

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

(CIN NO.L27109TG1985PLC005303)



**33rd ANNUAL REPORT
2018 - 2019**

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

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

COMPANY SECRETARY : Ms. Ekta Sharma (01-10-2018 to 15-04-2019)

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

AUDITORS: Brahmayya & Co.
Chartered Accountants, Hyderabad

SECRETARIAL AUDITORS: D. Hanumanta Raju & Co.
Company Secretaries, Hyderabad

BANKERS: Andhra Bank, Somajiguda, Hyderabad

WORKS: Gowripatnam, West Godavari District

LISTED AT: BSE Limited

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

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE 33RD ANNUAL GENERAL MEETING OF THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED WILL BE HELD ON MONDAY, 30TH SEPTEMBER, 2019 AT 11:30 A.M. AT HOTEL I. K. LONDON RESIDENCY, 6-3-656, KAPADIA LANE, SOMAJIGUDA, HYDERABAD – 500 082, TELANGANA, INDIA TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2019, 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.

SPECIAL BUSINESS

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

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

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made thereunder and pursuant to the recommendations received from nomination and remuneration committee, consent of the members be and is hereby accorded to re-appoint Mr. Nuthakki Ravi Prasad (DIN:00319537) as the Managing Director and Chief Executive Officer whose tenure is due to expire on 12.11.2019 for a further period of three years i.e. from 13.11.2019 to 12.11.2022 and shall not be liable to retire by rotation”.

“RESOLVED THAT Mr. Nuthakki Ravi Prasad, shall be entitled to remuneration of Rs. 96,000 per month, and he is eligible to following perquisites

Perquisites:

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

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

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

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

- ii. The Company shall pay as per the Company's Policy, the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr. N. Ravi Prasad for himself and his family.

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

For the purpose of calculating the above ceilings, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual costs.

The Company will pay tax on non monetary perquisites to the appointee as per the amended section 10CC of the Income Tax Act, 1961.

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

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

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

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

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

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and Schedule V along with other applicable provisions, if any, of the Companies Act, 2013, read with relevant rules made there under and pursuant to the recommendations received from nomination and

remuneration committee, consent of the members be and is hereby accorded to re-appoint Mr. Nuthakki Rajender Prasad (DIN: 00145659) as the Joint Managing Director and Chief Financial officer of the Company whose tenure is due to expire on 09.08.2019 for a period of three years i.e. from 10.08.2019 to 09.08.2022 and shall not be liable to retire by rotation”.

“RESOLVED THAT Mr. N. Rajender Prasad, shall be entitled to remuneration of Rs. 96,000 per month, and he is eligible to following perquisites

Perquisites:

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

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

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

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

- ii. The Company shall pay as per the Company's Policy, the Medical Expenses including such expenses as shall relate to the surgical, optical and dental treatment incurred by Mr.N. Rajender Prasad for himself and his family.
- iii. Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- iv. Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v. The Company shall pay the annual premium towards personal accident insurance as per the Rules of the Company.
- vi. Mr. Nuthakki Rajender Prasad and family shall be covered under the Medical claim Insurance Schemes as per the rules of the Company.
- vii. Encashment of leave on full pay and allowances as per the rules of the company but not exceeding one month's leave for every twelve months of service.
- viii. Such other benefits in accordance with the schemes and rules applicable to the members of the company from time to time.
- ix. For the purpose of calculating the above ceilings, perquisites shall be evaluated as per
- x. Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual costs. The Company will pay tax on non monetary perquisites to the appointee as per the amended section 10CC of the Income Tax Act, 1961.
- xi. The following shall not be included for the purposes of computation for the Whole time Joint Managing Director's remuneration or perquisites as aforesaid:

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

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

4. Re-appointment of Mr. Surya Sessa Prakash Valluru (DIN: 02661625) as an Independent Director.

To consider, and if thought fit, to pass, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Surya Sessa Prakash Valluru (DIN: 02661625), who was appointed as an Independent Director of the Company for a term of five years up to 13.08.2019, by the members at the 28th Annual General Meeting, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of five consecutive years on the Board of the Company with effect from 14.08.2019 to 13.08.2024 and shall not be liable to retire by rotation."

5. Re-appointment of Mr. Eshwariah Kaparathi (DIN: 02728256) as an Independent Director.

To consider, and if thought fit, to pass, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Eshwariah Kaparathi (DIN: 02728256), who was appointed as an Independent Director of the Company for a term of five years up to 13.08.2019, by the members at the 28th Annual General Meeting, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of five consecutive years on the Board of the Company with effect from 14.08.2019 to 13.08.2024 and shall not be liable to retire by rotation."

6. Re-appointment of Mr. G. Raghavendra Rao (DIN: 00470659) as an Independent Director.

To consider, and if thought fit, to pass, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory

modification(s) or re-enactment thereof, for the time being in force) and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. G. Raghavendra Rao (DIN:00470659), who was appointed as an Independent Director of the Company for a term of five years up to 13.08.2019, by the members at the 28th Annual General Meeting, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of five consecutive years on the Board of the Company with effect from 14.08.2019 to 13.08.2024 and shall not be liable to retire by rotation.”

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

Sd/-

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

Place : Hyderabad
Date : 14.08.2019

NOTES:

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

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

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

2. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the 33rd Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 23.09.2019 to 30.09.2019 (both days inclusive).
4. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
5. Trading in equity shares of the Company through stock exchanges is permitted only in dematerialized form. Members can dematerialize their equity shares in the Company through their Depository Participant(s). The ISIN in respect of equity shares is INE308N01012.
6. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electricity /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.
7. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.

PROCESS FOR MEMBERS OPTING FOR E-VOTING

For Members who's E-mail addresses are registered with the Company/ Depositories:

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

The e-voting period commence on 27.09.2019 (9.00 A.M. IST) and ends on 29.09.2019 (5.00 P.M. IST). During this period, Members of the company, holding shares either in physical form or in dematerialized form, as on 21.09.2018 (cut off date), may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently.

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 27th September, 2019 (9.00 A.M) and ends on 29th September, 2019 (5.00 P.M). During this period shareholders' of the Company, holding shares either in physical form or in Dematerialized form, as on the cut-off date (record date) of 21.09.2019, 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.
- (iii) Click on Shareholders
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login. If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vi) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form

PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both Demat shareholders as well as physical shareholders)
	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Rajesh Kumar with sequence number 1 then enter RA00000001 (which is printed on address label) in the PAN field.

DOB	Enter the Date of Birth as recorded in your Demat account or in the company records for the said Demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your Demat account or in the company records for the said Demat account or folio.</p> <ul style="list-style-type: none"> 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).

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

- 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 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.
4. **Voting at AGM:** The Members, who have not cast their vote electronically, can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue.
5. **Other instructions:**
- (i) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com
 - (ii) You can also update your mobile number and E-mail ID in the user profile details of the folio which may be used for sending future communication(s).
 - (iii) The voting rights of Members shall be reckoned on the paid up value of shares registered in the name of Member/ Beneficial Owner as on the cut-off date i.e. 21.09.2019.
 - (iv) The Board of Directors has appointed D. Hanumanta Raju & Co. Company Secretaries, B-13, F-1, P.S. Nagar, Vijayanagar Colony, Hyderabad - 500 057 as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
 - (v) The scrutinizer shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses who are not in the employment of the Company and make a consolidated Scrutinizer’s Report of the total votes cast in favour or against, if any, to the Chairman or person authorized by the Chairman for counter signature.
 - (vi) The results shall be declared either by the Chairman or by an authorized person of the Chairman and the Resolutions will be deemed to have been passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).
6. Immediately after declaration of results, the same shall be placed along with the Scrutinizer’s Report on the Company’s website www.southernmagnesium.com and on the website of RTA www.aarthiconsultants.com, and communicated to BSE Limited, where the shares of the Company are listed for placing the same on their website.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**ITEM NO 2:****Re-appointment of Mr. Nuthakki Ravi Prasad as Managing Director and Chief Executive Officer of the company:**

Mr. Nuthakki Ravi Prasad aged 58 years, has been re-appointed as the Managing Director and Chief Executive Officer of the company in the 30th Annual General Meeting held on 25.08.2016 for a period of 3 years i.e. from 13.11.2016 to 12.11.2019.

Since the office of Mr. Nuthakki Ravi Prasad would come to an end on 12.11.2019, he is proposed to be re-appointed as the Managing Director and Chief Executive Officer of the company for a further period of 3 years.

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

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

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

ITEM NO 3:**Re-appointment of Mr. Nuthakki Rajender Prasad as Joint Managing Director and Chief Financial Officer of the company:**

Mr. Nuthakki Rajender Prasad, aged 54 years has been appointed as the Joint Managing Director and Chief Financial Officer (CFO) of the company in the 30th Annual General Meeting held on 25.08.2016 for a period of 3 years i.e. from 10.08.2016 to 09.08.2019.

Since the office of Mr. Nuthakki Rajender Prasad would come to an end on 09.08.2019, he is proposed to be reappointed as the Joint Managing Director and Chief financial Officer of the company for a further period of 3 years.

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

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

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

Details of the Directors seeking reappointment

[In pursuance of Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard - 2 on General Meetings]

Name of the Director	Nuthakki Ravi Prasad	Nuthakki Rajender Prasad
Date of Birth	11.08.1961	28.12.1964
Date of First Appointment	17.08.1988	20.12.1991
Expertise in specific functional areas	Ravi Prasad Nuthakki holds degree in B.E., M.B.A. and Post Graduation in M.S. with over 28 years of Experience. He is one of the promoter Director of the Company and has been its Managing Director since 1988.	Rajender Prasad Nuthakki holds degree in Chemical Engineering and Post Graduation in M.S. with over 25 years of Experience. He is one of the promoter Director of the Company and has been its Executive Director since 1991.

Qualification	B.E., M.B.A., and M.S.,	M.S.(Chemical Engineer).
Shareholding in the company as on 31.03.2019 (No. of equity shares of Rs. 10/- each)	390648	381758
Number of Board Meetings attended during the Financial Year 2018-19 of the Company	5 (Five)	5 (Five)
Last drawn remuneration	Refer Directors' Report; 96000 per month	Refer Directors' Report; 96000 per month
List of other public limited companies in which directorships held	Southern Electrodes Ltd	Southern Electrodes Ltd
Chairman/Member of the Committees of the Board across all public companies of which he is a Director as on 31.03.2019	Member - NIL	Member – Nomination and remuneration committee, Audit Committee and Stake Holder Relationship Committee of the company

ITEM NO 4, 5 and 6:**Re-appointment of Mr. Surya Sessa Prakash Valluru (DIN: 02661625), Mr. Eshwariah Kaparthi (DIN: 02728256) and Mr. G. Raghavendra Rao (DIN: 00470659) as an Independent Directors.**

At the 28th AGM of the Company held on 30th September, 2014, the Members had approved the appointment of Mr. Surya Sessa Prakash Valluru (DIN: 02661625), Mr. Eshwariah Kaparthi (DIN: 02728256) and Mr. G. Raghavendra Rao (DIN: 00470659) as Independent Directors for a term of five years.

In accordance with Section 149(10) of the Act, an Independent Director shall hold office for a term upto five years on the Board and shall be reappointed on passing a Special Resolution and disclosure of such appointment is required to be made in the Directors' Report. Section 149(11) of the Act provides that an Independent Director may hold office for two consecutive terms of five years each.

Taking into consideration the skills, experience, knowledge of Mr. Surya Sessa Prakash Valluru, Mr. Eshwariah Kaparthi and Mr. G. Raghavendra Rao and their valuable contribution to the Company and based on their performance evaluation, it is desirable to continue to avail their services and reappoint them for a second term of five years to hold office with effect from 14.08.2019 up to 13.08.2024.

Accordingly, the Board of Directors have at the Meeting held on 14th August, 2019 based on the recommendation of the Nomination and Remuneration Committee, approved the re-appointment of Mr. Surya Sessa Prakash Valluru, Mr. Eshwariah Kaparthi and Mr. G. Raghavendra Rao as Independent Director of the Company for second term, as aforesaid. Being Independent Directors, Mr. Surya Sessa Prakash Valluru, Mr. Eshwariah Kaparthi and Mr. G. Raghavendra Rao are not liable to retire by rotation.

Mr. Surya Sessa Prakash Valluru, Mr. Eshwariah Kaparthi and Mr. G. Raghavendra Rao have given declaration that they are not disqualified from being reappointed as Director in terms of Section 164 of the Act and have given their consent to act as a Independent Director. The Company

has also received declaration from them that they meet the criteria of independence as prescribed under the Act and the Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparathi and Mr. G. Raghavendra Rao have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparathi and Mr. G. Raghavendra Rao have also given declaration pursuant to BSE Circular No.LIST/COM/14/2018-19 dated 20th June, 2018 that they are not debarred from holding office of director by virtue of any order passed by Securities and Exchange Board of India or any other such authority.

Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparathi and Mr. G. Raghavendra Rao fulfil the conditions specified in the Act, Rules made thereunder and SEBI Listing Regulations for their reappointment as Independent Director and they are independent of the management of the Company. The terms and conditions of reappointment of Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparathi and Mr. G. Raghavendra Rao shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day of the Company and will also be kept open at the venue of the AGM till the conclusion of the AGM.

Accordingly, the Board recommends passing of the Special Resolution in relation to re-appointment of Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparathi and Mr. G. Raghavendra as an Independent Directors for another term of five consecutive years with effect from 14.08.2019 to 13.08.2024, for the approval by the shareholders of the Company.

None of Directors or their relatives except Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparathi and Mr. G. Raghavendra being proposed appointees may be deemed to be concerned or interested in the Resolutions set out at Item Nos.4, 5 and 6 of the Notice.

Details of the Directors seeking reappointment

[In pursuance of Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard - 2 on General Meetings]

Name of the Director	Surya Sesha Prakash Valluru	Eshwariah Kaparathi	G. Raghavendra Rao
Date of Birth/	12.05.1958	12.08.1954	22.04.1964
Age	61 Years	65 Years	55 Years
Date of First Appointment	13.08.2014	13.08.2014	13.08.2014
Expertise in specific functional areas	Been in the finance field for over 30 years.	Experience in Project Finance	Entrepreneur with experience in setting of projects and in the machinery manufacturing business.
Qualification	B.Com	M.Com	B.E.(Mechanical Engineer)

Name of the Director	Surya Sesha Prakash Valluru	Eshwariah Kaparathi	G. Raghavendra Rao
Shareholding in the company as on 31.03.2019 (No. of equity shares of Rs. 10/- each)	Nil	Nil	Nil
Number of Board Meetings attended during the Financial Year 2018-19 of the Company	5 (Five)	4 (Four)	4 (Four)
Last drawn remuneration	Refer Directors' Report NIL	Refer Directors' Report Rs.2000 Sitting as Fees	Refer Directors' Report NIL
List of other public limited companies in which directorships held	Nil	Nil	Nil
Chairman/Member of the Committees of the Board across all public companies of which he is a Director as on 31.03.2019.	Member – Nomination and remuneration committee, Audit Committee and Stake Holder Relationship Committee of Southern Magnesium and Chemicals Limited	Member – Nomination and remuneration committee, Audit Committee and Stake Holder Relationship Committee of Southern Magnesium and Chemicals Limited	Chairman – Nomination and remuneration committee, Audit Committee and Stake Holder Relationship Committee of Southern Magnesium and Chemicals Limited

DIRECTORS' REPORT

To

The Members,

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED,

Your Directors hereby present the 33rd Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March, 2019. The summarized financial results for the year ended 31st March, 2019 are as under:

FINANCIAL REPORT / OPERATIONS:

(Rs. In Lakhs)

Particulars	Current Year As on 31.03.2019	Previous Year As on 31.03.2018
Net Sales / Income from Operations	441.89	161.83
Other income	4.54	3.62
Expenses	277.63	241.68
Exceptional items	0	(33.30)
Net Profit (+) / (Loss) before Tax for the Period	168.80	(109.53)
Tax Expenses/Deferred Tax	31.96	1.71
Net Profit (+) / (Loss) for the Period	136.84	(107.82)

REVIEW OF OPERATIONS:

During the period revenue of the Company has increased to Rs.441.9 Lakhs as compared from Rs. 161.83 Lakhs of the previous year. The Company has made a profit of Rs.136.86 Lakhs in the current year against loss of Rs.107.81 lakhs in the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby confirms and declares that:

- (a) In the preparation of the annual accounts for the year ended 31st March 2019, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the statement of profit and loss of the Company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The directors had prepared the annual accounts for the year ended 31st March, 2019 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.

2. Amounts, if any, carried to reserves:

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

3. Dividend:

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

4. Inter - Corporate deposits:

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

- (a) Accepted during the year - Nil
- (b) Remained unpaid or unclaimed as at the end of the year – Nil
- (c) Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved at the beginning of the year; - Nil

Maximum outstanding during the year; Rs. 29, 80,000/-

Outstanding at the end of the year; - Rs. 26, 55,000/-

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

5. Deposits

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

6. Number of meetings of the Board

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

S. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1.	29.05.2018	6	6	100
2.	14.08.2018	6	5	83.33
3.	29.09.2018	6	5	83.33
4.	13.11.2018	6	5	83.33
5.	06.02.2019	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 was considered. The same was discussed in the board meeting that followed the meeting of the Independent Directors, at which the performance of Board, its committee and individual directors was also discussed.

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/ Joint Managing Director and Whole Time Director, if any.

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

2. GUIDING PRINCIPLE

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

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

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

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 Managing Director and Jt. Managing Director and be submitted to Committee for approval.
 - b) The remuneration package of Executive Directors shall be in accordance with the percentage / slabs / conditions laid down in the Act.
 - c) Increments to the existing remuneration package of Executive Directors may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders.
- 3.2. Where any insurance is taken by the Company on behalf of its Directors, Executive Directors, Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to such personnel.

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

4.1.1. Pay and Allowances:

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

4.1.1.1. Minimum Remuneration:

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

4.1.1.2. Provisions for excess remuneration:

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

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

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

a) Sitting Fees:

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

b) Commission:

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

c) Stock Options:

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

d) Expenses for attending meetings

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

6. Disclosure of information

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

7. Application of the Remuneration Policy

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

8. Performance evaluation criteria for Independent Directors:

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

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

The Company has paid Rs. 2000/- as fees for attending Board meetings to Mr. Eshwariah Kaparthi (Non-Executive- Independent Director) during the financial year ended on March 31, 2019.

9. Disclosure with respect to remuneration:

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

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

10. Audit Committee:

The Composition of Audit Committee as on March 31, 2019 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.	29.05.2018	4	4	100
2.	14.08.2018	4	4	100
3.	13.11.2018	4	4	100
4.	06.02.2019	4	3	75

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

11. Stakeholder Relationship Committee:

The Composition of **Stakeholder relationship committee** as on March 31, 2019 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 14.08.2018 which was attended by all committee members.

12. Nomination and remuneration Committee:

The Composition of Nomination and remuneration Committee as on March 31, 2019 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

Two 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.	19.09.2018	4	4	100
2.	06.02.2019	4	3	75

13. 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.

14. Declaration by Independent Directors:

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

15. Risk Management:

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

16. 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.

17. 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/parties.

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

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

There was no change in the nature of Business.

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

The Board at their meeting held on 2nd February, 2019, on the recommendation of the Nomination and Remuneration Committee, re-appointed Mr. N Ravi Prasad as Managing Director and Chief Executive officer of the Company subject to the approval of the Members for a period of three years with effect from 13.11.2019.

The Board at their meeting held on 2nd February, 2019, on the recommendation of the Nomination and Remuneration Committee, re-appointed Mr. N Rajender Prasad as Joint Managing Director and Chief Financial officer of the Company subject to the approval of the Members for a period of three years with effect from 10.08.2019

The Board at the meeting held on 14.08.2019, on the recommendation of the Nomination and Remuneration Committee, approved re-appointment of Mr. Surya Sesha Prakash Valluru, Mr. Eshwariah Kaparthi and Mr. G. Raghavendra Rao as Independent Directors of the Company for a further period of five years with effect from 14.08.2019 subject to approval of the members at this ensuing Annual General Meeting.

The Board at their meeting held on 29.09.2019 approved appointment of Ms. Ekta Sharma, Member of the Institute of Company Secretaries of India, as Company Secretary and compliance officer w.e.f 01.10.2018. However she had resigned from the company on 15.04.2019.

20. 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.

21. 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 e-mails asking clarifications from stock exchange for which company has replied accordingly.

22. Particulars of Employees:

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

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

Non Executive Directors	Ratio to median remuneration
Mr. Raghavendra Rao Griddalur	NA
Mr. Surya Sesha Prakash Valluru	NA
Mr. Kaparathi Eshwaraih	NA
Mrs. E.Mahalakshmi	NA

Executive Directors	Ratio to median remuneration
Mr. N. Ravi Prasad	14.32:1
Mr. N. Rajender Prasad	13.11:1

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	10.84
Mr. N. Rajender Prasad – Jt.MD and CFO	3.92

c. The percentage decrease in median remuneration of employees in the financial year : - (6.25)%

d. The number of permanent employees on the rolls of the company: 20

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 2018-19 was 7.30%

Average increase in salaries of managerial personnel in 2018-19 was 7.42%.

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

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

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

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

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

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

No complaints have been received by the company on sexual harassment during the financial year 2018-2019.

25. Disclosure Requirements:

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

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

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

26. Auditors:

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

27. Auditors Report:

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

- i) **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.

28. Secretarial Auditors' Report:

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

1. ***The Company had "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 from 01.10.2018 till 15.04.2019.***

The board of directors of the company post resignation of Ms. Ekta Sharma 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.

They have discussed the requirement of a good candidate with a few professionals 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 and the Regulations.

2. ***The company has received few emails asking for clarifications from Stock Exchange. The company replied to such notices & there is no further communication/ information from Stock Exchange.***

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

3. ***As required under Regulation 31(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hundred percent of the shareholding of promoters and promoters group 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.

29. Annual Return Web Link:

Pursuant to the provisions of Section 36 of the Companies (Amendment) Act, 2017 notified effective from July 31, 2018 read with Section 92(3) of the Companies Act 2013, the prescribed return is placed on the Company's website www.southernmagnesium.com. Further Form MGT-9 is attached as an annexure to this report.

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

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

(A) Conservation of energy	: NIL
(B) Technology absorption	: Not Applicable
(C) Foreign exchange earnings	: NIL
(D) Foreign exchange outgo	: Rs.80,60,685/-

31. Maintenance of Cost Records:

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

32. Acknowledgement:

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

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

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

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

Place : Hyderabad
Date : 14.08.2019

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2019

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

To,
The Members,
SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

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

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and read with the statutory auditor's report on financial statements and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, according to the explanations given to us, the company has, during the audit period covering the financial year ended on March 31, 2019, 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, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings. (Not applicable to the Company during the period of audit);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (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, 2018; (Not applicable to the Company during the period of audit)
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (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 had “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 from 01.10.2018 till 15.04.2019.*
2. *The company has received emails asking clarifications from Stock Exchange. The company replied & there is no further communication/ information from Stock Exchange.*
3. *As required under Regulation 31(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 hundred percent of the shareholding of promoters and promoters group 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
FCS: 9967, CP NO: 12751**

**Place: Hyderabad
Date : 14.08.2019**

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
FCS: 9967, CP NO: 12751**

**Place: Hyderabad
Date : 14.08.2019**

MANAGEMENT DISCUSSION AND ANALYSIS

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

OPPORTUNITIES, RISKS, CONCERNS/THREATS & OUTLOOK:

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

The year 2019-20 looks promising with its own sets of challenges and opportunities for us. It is hoped that we will maintain revenue and profitability of the company as in the previous year.

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

INTERNAL CONTROL SYSTEMS & ADEQUACY:

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

FINANCIAL AND OPERATIONAL PERFORMANCE:

Highlights of financial and operational performance are given below: (Rs. In Lakhs)

Particulars	Current Year As on 31.03.2019	Previous Year As on 31.03.2018
Net Sales / Income from Operations	441.89	161.83
Other income	4.54	3.62
Expenses	277.63	241.68
Exceptional items	0	(33.30)
Net Profit (+) / (Loss) before Tax for the Period	168.80	(109.53)
Tax Expenses/Deferred Tax	31.96	1.71
Net Profit (+) / (Loss) for the Period	136.84	(107.82)

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 of
Southern Magnesium and Chemicals Limited

Sd/-

(N. Ravi Prasad)

Managing Director and CEO
(DIN:00319537)

Place : Hyderabad
Date : 14.08.2019

Form MGT- 9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31st March, 2019

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, 5 th 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	Aarathi 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;

Sr. No.	Name and Description of main products/ service	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.No	Name and Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associates	% of Shares	Applicable
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				No. of Shares held at the end of the year				% Change
	Demat	Physical	Total Shares	Total%	Demat	Physical	Total Shares	Total%	
A. Promoters									
(1) Indian									
(a) Individual/HUF	1116142	411958	1528100	50.94	1251602	349298	1600900	53.36	2.42
(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.	60400	0	60400	2.01	0	0	0	0	(2.01)
(e) Banks / FI	0	0	0	0	0	0	0	0	0
(f) Any other.....	0	0	0	0	0	0	0	0	0
Sub-total (A) (1):-	1176542	411958	1588500	52.95	1251602	349298	1600900	53.36	0.41
(2) Foreign									
(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
Sub-total (A) (2):-	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A)=(A) (1)+(A) (2)	1176542	411958	1588500	52.95	1251602	349298	1600900	53.36	0.41
B. Public Shareholding									
1. Institutions									
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
Sub-total (B) (1):-	0	0	0	0	0	0	0	0	0
2. Non – Institutions									
a) Bodies Corp.									
i) Indian	73000	339000	412000	13.73	71700	339000	410700	13.69	(0.04)
ii) Overseas									
b) Individuals									
i) Individual Shareholders holding nominal share capital upto Rs. 2 lakh	238900	713800	952700	31.76	351540	586000	937540	31.25	(0.51)
ii) Individual Shareholders holding nominal share capital in excess of Rs. 2 Lakh	0	20700	20700	0.69	0	20700	20700	0.69	0
c) Others (Specify) (Clearing Members)	26100	0	26100	0.87	30160	0	30160	1.01	0.14
Sub-total (B) (2):-	338000	1073500	1411500	47.05	453400	945700	1399100	46.64	(0.41)
Total Public Shareholding (B) = (B) (1)+ (B) (2)	338000	1073500	1411500	47.05	453400	945700	1399100	46.64	(0.41)
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total(A+B+C)	1514542	1485458	3000000	100	1705002	1294998	3000000	100	0

ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1.	Mr.Urmi Prasad	6,200	0.21	0	5,300	0.18	0	(0.18)
2.	Ms. Anantha Lakshmi. N.	2,33,998	7.80	0	2,33,998	7.80	0	-
3.	Mr.Ravi Prasad Nuthakki	3,90,648	13.02	0	3,90,648	13.02	0	-
4.	Mr.N.Rajender Prasad	2,48,498	8.28	0	2,48,498	8.28	0	-
5.	Mrs.N.Naga Ratna	67,100	2.24	0	67,100	2.24	0	-
6.	Mr.Ram Prasad Nuthakki	1,80,298	6.01	0	1,80,298	6.01	0	-
7.	Mr.Satyanarayana Nandigam	1,800	0.06	0	0	0	0	(0.06)
8.	Mr.Srinivasa Rao Vuppuluri	1,700	0.06	0	0	0	0	(0.06)
9.	Mr. Haranadh Katragadda	1,800	0.06	0	0	0	0	(0.06)
10.	Mr.Rambabu Mullapudi	200	0.01	0	0	0	0	(0.01)
11.	Mr.Ratnam Bodapati	1,800	0.06	0	0	0	0	(0.06)
12.	Mr.Ranga Prasad	2,59,298	8.64	0	2,59,298	8.64	0	-
13.	GPL Finance and Investments Ltd	60,400	2.01	0	0	0	0	(2.01)
14.	Mr. P V Krishna Rao	10,000	0.33	0	10,000	0.33	0	-
15.	Mr. P.Narendra Nath Chowdary	20,000	0.67	0	20,000	0.67	0	-
16.	Mr. P S R V K Ranga Rao	10,000	0.33	0	10,000	0.33	0	-
17.	Ms. P.Sujatha	10,000	0.33	0	10,000	0.33	0	-
18.	Mr. P.A.Ramaiah	20,000	0.67	0	20,000	0.67	0	-
19.	Mr. P.V.Raidu	5,000	0.17	0	5,000	0.17	0	-
20.	Mr. P.Ravi	5,000	0.17	0	5,000	0.17	0	-
21.	Mr. N.B.Prasad	2,500	0.08	0	2,500	0.08	0	-
22.	Mr.S.Satya Narayana Murthy	2,500	0.08	0	0	0	0	(0.08)
23.	Mr. Raghu V Batta	49,760	1.66	0	0	0	0	(1.66)
24.	Mr.N.Rajender Prasad (HUF)	0	0	0	1,33,260	4.44	0	4.44

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

Sl. No.	Shareholders Name	Shareholding at the beginning of the year		Increase or Decrease in the Shareholding		Cumulative Shareholding	
		No. of shares	% in Total Share Holding	No. of shares	Reason	No. of shares	% in Total Share Holding
1.	Mr. Urmi Prasad	6,200	0.21	(900)	Sale	5300	0.18
2.	Mr.Satyanarayana Nandigam	1,800	0.06	(1,800)	Sale	0	0
3.	Mr.Srinivasa Rao Vuppuluri	1,700	0.06	(1,700)	Sale	0	0
4.	Mr. Haranadh Katragadda	1,800	0.06	(1,800)	Sale	0	0
5.	Mr.Rambabu Mullapudi	200	0.01	(200)	Sale	0	0
6.	Mr.Ratnam Bodapati	1,800	0.06	(1,800)	Sale	0	0
7.	GPL Finance and Investments Ltd	60,400	2.01	(60,400)	Sale	0	0
8.	Mr.S.Satya Narayana Murthy	2,500	0.08	(2,500)	Sale	0	0
9.	Mr. Raghu V Batta	49,760	1.66	(49,760)	Sale	0	0
10.	Mr.N.Rajender Prasad (HUF)	0	0	1,33,260	Purchase	1,33,260	4.44

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

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For each of the Top 10 Shareholders	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	50000	1.67	50000	1.67
3	G.Lakshmi	20700	0.69	20700	0.69
4	Manju Bhala	20000	0.66	20000	0.66
5	Rahul N Prasad	-	-	18000	0.60
6	Mahendra Girdharilal	16300	0.54	17700	0.59
7	Srinivasa Rao Pallikonda	-	-	16600	0.55
8	Krishnaveni Bavana	100	0.003	16500	0.55
9	Sharekhan Limited	600	0.02	15600	0.52
10	Ashwin Kedia	15000	0.50	15000	0.50

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No	Name	Shareholding at the end of the year		Cumulative Share holding 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	390648	13.02	390648	13.02
2	N.Rajender Prasad	248498	8.28	248498	8.28
3	Raghavendra Rao Griddalur	0	0	0	0
4	SS.Prakash Valluru	0	0	0	0
5	Eshwariah Kaparthi	0	0	0	0
6	Mahalakshmi Edpuganti	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
Indebtedness at the beginning of the financial year				
i) Principle Amount	0	1,40,27,769	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	1,40,27,769	0	1,40,27,769
Change in Indebtedness during the financial year				
• Addition				
• Reduction	0	(85,43,014)	0	0(85,43,014)
Net Change	0	(85,43,014)	0	(85,43,014)
Indebtedness at the end of the financial year				
i) Principle Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due	0	54,84,755	0	54,84,755
Total (i+ii+iii)	0	54,84,755	0	54,84,755

(VI) Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Director and/ or Manager

(₹ in Lacs)

SI No.	Particular of Remuneration	Name of MD/ WTD/ Manager		Total Amount
	Name of MD/WTD/ Manager	N. Ravi Prasad	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	2,66,071	1,45,415	4,11,486
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	
2.	Stock Option	0	0	0
3.	Sweat Equity	0	0	0
4.	Commission	0	0	0
	- As % of Profit	0	0	0
	- Others, Specify			
5.	Others, Please Specify	0	0	0
	Total (A)	14,18,071	12,97,415	27,15,486
	Ceiling as per the Act	60,00,000	60,00,000	1,20,00,000

B. Remuneration to other Directors

(in Thousands)

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

C. Remuneration to Key Managerial Personnel other than MD/ Manager/ WTD

(₹ in Lacs)

Sl No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO*	CS	CFO*	Total
1.	Gross Salary	0	72000	0	72000
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0	72000	0	72000
	(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	72000	0	72000

* As disclosed under VI A above

V PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

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

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

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

 Place : Hyderabad
Date : 14-8-2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **SOUTHERN MAGNESIUM AND CHEMICALS LIMITED** ("the company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "the financial statements")

In our opinion and to the best of our information and according to the explanations given to us the accompanying financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	Auditor's Response
Valuation of Inventory: Inventory forms a significant part i.e. 60% of the Company's total assets. Inventory comprises of Raw Materials and Finished goods. Inventories are valued at lower of cost and net realisable value. Magnesium powder and ingots are the main raw material for the Company. Magnesium powder and ingots, which are imported are subject to high price fluctuation risk as well as foreign currency risk. The volatility in the prices of Magnesium powder and ingots may have significant impact on the valuation of not only raw material but also other items of inventory. In determining the net realisable value, the management uses data of sales of finished good available which is a management estimate. We have considered this as a key audit matter due to the significant amount in the inventory and volatility in the prices of Magnesium powder and ingots.	Principal audit procedures Our audit procedures include the following substantive procedures: <ul style="list-style-type: none"> • We have reviewed the stock records and held discussion with the management. We verified arithmetical accuracy of valuation records. • For a sample of inventory items we have verified that the weighted average cost calculation by the system in the case of inventory is appropriate. • We have reviewed the price movement of Magnesium powder and ingots prices in respect to cost to the Company. Compared such prices with recent selling prices. • Compared the value of Finished goods with the last selling prices of the respective product to determine the basis of valuation adopted.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued there under and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Standalone Financial Statements

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
- 2) As required by Section 143(3) of the Companies Act, 2013 we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit,
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books,
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account,
 - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014.
 - e) On the basis of written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164(2) of the Act,
 - f) With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/provided by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
 - h) With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

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

Place : HYDERABAD
Date : 10.05.2019

ANNEXURE - A TO THE AUDITOR'S REPORT:

The Annexure referred to in Para 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date, to the members of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD, for the year ended March 31, 2019.,

1.
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No discrepancies were noticed on such verification.
 - c. According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the names of the Company.
2. As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3.
 - a. During the year, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
 - b. In view of our comments in para (a) above, Clause (III) (a), (b) and (c) of paragraph 3 of the aforesaid order are not applicable to the Company.
4. In our opinion and according to the information and explanation given to us, the Company has not advanced any loan to any Director and no investments were made during the year as referred to in sections 185 and 186 of the Act. Therefore, the provisions of Paragraph 3(iv) of the Companies (Auditor's Report) Order 2016 are not applicable to the Company.
5. The Company has not accepted any deposits from the public. Hence the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed there under, do not apply to this Company.
6. We have broadly reviewed the cost records maintained by the Company pursuant to sub-section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prime facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or Complete.
7.
 - a. According to the records, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, Income-tax, Sales-tax, Service tax, Goods and Services Tax, Duty of customs, Duty of excise, Value added tax, Cess and all other statutory dues with the appropriate authorities and there are no arrears of outstanding statutory dues as at March 31, 2019 for a period more than six months from the date they became payable.
 - b. According to the records of the Company and the information and explanations given to us, there were no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute.
8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and Banks during the year.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of paragraph 3 (ix) of the Companies (Auditor's Report) Order 2016 are not applicable.

10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order 2016 is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order 2016 is not applicable.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

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

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

Place : HYDERABAD
Date : 10.05.2019

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

We have audited the internal financial controls over financial reporting of SOUTHERN MAGNESIUM AND CHEMICALS LIMITED, HYDERABAD (“the Company”) as of 31st March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material aspects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the Company are being made only in accordance with authorisations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weakness have been identified as at March 31, 2019;

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, 2019, 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.

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

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

Place : HYDERABAD
Date : 10.05.2019

BALANCE SHEET AS AT 31ST MARCH, 2019

(All amounts are in Rupees)

Particulars	Note No.	As at 31 March, 2019	As at 31 March, 2018
A ASSETS			
Non- Current Assets			
(a) Property, plant & equipment.	2	4,211,771	4,907,556
(b) Other non-current assets		116,588	118,303
Total Non-Current Assets		4,328,359	5,025,859
Current Assets			
(a) Inventories	3	22,936,164	22,715,079
(b) Financial assets			
(i) Trade receivables	4	2,609,505	2,160,255
(ii) Cash and cash equivalents	5	6,729,331	4,705,003
(iii) Others financial assets	6	214,513	507,177
(c) Other current assets	7	1,514,768	386,039
Total Current Assets		34,004,281	30,473,553
Total Assets		38,332,640	35,499,412
B EQUITY AND LIABILITY			
Equity			
(a) Equity share capital	8	30,000,000	30,000,000
(b) Other equity	9	(2,129,850)	(15,814,076)
Total Equity		27,870,150	14,185,924
LIABILITIES			
Non- Current Liabilities			
(a) Financial Liabilities			
Borrowings	10	2,655,000	2,980,000
(b) Deferred Tax Liabilities (Net)		607,389	607,389
Total Non-Current Liability		3,262,389	3,587,389
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	11	2,829,755	11,047,769
(ii) Trade Payables	12	-	-
Micro and small enterprises		-	-
Creditors other than micro and small enterprises		-	976,049
(iii) Other financial liabilities	13	1,793,011	922,993
(b) Other Current Liabilities	14	2,275,547	4,755,065
(c) Provisions	15	301,788	24,223
Total Current Liabilities		7,200,101	17,726,099
Total Equity & Liability		38,332,640	35,499,412
The accompanying notes form an integral part of the financial statements 01 to 32			

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

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

Sd/-
K. Shravan
Partner
Membership No. 215798

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

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

Place : Hyderabad
Date : 10.05.2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in Rupees)

Particulars	Notes	Year Ended 31st March, 2019	Year Ended 31st March, 2018
Income			
Revenue from operations	16	44,189,555	16,183,258
Other Income	17	454,096	361,608
Total Income		44,643,651	16,544,866
Expenses			
(a) Cost of materials consumed	18	6,615,131	7,798,849
(b) Change in inventories of finished goods, work-in-progress and stock-in- trade	19	8,063,423	4,999,545
(c) Employee benefits expense	20	5,814,696	5,101,464
(d) Finance costs	21	799,924	909,066
(e) Depreciation		717,785	457,454
(f) Other expenses	22	5,752,386	4,902,101
Total Expenses		27,763,345	24,168,479
Profit / (Loss) before Exceptional item and tax		16,880,306	(7,623,613)
Exceptional (expense) / income			(3,330,260)
Profit Before Tax		16,880,306	(10,953,873)
Tax Expenses			
Current Tax			
i. Relating to current period		3,196,080	
ii. Relating to prior period		0	
Deferred tax		0	(171,626)
Total tax expenses		3,196,080	(171,626)
Profit for the Period		13,684,226	(10,782,247)
Other Comprehensive (Income) / Expenses			
(i) Items that will not be reclassified to Profit or Loss Account		-	-
(ii) Items that will be reclassified to Profit or Loss Account		-	-
Total Comprehensive Income		13,684,226	(10,782,247)
Earning per equity share, par value of Rs 10/- each			
Basic (Rs)	23	4.56	(3.59)
Diluted (Rs)		4.56	(3.59)

The accompanying notes form an integral part of the financial statements Note 1 to 32

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

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

Sd/-
K. Shravan
Partner
Membership No. 215798

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

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

Place : Hyderabad
Date : 10.05.2019

EQUITY SHARE CAPITAL**Statement of Changes in Equity****A. Equity Share Capital**

Particulars	No. of shares	Amount in Rs.
Balance as at 1st April, 2017	3000000	30,000,000
Changes in Equity share capital during 2017-18	0	0
Balance as at 31st March, 2018	3000000	30,000,000
Changes in Equity share capital during 2018-19	0	0
Balance as at 31st March 2019	3000000	30,000,000

B. Other Equity

Particulars	No. of shares	Amount in Rs.
Surplus in statement of Profit and Loss		
Opening Balance	(15,814,076)	(4,982,105)
Adjustments in reserves	-	(49,724)
Add : Profit / (Loss)	13,684,226	(10,782,247)
Less : Appropriations	-	-
Closing Balance	(2,129,850)	(15,814,076)

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

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

Sd/-
K. Shravan
 Partner
 Membership No. 215798

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

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

Place : Hyderabad
 Date : 10.05.2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in Rupees)

Sl. No.	Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
	Cash flows from/(used in) operating activities		
	Net Profit/ (Loss) before tax as per Statement of Profit and Loss	16,880,306	(10,953,873)
	Adjustments for :		
	Depreciation and amortisation expenses	717,785	457,454
	Interest earned	(359,666)	(361,608)
	Changes in reserves	-	(49,722)
	Provision written back	94,430	-
	Finance costs	799,924	909,066
	Operating Profit before changes in operating assets and liabilities	18,132,779	(9,998,683)
	Adjustments for changes in operating assets and liabilities:		
	(Increase) / Decrease in Inventories	(221,085)	6,384,355
	(Increase) / Decrease in Trade receivables	(449,250)	9,899,838
	(Increase) / Decrease in Other assets	(116,588)	(118,303)
	(Increase) / Decrease in Other Current assets	(1,104,856)	2,338,068
	Increase / (Decrease) in Trade payables	(976,049)	(5,239,229)
	Increase / (Decrease) in Other financial liabilities	870,018	(1,224,184)
	Increase / (Decrease) in Other liabilities	(2,479,518)	880,653
	Increase / (Decrease) in Provisions	-	(843,228)
	Cash generated from Operations	13,655,451	2,079,286
	Income tax paid (net of refunds)	(2,918,515)	(1,396,901)
	Net Cash generated from operating activities (A)	10,736,936	682,385
	Cash flows from/(used in) investing activities		
	Purchase of property, plant and equipment including capital advances and capital creditors	(22,000)	(2,240,200)
	Interest received	652,330	71,836
	Net Cash generated from/(used in) investing activities (B)	630,330	(2,168,364)
	Cash flows from/(used in) Financing activities		
	Repayment of Borrowings	(325,000)	(249,000)
	Proceeds from Current borrowings	(8,218,014)	2,062,416
	Interest paid	(799,924)	(909,066)
	Net cash used in financing activities (C)	(9,342,938)	904,350
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	2,024,328	(581,629)
	Cash and cash equivalents as at the beginning of the year	4,705,003	5,286,632
	Cash and cash equivalents as at the end of the year	6,729,331	4,705,003
	Reconciliation of cash and cash equivalents as per the statement of cash flow		
	Cash and cash equivalents at the end of the year		
		As at 31st March, 2019	As at 31st March, 2018
	Cash on hand	174,398	9,472
	Current accounts	336,933	52,531
	Deposits with original maturity of less than 3 months	6,218,000	4,643,000
	Total	6,729,331	4,705,003

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

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

Sd/-
K. Shravan
Partner
Membership No. 215798

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

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

Place : Hyderabad
Date : 10.05.2019

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

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

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

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

The Financial statements of the Company for the year ended 31 March, 2019 were approved by the Board of Directors on 10th May, 2019.

The financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below.

1.1 Current Vs Non-current classifications:

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

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

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

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

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

Depreciation and Amortization Expense

Depreciation is provided on Straight Line Method on the assets over the useful lives specified in Schedule II to the Companies Act, 2013. Depreciation on additions is being provided on pro rata basis from the date of such additions. Depreciation on assets sold, discarded or demolished during the year is being provided up to the date on which such assets are sold, discarded or demolished.

b. Impairment of Assets:

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

c. Valuation of Inventories:

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

d. Financial Instruments

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

I. Financial Assets**Initial recognition and measurement**

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

Subsequent Measurement

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

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

Financial Asset measured at amortized cost

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

Financial Assets Measured at fair value through other comprehensive income

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

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

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

De-recognition of Financial Assets

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

II. Financial Liabilities.**Initial recognition and measurement**

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

Subsequent Measurement

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

Financial Liabilities at amortized cost

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

De recognition of Financial Liabilities

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

e. Lease Rental

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases

Finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit & Loss on a straight-line basis over the lease term.

f. Foreign Exchange Transactions:

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

g. Revenue Recognition

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

Sale of goods

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

Interest/ Dividend

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

h. Borrowing Costs:

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

i. Provisions, Contingent Liabilities and Contingent Assets:

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

j. Income Taxes

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

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

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

k. Earnings Per Share

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

l. Critical Accounting Estimates and Judgments

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

The areas involving critical estimates or judgments are –

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

1.3 Standards issued but not effective

Ind AS-116 - Leases

On 30th March 2019, the Ministry of Corporate Affairs (MCA) has notified Ind AS 116 Leases, under Companies (Indian Accounting Standards) Amendment Rules, 2019 which is applicable with effect from 1st April, 2019.

The core principle of the new standard lies in identifying whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new standard modifies the accounting of leases in the books of lessee. At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability, for all leases with a term of more than 12 months, unless the underlying asset is of a low value. The accounting for leases in the books of the lessor is substantially similar to the requirements of Ind AS 17.

The standard allows for two methods of transition: the full retrospective approach, requires entities to retrospectively apply the new standard to each prior reporting period presented and the entities need to adjust equity at the beginning of the earliest comparative period presented, or the modified retrospective approach, under which the date of initial application of the new leases standard, lessees recognize the cumulative effect of initial application as an adjustment to the opening balance of equity as of annual periods beginning on or after April 1, 2019.

The Company will adopt this standard using modified retrospective method effective April 1, 2019, and accordingly, the comparative for year ended March 31, 2019, will not be retrospectively adjusted. The cumulative effect of the initially applying this standard will be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

On a preliminary assessment effect on adoption of Ind AS 116 is assessed to be of limited impact on the financials of the Company.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

2. Property, Plant & Equipment

(All amounts are in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2018	Additions during the year	Deletions During the year	As at 31.03.2019	Upto 31.03.2018	For the year	Upto 31.03.2019	As at 31.03.2019
(A) Tangible Assets								
(i) Land: - Factory	235,862			235,862	-	-	-	235,862
(ii) Buildings:								
(a) Factory	4,135,121			4,135,121	3,218,770	106,197	3,324,967	810,154
(b) Non-Factory	2,497,589			2,497,589	1,025,900	40,296	1,066,196	1,431,393
(iii) Plant and Machinery	1,412,203			1,412,203	1,336,684	479	1,337,163	75,040
(iv) Electrical Installations	132,946			132,946	84,739	4,750	89,489	43,457
(v) Weighing Machines	410,491			410,491	390,216	-	390,216	20,275
(vi) Fire Fighting Equipment	29,810			29,810	28,319	-	28,319	1,491
(vii) Data Processing Equipment	125,946			125,946	111,484	4,135	115,619	9,727
(viii) Lab Equipment	814,615			814,615	773,884	-	773,884	40,731
(ix) Furniture and Fixtures	258,584	9,500		268,084	246,030	-	246,030	22,054
(x) Vehicles	2,832,318	-		2,832,318	859,805	522,500	1,382,305	1,450,013
(xi) Office equipment	495,281	12,500		507,781	396,779	39,428	436,207	71,574
Total	13,380,166	22,000	-	13,402,166	8,472,610	717,785	9,190,395	4,211,771
Previous Year	11,139,966	2,240,200	-	13,380,166	8,015,156	457,454	8,472,610	4,907,556
								3,124,810
Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2018	Additions during the year	Deletions During the year	As at 31.03.2019	Upto 31.03.2018	For the year	Upto 31.03.2019	As at 31.03.2019
(b) Intangible Assets								
Process Knowhow	500,000	-		500,000	500,000	-	500,000	-
Total	500,000	-	-	500,000	500,000	-	500,000	-
Previous Year	500,000	-	-	500,000	500,000	-	500,000	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019**3. INVENTORIES :**

(All amounts are in Rupees)

Particulars	As at 31 March 2019	As at 31 March 2018
(i) Raw materials	11,655,747	1,919,847
(ii) Work-in-progress	-	-
(iii) Finished goods	11,280,417	20,795,232
TOTAL	22,936,164	22,715,079

4 TRADE RECEIVABLES

Particulars	As at 31 March 2019	As at 31 March 2018
A. Secured		
B. Unsecured		
i. Considered good	2,609,505	2,160,255
ii. Significant increase in credit risk	-	-
iii. Credit Impaired	-	-
Less: Provision for doubtful allowance	-	-
TOTAL	2,609,505	2,160,255

5 CASH AND CASH EQUIVALENTS

Particulars	As at 31 March 2019	As at 31 March 2018
i) Balances with banks	336,933	52,531
ii) As Fixed Deposits (Margin Money)	6,218,000	4,643,000
Fixed Deposit receipts are held by a bank as 100% margin with a lien marked in the favour for the Bank Guarantees issued by them		
iii) Cash on hand	174,398	9,472
TOTAL	6,729,331	4,705,003

6 OTHER FINANCIAL ASSETS

Particulars	As at 31 March 2019	As at 31 March 2018
Interest receivable	214,513	507,177
TOTAL	214,513	507,177

7 OTHER CURRENT ASSETS

Particulars	As at 31 March 2019	As at 31 March 2018
(i) Advance for purchase of raw material and stores	873,943	6,259
(ii) Prepaid Expenses	72,276	71,014
(iii) Balance with Central Excise and others	10,208	10,208
(vi) Tax Deducted at Source	181,362	181,362
(v) Deposits Recoverable	258,796	117,196
(vi) GST Receivable	99,183	-
(vii) Advance to Staff	19,000	-
TOTAL	1,514,768	386,039

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019

8. EQUITY SHARE CAPITAL

(All amounts are in Rupees)

Particulars	As at 31 March 2019	As at 31 March 2018
Authorised:		
40,00,000 - Equity Shares of Rs 10/- each	40,00,000	40,00,000
10,00,000 - 5% Redeemable Cumulative Preference Shares of Rs 10/- each.	10,00,000	10,00,000
Issued Subscribed & Fully Paid Up		
30,00,000 - Equity Shares of Rs 10/- each, fully paid up	30,00,000	30,00,000
	30,00,000	30,00,000

8 (a) Reconciliation of the number of shares.

Particulars	As at 31st March 2019		As at 31st March 2018	
	Nos	Amount	Nos	Amount
Shares outstanding at the beginning of the year	3,000,000	30,00,000	3,000,000	30,00,000
Add: Issue during the year	-	-	-	-
Shares outstanding at the end of the year	3000000	30,00,000	3,000,000	30,00,000

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

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

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

Particulars	As at 31st March 2019		As at 31st March 2019	
	No of shares	% held	No of shares	% held
Mr. N. Ravi Prasad	390648	13.02	388148	12.94
M/s. Andhra Pradesh Industrial Development Corporation	337500	11.25	337500	11.25
Mr. N. Ranga Prasad	259298	8.64	259298	8.64
Mr. N. Rajender Prasad	248498	8.28	248498	8.28
Smt. N. Anantha Lakshmi	233998	7.80	233998	7.80
Mr. N Ram Prasad	180298	6.01	180298	6.01

9 OTHER EQUITY

Particulars	As at 31 March 2019	As at 31 March 2018
Surplus/(Deficit) in statement of Profit and Loss		
Opening Balance	(15814076)	(4982105)
Adjustments in Reserves	-	(49,724)
Add: Profit / (Loss)	13,684,226	(10,782,247)
Less: Appropriations	-	-
Closing Balance	(2,129,850)	(15,814,076)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019

10 FINANCIAL LIABILITIES :

(All amounts are in Rupees)

(i) BORROWINGS

Particulars	As at 31 March 2019	As at 31 March 2018
Unsecured loans - Loans from related parties		
Directors	-	-
Inter-corporate Deposits	2,655,000	2,980,000
TOTAL	2,655,000	2,980,000

11 BORROWINGS

Particulars	As at 31 March 2019	As at 31 March 2018
Secured Loan Andhra Bank OD A/c	2,829,755	11,047,769
TOTAL	2,829,755	11,047,769

12 TRADE PAYABLE - CURRENT

Particulars	As at 31 March 2019	As at 31 March 2018
Micro and small enterprises	-	-
Other than micro and small enterprises	-	-
a. Others	-	976,049
TOTAL	-	976,049

13 OTHER FINANCIAL LIABILITIES

Particulars	As at 31 March 2019	As at 31 March 2018
Creditors for Other expenses	1,793,011	922,993
TOTAL	1,793,011	922,993

14 OTHER CURRENT LIABILITIES

Particulars	As at 31 March 2019	As at 31 March 2018
(i) Dues to Related party- Directors	436,297	1,454,483
(ii) Statutory liabilities	1,839,250	3,300,582
TOTAL	2,275,547	4,755,065

15 PROVISIONS

Particulars	As at 31 March 2019	As at 31 March 2018
Provisions for Income Tax	301,788	24,223
TOTAL	301,788	24,223

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019

16 REVENUE FROM OPERATIONS

(All amounts are in Rupees)

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Sales of Products	43,866,485	16,183,258
Job work charges (Includes Excise Duty & Excludes Discount and GST)	323,070	-
TOTAL	44,189,555	16,183,258

17 OTHER INCOME

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Interest Income	359,666	361,608
Excess provision written back	94,430	-
TOTAL	454,096	361,608

18 COST OF MATERIAL CONSUMED

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Inventory at the beginning of the year	1,919,847	3,304,654
Add: Purchases	16,351,031	6,414,042
Less: Inventory at the end of the year	11,655,747	1,919,847
Cost of raw materials and packing materials consumed	6,615,131	7,798,849

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

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Opening inventories		
(i) Finished goods	20,795,235	25,794,780
(ii) Work-In-process		
Adjustment in Inventory	(1,451,395)	-
Closing inventories		
(i) Finished goods	11,280,417	20,795,235
(ii) Work-In-process	-	-
(Increase) / decrease in inventory	8,063,423	4,999,545

20 EMPLOYEE BENEFITS EXPENSE

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
(i) Salaries, wages, and bonus	5,147,748	4,669,264
(ii) Contribution to provident fund	435,096	233,016
(iii) Staff welfare expenses	231,852	199,184
TOTAL	5,814,696	5,101,464

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019

21 FINANCE COSTS

(All amounts are in Rupees)

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Interest expense on :		
(i) Working capital facility	799,924	909,066
TOTAL	799,924	909,066

22 OTHER EXPENSES

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Consumption of general stores	166,100	40,502
Power and Fuel	265,890	300,309
Repairs to :		
Buildings	354,559	111,672
Machinery	240,499	190,828
Others	88,565	27,407
Vehicle maintenance	353,275	243,381
Sales Expenses :		
Excise duty	-	844,549
Freight & Others - Domestic Sales	280,843	204,212
Payments to Auditors		
As Auditors	54,280	61,180
for Tax Audit	17,700	-
for Certification	7,080	2,876
Rates and Taxes	67,998	176,530
Postage, Telegrams and Telephones	286,779	241,867
Travelling, Conveyance and Vehicle expenses	2,350,604	1,276,929
Insurance	886,364	114,882
General charges	119,623	850,619
Professional charges	210,512	212,643
Lease rental Amortization	1,715	1,715
TOTAL	5,752,386	4,902,101

23 EARNINGS PER SHARE ('EPS')

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Profit / (Loss) for the Period	13,684,226	(10,782,247)
Shares		
Weighted average shares used for computing basic EPS	3,000,000	3,000,000
Weighted average shares used for computing diluted EPS	3,000,000	3,000,000
Earning Per Shares		
Basic (in Rs)	4.56	(3.59)
Diluted (in Rs)	4.56	(3.59)

Note 24**Financial Risk Management**

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

I. Market Risk

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

a. Foreign Currency Risk-

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

b. Interest Rate Risk-

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

II. Credit Risk

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

III. Liquidity Risk

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

Note 25**Fair value hierarchy**

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

Level 1 – Quoted prices in an active market:

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

Level 2 – Valuation techniques with observable inputs:

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

Level 3 – Valuation techniques with significant unobservable inputs:

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

Note 26

Forex Transactions

(Rs. in Lakhs)

Particulars	Current Year	Previous Year
Raw Materials : Value of Imports (CIF)	80,60,685	77,98,849
Total	80,60,685	77,98,849

Note 27

Capital Management

The Company's objectives when managing capital are to

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

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

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

Gearing Ratio

Particulars	As at	
	March 31,2019	March 31,2018
a) Debt Obligations	54,84,755	1,40,27,769
b) Cash and Cash equivalents	67,29,331	47,05,003
c) Net Debt (a-b)	-	93,22,766
d) Total Equity	2,78,70,150	1,41,85,924
e) Net Debt/Equity Ratio (c/d)	-	0.66

Note 27

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

Particulars	Current Year	Previous Year
(I) Tax expense recognized in Statement of Profit and loss		
Current Tax	3,196,080	0
Deferred Tax	0	(171,626)
Total	3,196,080	(171,626)
(II) Effective tax Reconciliation		
(a) Profit/(loss) before tax	16,880,306	(10,953,873)
(b) Applicable tax rate	20.59	0
(c) Tax expense on Net profit (a*b)	3,475,655	0
(d) Others	(279,575)	(171,626)
(e) Tax Expense as per Statement of Profit and loss (c+d)	3,196,080	(171,626)

Note 28**Employee benefits**

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

Note 29**Related party disclosures as required by the IND AS 24**

The Related party disclosures as required by IND AS – 24 are given below.

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

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

S.No	Nature of transaction	Current Year	Previous Year
1	Remuneration	23,04,000	23,04,000
2	Medical Reimbursement	2,15,296	28,513
3	Club Subscriptions	23,390	22,550
4	Un Secured Loans		
	Outstanding at the beginning of the year	0	0
	Amounts received during the year	0	3,75,000
	Amounts repaid during the year	0	3,75,000
	Outstanding at the end of the year	0	0
5	Current Liabilities – Current Accounts of the Key Managerial Personal		
	Outstanding at the beginning of the year	7,62,883	71,980
	Amounts received during the year	19,14,177	10,53,345
	Amounts repaid during the year	25,24,763	3,62,442
	Outstanding at the end of the year	1,52,297	7,62,883

NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019**2. Transactions with Enterprises over which Key Management personal and their relatives exercise Significant Influence:**

S.No.	Nature of Transaction	Current Year	Previous Year
1	Inter Corporate Deposits received		
	Outstanding at the beginning of the year	29,80,000	32,29,000
	Amounts received during the year	0	0
	Amounts repaid during the year	3,25,000	2,49,000
	Outstanding at the end of the year	26,55,000	29,80,000
2	Current Liabilities		
	Outstanding at the beginning of the year	92,022	93,022
	Amounts received during the year	0	17,434
	Amounts repaid during the year	0	18,434
	Outstanding at the end of the year	92,022	92,022

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

There are no amounts outstanding as at 31st March, 2019 payable to Micro, Small and Medium Enterprises. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2019. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the Auditors.

Note 31 Exceptional Item

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

Note 32

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

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

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

Sd/-
K. Shravan
Partner
Membership No. 215798

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

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

Place : Hyderabad
Date : 10.05.2019



SOUTHERN MAGNESIUM AND CHEMICALS LIMITED
(L27109TG1985PLC005303)

ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

(to be submitted 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 33rd 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, Telangana, India at 11:30 A.M. on Monday, 30th September, 2019.

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

* Applicable if shares are held in electronic form

Name & Address of Member

Signature of shareholders/Proxy/
Representative (please Specify)

----- ✂ ----- ✂ -----

Form No. MGT-11

Proxy Form

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

CIN: L27109TG1985PLC005303

Name of the company: SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

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

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

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 33rd Annual General Meeting of the Company, to be held on Monday 30th September, 2019 at 11:30 A.M at Hotel I. K. London Residency, 6-3-656, Kapadia Lane, Somajiguda, Hyderabad – 500 082, Telangana, India and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions:

- To receive, consider and adopt the Audited Balance Sheet as at March 31, 2019, 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.
- To reappoint Mr. Nuthakki Ravi Prasad (DIN: 00319537) as Managing Director and Chief Executive Officer (CEO) of the company.
- To reappoint Mr. Nuthakki Rajender Prasad (DIN: 00145659) as Joint Managing Director and Chief Financial Officer (CFO) of the company.
- Re-appointment of Mr. Surya Sessa Prakash Valluru (DIN: 02661625) as an Independent Director.
- Re-appointment of Mr. Eshwariah Kaparathi (DIN: 02728256) as an Independent Director.
- Re-appointment of Mr. G. Raghavendra Rao (DIN: 00470659) as an Independent Director.

Signed this..... day of..... 2019

Signature of shareholder:

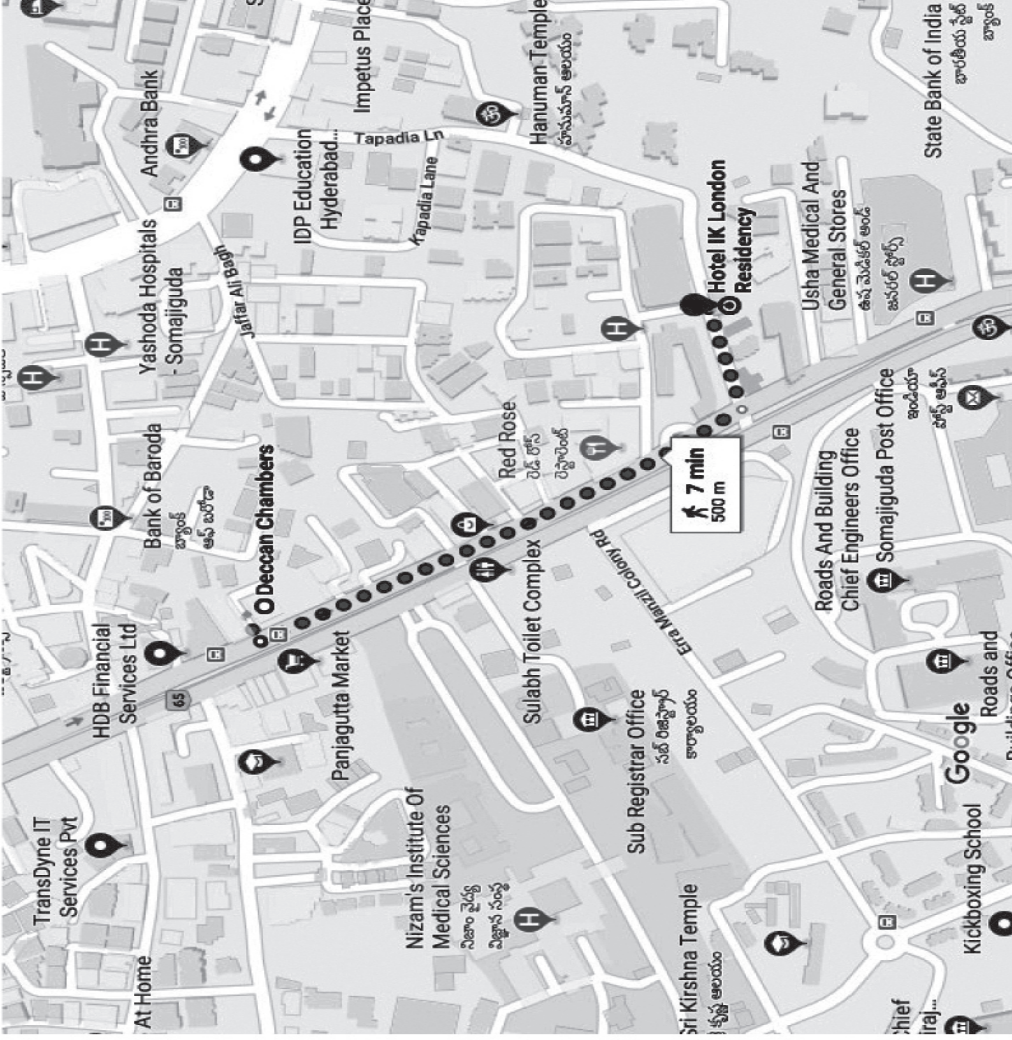
Signature of Proxy holder(s):

Note :

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

Affix
revenue
stamp

ROUTE MAP FROM THE REGISTERED OFFICE TO ANNUAL GENERAL MEETING



AGM Venue

HOTEL I. K. LONDON

RESIDENCY, 6-3-656, KAPADIA

LANE,

SOMAJIGUDA, HYDERABAD - 500

087

COURIER



If undelivered please return to :

SOUTHERN MAGNESIUM AND CHEMICALS LIMITED

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

Phone : 23311789, 23312341

Email : southernmagnesium@gmail.com