)	(51,188)
	Proceeds from disposal of Assets	-	-
	Interest received during the year	400,555	109,854
	<b>Net cash used in Investing Activities (B)</b>	<b>325,471</b>	<b>58,666</b>
<b>III</b>	<b>Cash Flow from Financing Activities</b>		
	Increase / (Decrease) in Short term Borrowings	(6,065,698)	(5,111,082)
	Redemption of Preference Shares	-	-
	Interest paid	(844,411)	<b>(946,113)</b>
	Dividend Paid	-	-
	Dividend Distribution Tax paid	-	-
	<b>Net cash used in Financing Activities (C)</b>	<b>(6,910,109)</b>	<b>(6,057,195)</b>
<b>IV</b>	<b>Net Increase/ (Decrease) in Cash and Cash equivalents (A+B+C)</b>	<b>3,422,700</b>	<b>(977,658)</b>
	<b>Cash and Cash equivalents as at 01.04.2016</b>		
	<b>Opening Balance</b>	<b>1,863,932</b>	<b>2,841,590</b>
	<b>Cash and Cash equivalents as at 31.03.2017</b>		
	<b>- Closing Balance</b>	<b>5,286,632</b>	<b>1,863,932</b>

As per our report of even date

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

For and on behalf of the Board of Directors

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

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

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

Place : Hyderabad  
Date : 12.05.2017



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## 2. Share Capital

(All Amounts in Rupees)

PARTICULARS	As At	As At
	31st March, 2017	31st March, 2016
<b>Authorised:</b>		
40,00,000 - Equity Shares of Rs 10/- each.	<u>40,000,000</u>	40,000,000
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	<u>10,000,000</u>	10,000,000
<b>Issued, subscribed and paid up:</b>		
30,00,000 - Equity Shares of Rs 10/- each, fully paid up	<u>30,000,000</u>	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>

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

Particulars	31-3-2017		31-3-2016	
	Number of Share held	Amount	Number of shares held	Amount
Number of shares at the beginning of the year	3,000,000	30,000,000	3,000,000	30,000,000
Add: Shares Issued during the year	-	-	-	-
	3,000,000	30,000,000	3,000,000	30,000,000
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<u>3,000,000</u>	<u>30,000,000</u>	<u>3,000,000</u>	<u>30,000,000</u>

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

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

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

Name of the Share Holder	As at 31st March 2017		As at 31st March 2016	
	Number of shares held	% out of total number of shares of the company	Number of shares held	% out of total number of shares of the company
Mr. N. Ravi Prasad	388,148	12.94%	388,148	12.94%
M/s. Andhra Pradesh Industrial Development Corporation	337,500	11.25%	337,500	11.25%
Mr. N. Ranga Prasad	259,298	8.64%	259,298	8.64%
Mr. N. Rajendra Prasad	248,498	8.28%	248,498	8.28%
Smt. N. Anantha Lakshmi	233,998	7.80%	233,998	7.80%
Mr. N Ram Prasad	180,298	6.01%	180,298	6.01%
<b>Total</b>	<u>1,647,740</u>		<u>1,647,740</u>	

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## 3. Reserves and Surplus

(All amounts are in Rupees)

Particulars	As at 31 March 2017		As at 31 March 2016	
(i) Capital Reserve - Subsidy received		1,000,000		1,000,000
(ii) Balance in Statement of Profit and Loss				
Opening Balance	(24,946,418)		(34,365,660)	
Less: Excess MAT Credit Entitlement	-		15,008	
	(24,946,418)		(34,380,668)	
Add: Profit for the year	18,964,313		9,434,250	
	(5,982,105)		(24,946,418)	
Less : Dividend Paid on Preference Shares	-		-	
Dividend Distribution Tax	-		-	
Balance as at the end of the year		(5,982,105)		(24,946,418)
<b>Total</b>		<b>(4,982,105)</b>		<b>(23,946,418)</b>

## 4. Long Term Provisions

(All amounts are in Rupees)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) Provision for employee retirement benefits		
Gratuity	790,195	100,000
<b>Total</b>	<b>790,195</b>	<b>100,000</b>

## 5. Short-term borrowings (Unsecured)

(All amounts are in Rupees)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) Loans from Related Parties		
(Interest free, Repayable on Demnad)		
: Directors	-	2,360,000
: Inter Corporate Deposits	3,229,000	3,373,000
(ii) Andhra Bank OD A/c.	8,985,353	12,547,051
<b>Total</b>	<b>12,214,353</b>	<b>18,280,051</b>

## 6. Other current liabilities

(All amounts are in Rupees)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) Dues to Related Parties		
: Directors	229,580	662,575
(ii) Creditors for expenses	2,147,177	854,317
(iii) Statutory Liabilities	3,353,615	1,501,887
(iv) Trade Payables	6,215,279	-
(v) Advance received from customers	344,250	-
<b>Total</b>	<b>12,289,901</b>	<b>3,018,779</b>

## 7. Short-term provisions

Particulars	As at 31 March 2017	As at 31 March 2016
(i) Other provisions		
Provision for Incometax	9,875,063	5,010,170
<b>Total</b>	<b>9,875,063</b>	<b>5,010,170</b>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

8. Fixed Assets

(All amounts are in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.2016	Additions during the year	Deletions During the year	As at 31.03.2017	Upto 31.03.16	For the year	Upto 31.03.17	As at 31.03.17	As at 31.03.16
<b>(A) Tangible Assets</b>									
(i) Land - Factory	235,862	-	-	235,862	-	-	-	235,862	235,862
(ii) Buildings:									
(a) Factory	4,135,121	-	-	4,135,121	3,006,377	106,196	3,112,573	1,022,548	1,128,744
(b) Non-Factory	2,497,589	-	-	2,497,589	945,308	40,296	985,604	1,511,985	1,552,281
(iii) Plant and Machinery	1,412,203	-	-	1,412,203	1,335,773	475	1,336,248	75,955	76,430
(iv) Electrical Installations	82,966	49,980	-	132,946	78,818	1,171	79,989	52,957	4,148
(v) Weighing Machines	410,491	-	-	410,491	390,216	-	390,216	20,275	20,275
(vi) Fire Fighting Equipment	29,810	-	-	29,810	28,319	-	28,319	1,491	1,491
(vii) Data Processing Equipment	112,840	12,506	-	125,346	107,198	330	107,528	17,818	5,642
(viii) Lab Equipment	814,615	-	-	814,615	773,884	-	773,884	40,731	40,731
(ix) Furniture and Fixtures	258,584	-	-	258,584	246,030	-	246,030	12,554	12,554
(x) Vehicles	632,318	-	-	632,318	600,702	-	600,702	31,616	31,616
(xi) Office equipment	442,483	12,598	-	455,081	312,630	41,433	354,063	101,018	129,853
<b>Total</b>	<b>11,064,822</b>	<b>75,084</b>	<b>-</b>	<b>11,139,966</b>	<b>7,825,255</b>	<b>189,901</b>	<b>8,015,156</b>	<b>3,124,810</b>	<b>3,239,627</b>
<b>Previous Year</b>	<b>11,013,694</b>	<b>51,188</b>	<b>-</b>	<b>11,064,882</b>	<b>7,652,425</b>	<b>172,830</b>	<b>7,825,255</b>	<b>3,239,627</b>	<b>3,361,269</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## 9. Inventory

(All amounts are in Rupees)

Particulars	As at	As at
	31 March 2017	31 March 2016
(i) Finished goods	25,794,780	8,279,313
(ii) Work in Progress	-	8,235,528
(iii) Raw Material	3,304,654	-
<b>Total</b>	<b>29,099,434</b>	<b>16,514,841</b>

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

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

## 10. Trade Receivables (Unsecured)

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

## 11. Cash and Cash equivalents

Particulars	As at	As at
	31 March 2017	31 March 2016
(i) Balances with banks		
In Current Accounts	89,449	71,688
As Fixed Deposits (Margin Money)	5,141,000	1,758,420
Fixed Deposit receipts are held by a bank as 100% margin with a lien marked in the favour for the Bank Guarantees issued by them		
(ii) Cash on hand	56,183	33,822
<b>Total</b>	<b>5,286,632</b>	<b>1,863,930</b>

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

Particulars	As at	As at
	31 March 2017	31 March 2016
(i) Advance for purchase and expenses	2,244,483	-
(ii) Tax deducted at source	135,301	132,130
(iii) MAT credit Entitlement	-	128,877
(iv) Deposits recoverable	117,196	257,196
(v) Balance with Central Excise	123,400	863,132
(vi) Service Tax Credit	-	3,700
(vii) Advance Income Tax 2017-18	8,500,000	-
<b>Total</b>	<b>11,120,380</b>	<b>1,385,035</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## 13. Other Current Assets

(All amounts are in Rupees)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) Interest Accrued - Fixed Deposits	217,405	70,785
(ii) Interest Accrued - APSEB	-	67,311
(iii) Prepaid expenses	57,668	-
<b>Total</b>	<b>275,071</b>	<b>77,516</b>

## 14. Revenue from operations

Particulars	Current Year	Previous Year
Sale of products (Net of taxes)	72,522,262	35,988,711
	<u>72,522,262</u>	<u>35,988,711</u>
Less: Excise duty	7,329,696	3,845,370
<b>Total</b>	<b>65,192,566</b>	<b>32,143,341</b>

## 15. Other Income

Particulars	Current Year	Previous Year
Interest Income	400,558	109,854
Credit balance written back	-	156,300
Foreign Exchange Fluxuation	308,911	-
<b>Total</b>	<b>709,469</b>	<b>266,154</b>

## 16. Raw materials consumed

Particulars	Current Year	Previous Year
Opening Stock of Raw Materials	-	3,116,186
Add: Purchases during the year	32,108,942	17,599,077
	<u>32,108,942</u>	<u>20,715,263</u>
Less : Closing Stock	-	-
<b>Total</b>	<b>32,108,942</b>	<b>20,715,263</b>

Particulars	Current Year	Previous Year
<b>Details of raw materials consumed</b>		
Magnesium Metal Powder	6,834,339	3,455,313
Magnesium Metal Ingots	4,307,994	-
Magnesium Powder imported	20,966,609	17,259,950
<b>Total</b>	<b>32,108,942</b>	<b>20,715,263</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

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

Particulars	Current Year	Previous Year
Opening Stock:		
Finished Goods	8,279,313	4,811,521
Work-in-progress	8,235,528	-
	<u>16,514,841</u>	<u>4,811,521</u>
Closing Stock:		
Finished Goods	25,794,780	8,279,313
Work-in-progress	-	8,235,528
	<u>25,794,780</u>	<u>16,514,841</u>
<b>(Increase)/ Decrease in inventories</b>	<b>(9,279,939)</b>	<b>(11,703,320)</b>

## 18. Employee Benefits Expense

Particulars	Current Year	Previous Year
Salaries,Wages and Bonus	6,525,041	4,333,542
Staff welfare expenses	312,167	93,259
Contribution to provident and other funds	244,080	201,600
<b>Total</b>	<b><u>7,081,288</u></b>	<b><u>4,628,401</u></b>

## 19. Finance Costs

Particulars	Current Year	Previous Year
Interest expense	819,411	946,113
Other Borrowing Costs	25,000	-
<b>Total</b>	<b><u>844,411</u></b>	<b><u>946,113</u></b>

## 20. Other Expenses

Particulars	Current Year	Previous Year
Consumption of general stores	212,439	98,375
Power	286,328	243,599
Repairs to: Plant and machinery	119,892	217,530
: Other assets	12,176	49,575
: Building Maintenance	650,705	31,190
Insurance	12,965	28,086
Rates and taxes (excluding taxes on income)	65,244	34,706
Payments to Auditor as: Auditor	46,000	45,800
: Tax Audit	18,400	18,240
: for certification	6,326	21,138
Carriage and freight	534,627	311,424
Postage and telephones	238,831	218,361
Travelling and conveyance	261,145	177,045
Vehicle maintenance	275,941	295,280
General charges	956,997	820,514
Professional charges	209,254	130,519
Debit Balance Written off	-	9,606
Liquidated damages	92,229	110,490
Excise duty (See Note - 22)	1,946,163	385,310
Income Tax 2015-16	300	-
<b>Total</b>	<b><u>5,945,962</u></b>	<b><u>3,246,788</u></b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## 21. Execeptional Items

Particulars	Current Year	Previous Year
Excess Provision Written back (refer note no.23)	-	-
Gain on sale of Asset	-	-
Lease Amount Received	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## 1. Significant Accounting Policies

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

## 22. Explanatory Notes &amp; Other Disclosures

## 22.1 Financial Statements of the Company were prepared on "Going Concern basis"

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

23. Excise Duty expense of Rs. 19,46,163/- represents the differential excise duty in respect of finished goods as on 01.04.2016 and as on 31.03.2017.

## 24. Additional Information

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

Particulars	Current Year	Previous Year
Raw materials	2,55,71,946	1,32,10,974
<b>Total</b>	<b>2,55,71,946</b>	<b>1,32,10,974</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## b. Earnings in foreign exchange:

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

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

Particulars	Current Year		Previous Year	
	Amount in Rs.	%	Amount in Rs.	%
Indigenous	78,37,679	24.41	34,55,313	16.68
Imported	2,42,71,263	75.59	1,72,59,950	83.32
<b>Total</b>	<b>3,21,08,942</b>	<b>100.00</b>	2,07,15,263	100.00

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

## a. Segment Reporting

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

## b. Related Party Disclosures

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

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

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

S.no	Nature of transaction	Current Year	Previous Year
1	<b>Remuneration</b>	<b>23,04,000</b>	23,04,000
2	<b>Medical Reimbursement</b>	<b>85,092</b>	18,141
3	<b>Club Subscriptions</b>	<b>22,400</b>	20,400
4	<b>Un secured Loans:</b>		
	Outstanding at the beginning of the year	<b>23,60,000</b>	4,50,000
	Amounts received during the year	<b>3,10,000</b>	37,60,000
	Amounts repaid during the year	<b>(26,70,000)</b>	(18,50,000)
	Outstanding at the end of the year	<b>0</b>	23,60,000
5	<b>Current Liabilities – Current Accounts of the Key Managerial Personnel</b>		
	Outstanding at the beginning of the year	<b>1,97,775</b>	3,96,066
	Amounts received during the year	<b>7,29,712</b>	5,16,695
	Amounts repaid during the year	<b>(8,55,507)</b>	(7,14,986)
	Outstanding at the end of the year	<b>71,980</b>	1,97,775



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## 2. Transactions with Relatives of Directors

(Amount in Rs.)

S.no	Nature of transaction	Current Year	Previous Year
1	<b>Un secured Loans:</b>		
	Outstanding at the beginning of the year	-	-
	Amounts received during the year	-	-
	Amounts repaid during the year	-	-
	Outstanding at the end of the year	-	-
2	<b>Current Liabilities:</b>		
	Outstanding at the beginning of the year	-	-
	Amounts received during the year	-	-
	Amounts repaid during the year	-	-
	Outstanding at the end of the year	-	-

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

(Amount in Rs.)

S.No	Nature of transaction	Current Year	Previous Year
1	<b>Inter Corporate Deposits received:</b>		
	Outstanding at the beginning of the year	33,73,000	35,50,000
	Amounts received during the year	-	-
	Amounts repaid during the year	(1,44,000)	(1,77,000)
	Outstanding at the end of the year	32,29,000	33,73,000
2	<b>Current Liabilities:</b>		
	Outstanding at the beginning of the year	1,35,230	1,73,395
	Amounts received during the year	41,106	15,030
	Amounts repaid during the year	(83,314)	(53,195)
	Outstanding at the end of the year	93,022	1,35,230

## c. Earnings per share

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

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit as per Profit & Loss Account	18,964,313	94,34,250
Earnings available to Equity Shareholders	18,964,313	94,34,250
Number of equity Shares outstanding	30,00,000	30,00,000
Basic and Diluted earnings per share in Rupees ( Face value of Rs.10/- each)	6.32	3.14

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

## d. Accounting for Taxes on income

## i) Deferred Tax

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

(Amount in Rs.)

S.no	Items of Deferred Tax Assets	Current Year	Previous Year
1	Disallowances under 43 B	30,549	24,305
2	Disallowances under 40(a) (ia)	87,056	15,626
3	Disallowances under 37	0	0
	<b>Total (A)</b>	<b>1,17,605</b>	<b>39,931</b>

S.no	Items of Deferred Tax Liabilities	Current Year	Previous Year
1	Depreciation	24,73,757	26,24,181
	<b>Total (B)</b>	<b>24,73,757</b>	<b>26,24,181</b>

Particulars	Current Year	Previous Year
Net Deferred Tax Asset/(Liability) (A-B)	(23,56,152)	(25,84,250)
Tax thereon @ 30.9 %	(7,79,015)	(7,98,532)

Reduction in liability of Rs. 19,517/- credited to the Statement of Profit & Loss

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

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

27. Dealings in Specific Bank Notes during the period from 8<sup>th</sup> November,2016 to 30<sup>th</sup> December,2016.

Particulars	SBN's			Other Denominations	Total
	1000	500	Total Rs	Notes in Rs.	Closing Balance
Balance as on 08.11.2016	50	85	92,500	25,612	1,18,112
Add: Amount withdrawn From Bank				2,18,000	3,36,112
Less: Amount deposited (SBN's)				92,500	2,43,612
Permitted Payments				2,16,050	27,562
Balance as on 30.12.2016					<b>27,562</b>

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

As per our report of even date

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

**M. NAGA PRASADU**  
Partner  
Membership No. 231388

Place : Hyderabad  
Date : 12.05.2017

For and on behalf of the Board of Directors

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

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



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

**ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING**

(to be surrendered at the venue of the meeting)

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

I hereby record my presence at the 31<sup>st</sup> Annual General Meeting of the shareholders of Southern Magnesium And Chemicals Limited at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 at 11.30 A.M. on Friday, the 29<sup>th</sup> September, 2017.

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

\* Applicable if shares are held in electronic form

Name & Address of Member

Signature of shareholders/Proxy/  
Representative (please Specify)

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





**Form No. MGT-11**

**Proxy Form**

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

**CIN:** L27109TG1985PLC005303

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

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

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

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 31<sup>st</sup> Annual General Meeting of the Company, to be held on Friday, the 29<sup>th</sup> day of September, 2017 at 11.30 a.m at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082 and at any adjournment thereof in respect of such resolutions as are indicated below:

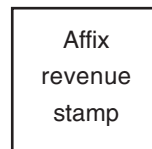
**Resolutions:**

1. Adoption of Audited Financial statements for the year ended March 31, 2017, and the Reports of the Board of Directors and Auditors.
2. There on a appointment M/s. Brahmaiah & Co., Chartered Accountants (Firm Registration No.000513S), as Statutory Auditors of the Company (Ordinary Resolution).

Signed this..... day of..... 2017

Signature of shareholder:

Signature of Proxy holder(s):



**Note :**

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