

11

Annual Report
2003-2004



Som Distilleries & Breweries Ltd.



Celebration of Annual Function of Som Group in presence (Left to right) Mr. A.K. Arora, Mr. J.K. Arora, Mr. S.C. Chaturvedi, Mr. M.L. Arora, Mr. J.R. Verma, Mr. A.H. Shahani, Mr. S. Lal.



Annual function of Som Group of Companies in the presence of Mr. A.K. Arora, Mr. S.C. Chaturvedi, Mr. J.K. Arora, Mr. M.L. Arora, Mr. S. Lal, Mr. M.M. Chawla, Mr. A. Shahani, Mr. J.R. Verma.

SOM DISTILLERIES & BREWERIES LIMITED
Eleventh Annual Report



DIRECTORS

Shri J. K. Arora
Shri A. K. Arora
Shri Surjeet Lal
Shri Manoj Varshney

Chairman & Managing Director
Director
Director
Director

BANKERS

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

AUDITORS

K. C. Khanna & Co.
Chartered Accountants
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

FACTORY

Rojra Chak,
District Raisen,
Madhya Pradesh

STOCK EXCHANGE

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

SOM DISTILLERIES & BREWERIES LIMITED

Eleventh Annual Report

**NOTICE TO MEMBERS**

Notice is hereby given that the Eleventh Annual General Meeting of Som Distilleries & Breweries Limited will be held on Wednesday the 29th September, 2004 at 10.00 hours at Executive Club, Dolly Farms and Resorts Pvt. Ltd, 349, 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 2003-04.

2. **APPOINTMENT OF SHRI J. K. ARORA AS DIRECTOR**

To appoint a Director in place of Shri J. K. Arora who retires by rotation and being eligible, offers himself for re-appointment.

3. **APPOINTMENT OF SHRI MANOJ VARSHNEY AS DIRECTOR**

To appoint a Director in place of Shri Manoj Varshney who was appointed as an additional Director of the Company and who holds office under section 260 of the Companies Act, 1956 only up to 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 modification(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 eleventh Annual General Meeting till the conclusion of Twelfth Annual General Meeting at a remuneration of Rs.60,000/- plus actual travelling and out-of-pocket expenses”.

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 20th September 2004 to 4th October 2004 (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

Place : BHOPAL
Dated : 25.08.2004

J.K. ARORA
Chairman

SOM DISTILLERIES & BREWERIES LIMITED

Eleventh Annual Report



**EXPLANATORY
STATEMENT**

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956 TO THE NOTICE OF THE 11TH ANNUAL GENERAL MEETING OF SOM DISTILLERIES & BREWERIES LTD. TO BE HELD ON 29.09.2004 AT 10.00 HRS AT NEW DELHI.

ITEM NO.3

Appointment of Shri Manoj Varshney

Shri Manoj Varshney has been appointed as an Additional Director on the Board of Directors of the Company with effect from 01.04.2004. Shri Manoj Varshney is an M.Com with 17 years experience in accounts and commercial departments. 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.

For and on behalf of the Board of Directors

Place : BHOPAL
Dated : 25.08.2004

J.K. ARORA
Chairman



SOM DISTILLERIES & BREWERIES LIMITED

Eleventh Annual Report



REPORT OF DIRECTORS

To,
The Shareholders
Som Distilleries & Breweries Ltd

Sirs,

Your Directors have pleasure in presenting the Eleventh Annual Report of your Company for the year ended on 31st March 2004.

2. WORKING RESULTS

During the year 2003-2004 the factory produced 4566 KL of Beer and 242 KL of IMFL compared with 4610 KL of Beer and 2029 KL of IMFL during the year 2002-2003.

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

	2003-04 (Rs. In lacs)	2002-03 (Rs. In lacs)
Sales & Other Income	1873.80	2514.56
Profit/loss before Depreciation	(566.89)	(173.99)
Depreciation	142.37	139.61
Loss for the year	(709.26)	(313.60)

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

3. DIVIDEND

The Board of Directors do not recommend dividend for 2003-04

4. AUDITORS

M/s K.C. Khanna & Co., Chartered Accountants, Bhopal retire at the ensuing 11th Annual General Meeting. They are eligible for reappointment. The Board recommends their reappointment.

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.10,36,368/-
Out go : Rs.77,480/-
- (d) **Directors Responsibility Statement**
The Directors hereby certify :-
i) that in the preparation of the accounts for 2003-2004 the applicable accounting standards have been followed.

SOM DISTILLERIES & BREWERIES LIMITED**Eleventh Annual Report****REPORT OF DIRECTORS**

- 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 31.03.2004 and of the Profit & Loss Account of the Company for 2003-2004.
 - 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 in the preceding year and current year the company has incurred losses and it is not possible to create deferred tax asset/liability at this juncture.
 - ii) Reference Para 6(i) 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.
 - iii) As detailed in note B16 interest payable to Madhya Pradesh Industrial Development Corporation Ltd has been provided as per management's calculations based on one time settlement policy of the corporate.
 - iv) Reference Para 6 (iii) of the Auditors Report. In respect of debit balances, particularly old outstandings, there is no need to make further provisions or to write off.
 - v) Advances given to three companies under same management are in the nature of advances for sale/purchase of goods or amounts given as share application money. As such there were no stipulation about repayments and interest.
 - vi) Procedures for purchase of inventory are being strengthened.
 - vii) Suggestion of regular system of internal audit in all areas is being implemented.
 - viii) Reference Para 9 of Auditors CARO Report. Some of the statutory dues have been paid. Balance dues are being paid. Outstandings are due to cash crunch arising from losses.
 - ix) Default in repayment of dues to Bankers and Financial Institutions are due to losses incurred by the company during last two years. Various efforts are being made to regularize the accounts with Banks and Financial Institutions.

6. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Mumbai Stock Exchange, Management Discussion and analysis and Corporate Governance Report and Certificate from Company Secretary in Practice regarding compliance of conditions of Corporate Governance are given in Annexure which is a part of this report.

SOM DISTILLERIES & BREWERIES LIMITED

Eleventh Annual Report

**REPORT OF DIRECTORS****7. ACKNOWLEDGMENTS**

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
Dated : 25.08.2004

J.K. ARORA
Chairman

ANNEXURE-I TO DIRECTORS' REPORT DATED 25.08.2004
Report on Corporate Governance for 2003-04
(as required under clause 49 of the listing agreement)

1. Board of Directors

- (a) Shri Ranjit Singh resigned as Director on 25.2.04 and Shri A. S. Vijan resigned on 20.5.04. Shri Manoj Varshney was appointed as an additional director on 1.4.04. He is seeking reappointment at the 11th AGM on 29.9.04.

The Board now has four directors including of an executive Chairman-cum-Managing Director. 50% of the Directors i.e. two are independent. Three of the Directors i.e. 75% are non-executive.

- (b) Non-executive directors are not paid any remuneration except sitting fees of Rs.1000/- per Board/Committee meeting attended. No stock options were given to such directors. Shri Surjeet Lal holds 5210 shares of Rs.10/- each and Shri Manoj Varshney does not hold any shares in the company. Shri A.K. Arora holds 2,50,010 shares of Rs.10/- each.
- (c) The Board held seven meetings during 2003-04. Each of the directors attended all the meetings held during his tenure. The minimum gap between any two meeting was less than four months. No director was a member of more than 10 committees and was not Chairman of more than five committees. A code of conduct for all Board members and senior managers has been framed and circulated. The code has been complied by Directors and senior managers. Shri A. K. Arora has been on the Board since incorporation (i.e. from 26.3.93) and Shri Surjeet Lal has been on the Board since 19.5.93. Shri Manoj Varshney is on the Board from 1.4.2004.

2. Audit Committee

The Audit Committee consists of three non-executives directors. Majority of them, i.e. two, are independent. All the members of the committee are financially literate and the Chairman Shri Manoj Varshney an independent director has long experience of accounts and is M.Com. At the last AGM held on 30.9.03 the then Chairman of the Audit Committee Shri Ashok Shahani attended the annual general meeting. During 2003-04 the audit committee met four times. The committee has been given the powers and assigned the role

SOM DISTILLERIES & BREWERIES LIMITED

Eleventh Annual Report

**REPORT OF DIRECTORS**

as per clause 49 and as per section 292 A of the Companies Act 1956.

3. **Whistle Blower Policy**

It has been notified through a circular that whistle blowers can approach the audit committee members. During the year, no such approach was denied to anybody.

4. **Subsidiaries**

The company does not have any subsidiaries.

5. **Disclosures**

(a) Material Contingent liabilities have been duly disclosed in the notes to the accounts for 2003-04. During the year there were no transactions with related parties except the following :

M/s K. K. Packers - Rs.26,67,430/- corrugated boxes purchased

Som Distilleries Pvt. Ltd - Rs.29,50,000/- spirit for manufacturing IMFL was purchased.

(b) Procedures to inform the Board about risk assessment and minimization have not yet been devised. There was no public issue during the year 2003-04. No director is paid any remuneration by the company except sitting fees of Rs.1000/- for attending each Board Meeting.

(c). **Management discussion and analysis.**

Alcoholic Beverages give handsome revenue to government and also provides employment . Since acceptance of liberalization and globalization of industry and trade as a major policy by the Central Government, the Indian alcoholic beverages industry has been facing acute competition with multinational companies and other big players in the market. The liquor industry is currently going through a very challenging phase. Threat of prohibition, high excise duties, ban on advertisements, restriction on interstate movement, government control of distribution, ceiling on capacity additions, licensing requirements for new units, arbitrary decisions by State governments, near monopoly status of the retailers and distributors, restrictions on retail prices, entry of foreign companies etc. are some of the factors that have stunted the natural growth of alcohol beverages. Through the auction of liquor shops, the state governments found it a convenient to collect higher revenue but the after effect is that manufacturers are at the mercy of the distributors. This situation has led to lower sales and bad debts.

The management has drastically reduced the cost of manufacturing, administration and other overheads in the last two years. This will help to improve competitive strength and to utilize the production capacity in a better way. We are also producing beer for well known brand Kingfisher in our plant which confirms that our plant is among the most modern plants producing beer in India.

Our Company has suffered loss during the last two years on account of shortage of working capital and the company accounts have been declared NPAs by the Bankers.

The company has made request to the bankers for restructuring the facilities. Once the accounts are restructured and the additional working funds are available, our capacity utilization will turn around.

SOM DISTILLERIES & BREWERIES LIMITED

Eleventh Annual Report



REPORT OF DIRECTORS

(d) Shareholders

- i) At the time of appointment/reappointment of Directors, requisite informations about directors was given in the notice of general meetings.
- ii) The company has a Transfer Committee consisting of Shri A.K.Arora (non-executive) and Shri J.K. Arora (Managing Director). The committee is duly authorized to effect transfers, transmission, issue of duplicate shares, dematerialisation etc/ The committee meets twice in a month. The Committee has also been authorized to look into shareholders grievances. During 2003-04, 74 complaints were received from Shareholders etc. which were satisfied. There was no pending complaint as on 31.3.2004. There was no pending transfers as at the end of the year . Shri J.K. Arora, Managing Director is the Compliance Officer.
- iii) The shares of the Company have been dematerialized.
- iv) The promoters along with persons acting in concert held 31.26% of the paid up capital on 31.3.04, Private bodies corporates held 8.47% while NRI's/OCBs held 3.34% on that date.

(e) General Meetings

- i) 8th and 9th Annual General Meetings were held on 27.12.2002 and the 10th AGM was held on 30.9.2003, all at Executive Club, Dolly Farms and Resorts Pvt.Ltd, 439, Village Fatehpur Beri, New Delhi - 30.
 - f) At the 9th AGM one special resolution regarding preferential allotment of 50,00,000 (Fifty Lakh only) equity shares of Rs. 10/- each for cash at par or at a higher price was passed. However, no such equity shares could be issued on preferential basis since no applications were received. At the 10th Annual General Meeting, a special resolution was passed approving the proposal for delisting of shares at the stock exchanges at New Delhi, Ahmedabad and Indore, since almost no transactions in the shares of the company were taking place at these exchanges and with the object of saving expenses and for reducing avoidable paper work. No postal ballot was conducted so far. Nor is any postal ballot proposed at present.
 - (f) Unaudited quarterly financial results were published in two newspapers of Delhi from time to time. No presentations were made to any institutional investors or analysts.
 - (g) A compliance certificate from M. M. Chawla & Associates, Company Secretaries in Practice, on Corporate Governance is attached.
6. C.E.O. has given the requisite certificates to the Board of Directors as required under clause 49VIII of the listing agreement.

For and on behalf of the Board of Directors

Place : BHOPAL
Dated : 25.08.2004

J.K. ARORA
Chairman