

Som

10th

Annual Report

2002-2003

REPORT ON THE
JUNCTION POINT

Som Distilleries & Breweries Ltd.



9th Annual General Meeting of SDBL in progress -
(left to right) Shri A.H. Shahani, Director and Chairman of Audit Committee, Shri M. M. Chawla,
Company Secretary in practice, Shri J.K. Arora, Chairman & Managing Director, Shri S. C.
Chaturvedi, Vice President (C. A.)



Shri J. K. Arora, Chairman & Managing Director having a friendly talk with the
Shareholders after the 9th Annual General Meeting.

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**DIRECTORS**

Shri. J.K. Arora
 Shri. A.K. Arora
 Shri. Surjeet Lal
 Shri. A.S. Vijan
 Shri. Ranjit Kumar Singh

Chairman & Managing Director
 Director
 Director
 Director
 Director

BANKERS

Bank of Baroda, Habibganj, Bhopal
 Bank of India, Arera Colony, Bhopal

AUDITORS

K.C. Khanna & Co.
 Chartered Accounts
 12, Zone-II, M.P. Nagar,
 Bhopal - 462 011.

REGISTERED OFFICE

1-A, Zee Plaza
 Arjun Nagar,
 Safdarjang Enclave,
 Kamal Cinema Road,
 New Delhi.

Tel Nos.
 26169909, 26169712

CORPORATE OFFICE

23, Zone-II
 M.P. Nagar,
 Bhopal - 462 011

Tel Nos.
 5278827, 5278503

FACTORY

Rojra Chak,
 District Raisen
 Madhya Pradesh

Tel Nos.
 0748-266244, 266245

STOCK EXCHANGES

The Delhi Stock Exchange Association Ltd.
 3/1, Asaf Ali Road
 New Delhi - 110 002

The Stock Exchange, Mumbai
 Phiroze Jeejeebhoy Tower,
 Dalal Street,
 Mumbai - 400 001

The Madhya Pradesh Stock Exchange
 201, Palika Plaza-II
 M.T.H. Compound,
 Indore - 452 001

The Stock Exchange - Ahmedabad
 Kamdhenu Complex,
 Opp. Sahajanand Complex,
 Panjarapole, Ahmedabad - 38 015

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NOTICE TO MEMBERS

Notice is hereby given that the Tenth Annual General Meeting of Som Distilleries & Breweries Limited will be held on Tuesday the 30th September, 2003 at 16.00 hours at Executive Club, Dolly Farms and Resorts Pvt. Ltd. 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi - 110 030 to transact the following business :-

1. ACCOUNTS

To receive and adopt the Directors Report and audited statements of account for the year 2002-2003.

2. APPOINTMENT OF SHRI A.S. VIJAN AS DIRECTOR

To appoint a Director in place of Shri A.S. Vijan who retires by rotation and being eligible, offers himself for re-appointment.

3. APPOINTMENT OF SHRI RANJIT KUMAR SINGH AS DIRECTOR

To appoint a Director in place of Shri Ranjit Kumar Singh who was appointed as an additional Director of the Company and who holds office under section 260 of the Companies Act, 1956 only upto the date of this meeting and who being eligible offers himself for appointment and in respect of whom the company has received a notice in writing from a member pursuant to Section 257 signifying his intention to propose him as a candidate for the office of Director.

4. APPOINTMENT OF AUDITORS

To consider and if thought fit to pass with or without modifications(s) the following resolution as an ordinary resolution: -

"Resolved that K.C. Khanna & Company, Chartered Accountants, Bhopal be and are hereby appointed as Auditors of the Company from the conclusion of Tenth Annual General Meeting till the conclusion of Eleventh Annual General Meeting at a remuneration of Rs.60,000/- plus actual travelling and out-of-pocket expenses."

5. DE-LISTING OF SHARES AT AHMEDABAD, INDORE AND NEW DELHI STOCK EXCHANGES

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

"Resolved that approval be and is hereby given in terms of clause 6.1 (a) of SEBI (Delisting of Securities) Guidelines 2003 to get the equity shares of the Company de-listed at the Madhya Pradesh Stock Exchange, Indore, The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association of India, New Delhi, since almost no transactions in the shares of the company are taking place at these exchanges and with the object of saving expenses and for reducing avoidable paper work.

Resolved further that Board of Directors be and are hereby authorised to take all requisite action for the delisting as above without giving an exit opportunity to investors as permitted in clause 5 of the Guidelines since the shares will continue to be listed on The Stock Exchange, Mumbai."

6. BORROWING POWERS

To consider and if thought fit to pass with or without modification (s) the following resolution as an ordinary resolution: -

"Resolved that in modification of the resolution passed at the Annual General Meeting held on 27th September 2000, the consent of the company under section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the Board of Directors of the Company, to borrow from time to time as it may consider fit, any sum or sums of money not exceeding Rs.150 crores (Rupees One hundred fifty crores only) on such terms and conditions as the Board may deem fit, notwithstanding that the moneys to be borrowed by the company together with moneys already borrowed by the Company (apart from temporary loans from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose."

7. CHARGING OF ASSETS

To consider and if thought fit to pass with or without modification (s) the following resolution as an ordinary resolution: -

"Resolved that in modification of the resolution passed at the Annual General Meeting held on 27th September 2000, consent of the Company be and is hereby accorded under the provisions of Section

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293 (1) (a) of the Companies Act, 1956 to the Board of Directors of the Company to charge the assets of the Company in any manner whatsoever from time to time, for any borrowings from any party, to the maximum extent of Rs. 150 crores (Rupees One hundred fifty crores only) on such terms and conditions as the Board may deem fit."

Notes :-

- a. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote at the meeting instead of himself and such proxy need not be a member of the company. Proxies in order to be effective must be received at the Registered Office of the company at least 48 hours before the commencement of the meeting.
- b. The Register of Members of the company will remain closed from 19th September 2003 to 3rd October 2003 (both days inclusive).
- c. Members are requested to intimate change of address, if any, to the Company at its Bhopal address. Documents relating to transfer/dematerialisation of shares should also be sent to the Company at its Bhopal address.
- d. Any queries for being answered at the meeting must reach at least seven days in advance.
- e. An explanatory statement as required under section 173 of the Companies Act, 1956 is attached.

For and on behalf of the Board of Directors

J.K. ARORA
CHAIRMAN

PLACE: BHOPAL
DATED: 18.08.2003

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EXPLANATORY STATEMENT

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956 TO THE NOTICE OF THE 10TH ANNUAL GENERAL MEETING OF SOM DISTILLERIES & BREWERIES LTD TO BE HELD ON 30.09.2003 AT 16.00 HOURS AT NEW DELHI

ITEM NO. 3

Appointment of Shri Ranjit Kumar Singh

Shri Ranjit Kumar Singh has been appointed as an Additional Director on the Board of Directors of the Company with effect from 28.4.2003. Shri Ranjit Kumar Singh is a Chartered Accountant with about 18 years experience. He has also been appointed on the Audit Committee of the Company and is Chairman of the Committee. He is not a member of any other Committee of the Board of Directors of this Company or any other Company. Also, he is not interested in any other Company as Director or Shareholder or through his relatives. He is an independent Director as per clause 49 of the Listing Agreement. The Board of Directors recommend his appointment as Director.

None of the Directors is interested in the resolution.

ITEM NO. 5

De-listing of Shares at Ahmedabad, Indore and New Delhi Stock Exchanges

The Shares of the Company are listed on the Stock Exchange, Ahmedabad, Madhya Pradesh Stock Exchange, Indore and The Delhi Stock Exchange Association, New Delhi since 1994 i.e., for more than 8 years. There are at present almost no transactions taking place at these three Stock Exchanges in the shares of the Company. SEBI (De-listing of Securities) Guidelines 2003 permit the Company to apply to these three Stock Exchanges for de-listing of the shares of the Company after obtaining approval of shareholders by a special resolution. No public offer is to be made in this case as per the guidelines. The shares of the Company will continue to be listed at the Stock Exchange, Mumbai and therefore because of the proposal for de-listing at Indore, Ahmedabad and New Delhi no exit opportunity to the share holders is required to be given. The Board of Directors recommend the de-listing at these three Stock Exchanges since there are practically no transactions taking place at these three Stock Exchanges and also because the shareholders have got the opportunity to undertake transactions through the nation wide trading terminals of The Stock Exchange, Mumbai.

ITEM NO. 6 & 7

Resolutions under Section 293 (1) (a) & 293 (1) (d) were passed on 27.9.2000 for charging of assets and for borrowing to the extent of Rs.50 crores (Rupees Fifty crores only). The Company would need borrowing beyond the limit already sanctioned by the General Body Meeting. It is therefore proposed that the Board of Directors may be authorised to borrow and create charges on the assets of the company upto the limit of Rs.150 crores (Rupees One hundred fifty crores only). Therefore the proposed resolutions under section 293 (1) (a) and 293 (1) (d) are submitted for the approval of shareholders.

None of the Directors is interested in the resolutions.

For and on behalf of the Board of Director

J.K. ARORA
CHAIRMAN

Place : Bhopal
Dated : 18.08.03

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REPORT OF DIRECTORS

To,
The Shareholders
Som Distilleries & Breweries Ltd.

Sirs,

Your Directors have pleasure in presenting the Tenth Annual Report of your Company for the year ended on 31st March, 2003.

2. WORKING RESULTS

During the year 2002-2003, the factory produced 4610 KL of Beer and 2029 KL of IMFL compared with 6563 KL of Beer and 2895 KL of IMFL during the year 2001-2002.

The summarized working results for the year are as under :-

	<u>2002-2003</u>	<u>2001-2002</u>
	(Rs. in lacs)	(Rs. in lacs)
Sales and Other Income	2514.56	3991.93
Profit/loss before Depreciation	(173.99)	225.40
Depreciation	(139.61)	136.94
Profit/loss before Tax	(313.60)	88.46
Provision for Income Tax	—	7.53
Profit/loss after Tax	(313.60)	80.93

Production and profit had gone down due to the effect of the change in government policies and distribution system and drought in some of the states and fund constraints.

3. DIVIDEND

The Board of Directors do not recommend dividend for 2002-2003.

4. AUDITORS

M/s K.C. Khanna & Co., Chartered Accountants, Bhopal retire at the ensuing 10th Annual General Meeting. They are eligible for re-appointment. The Board recommends their re-appointment.

5. STATUTORY INFORMATION

- (a) The information in respect of employees drawing remuneration above a certain limit as per Section 217 (2A) of the Companies Act, 1956 is NIL.
- (b) In terms of Section 217(1)(e) of the Companies Act, 1956 and the rules made thereunder, information about energy conservation and technology absorption is nil in regard to each of the respective items. Information in Form-A is not required to be furnished in the case of this industry.
- (c) Information regarding foreign exchange is as follows: -

Earnings : Rs. 24,51,212

Out go : Rs. 1,69,113
- (d) **Directors Responsibility Statement**
The Directors hereby certify: -
 - i) that in the preparation of the accounts for 2002-2003 the applicable accounting standards have been followed except AS 22 implication of which are being studied
 - ii) that accounting policies have been stated in Schedule K to the Accounts. The accounting policies have been selected and applied consistently and judgements and estimates have been made which are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31.03.2003 and of the Profit & Loss Account of the Company for 2002-2003.

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- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detection of frauds and other irregularities.
- iv) that the directors prepared the annual accounts on a going concern basis.
- (e) **Audit Report**
 - (i) AS 22 has not been complied with since its implication in the case of this company are being studied.
 - (ii) Reference para 7 of the Auditors Report. The write off of product launch/promotion expenses over sixty months has been correctly done as per the judgement of the Board. However amortisation of brand building expenses has not been done in the current year (amounting to Rupees 1543921) considering non availability of adequate profits. In respect of debit balances, particularly old outstandings, there is at present no need to make further provisions or to write off.
 - (iii) As a welfare measure no interest is charged on staff advances. Advances to the company under same management are business advance on which no interest is charged as per normal business practices.
 - (iv) One product sold to a company under same management as mentioned in para 11, was sold for cash at a reasonable profit. The product does not have any market price since it is not normally sold in the market.
 - (v) Statutory dues mentioned in para 18 have since been paid.
 - (vi) As detailed in note B16 interest payable to Madhya Pradesh Industrial Development Corporation Ltd. has been provided as per management's estimate.

6. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis and Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are given in Annexure which is a part of this report.

7. ACKNOWLEDGEMENTS

Directors are grateful for the co-operation received from Bank of Baroda, Bank of India, business associates and the valued customers of the company. Directors wish to place on record their high appreciation of the services of executives, staff and workers of the company.

For and on behalf of the Board of Directors

Place: Bhopal
Date: 18.8.2003

J. K. ARORA
CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

Report on Corporate Governance

a) Board of Directors

Shri A.H. Shahani resigned as Director with effect from 28.4.2003. With effect from the same date, Shri Ranjit Kumar Singh was appointed as Additional Director on the Board of Directors. With these changes, as on the date of this report the Board of Directors consisted of the following.

- i) Shri J.K. Arora, Executive, Promoter, Non-Independent. He is Director and Chairman in five other Companies and member of one committee viz. The transfer committee.
- ii) Shri A.K. Arora, Non-Executive, Promoter, Non-independent. He is Director in five other companies and Chairman of one committee i.e., the transfer committee and member of another committee i.e., the audit committee.

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- iii) Shri A.S. Vijan, Non-Executive, Non-Promoter, Independent. He is not a Director in any other company.
- iv) Shri Surjeet Lal, Non-Executive, Non-Promoter, Independent. He is not a Director in any other company. He is a member of audit committee.
- v) Shri Ranjit Kumar Singh, Non-Executive, Non-Promoter, Independent. He is not a Director in any other company. He is the Chairman of the Audit committee of this company.

Thus, out of five Directors, four are non-executive and three are independent.

Each one of the Directors attended all the meetings of the Board of Directors which were held during 2002-2003 while he was a director. A total of thirteen Board Meetings were held during the year on 26.4.2002, 30.4.2002, 29.5.2002, 30.7.2002, 20.8.2002, 24.10.2002, 31.10.2002, 27.11.2002, 2.12.2002, 18.12.2002, 12.2.2003, 1.3.2003 and 31.3.2003. Gap between any two Board Meetings was not more than that permitted by law. Legal requirements about Board Meetings were complied with.

Following were the transactions of the company with Directors or other parties in which directors were interested: -

S.No.	Name of party	Nature of transaction	Terms & conditions
1	Som Distilleries Pvt. Ltd	Purchase of spirit and sale of Wort	Prices and other terms as prevailing in the market.
2	KK Packers	Purchase of corrugated boxes	For cash and on other terms & conditions as prevailing in the market
3	Som Distilleries Pvt.Ltd	Purchase of Electricity	Rates as prevailing in market

b) Audit Committee

The audit committee consists of Chairman Shri Ranjit Kumar Singh, Shri A.K. Arora and Shri Surjeet Lal. All the three are non-executive Directors. Shri Ranjit Kumar Singh and Shri Surjeet Lal are also independent Directors. The Chairman, Shri Ranjit Kumar Singh, is a Chartered Accountant. The role of the audit committee is to provide directions to and over-see the internal audit and risk management functions, review of financial results, interaction with statutory auditors and other matters under the Companies Act 1956 and the listing agreement. The Audit Committee met on 13.07.02, 30.09.02, 23.11.02, 24.04.03, 27.07.03 and 12.08.03 and the meetings were attended by all the members of the committee.

At the last Annual General Meeting held on 27.12.2002, the then Chairman of the committee Shri A.H. Shahani attended the Annual General Meeting.

Except as stated above, no director had any pecuniary relationship or transactions with the Company during the year. No director is member/Chairman of Committees of Board of Directors of more than the numbers as permitted in clause 49 of the listing agreement.

Shri A.S. Vijan is a B.Sc.and has got forty-three years experience in marketing of liquor. He is seeking re-appointment as Director at the 10th Annual General Meeting.

Shri Ranjit Kumar Singh is a Chartered Accountant with about eighteen years experience in his profession. He is seeking appointment as Director at the 10th Annual General Meeting.

The directors are committed to follow good corporate governance practices.

c) Remuneration of Directors

During the year 2002-2003, Shri A.H. Shahani, Director (Chairman of Audit Committee) was paid a salary of Rs.21,000/- per month in addition to company's contribution to Provident Fund, Gratuity and encashment of leave as per law/rules.

None of the other Directors (including Managing Director) was paid any remuneration or sitting fees for attending the meetings.