

REPORT
2004-2005

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som
distilleries &
breweries Ltd.

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19th Foundation day of the Company 09.05.2005



Chairman and Managing Director Shri J.K. Arora Cutting the cake



The launch of the woodpecker Draught Beer at
Jahan Numa Palace Hotel, Bhopal on 11th August, 2005

SOM DISTILLERIES & BREWERIES LIMITED**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

1A, 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 No.
 07480 266244
 266245

STOCK EXCHANGE

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

SOM DISTILLERIES & BREWERIES LIMITED**NOTICE TO MEMBERS**

Notice is hereby given that the 12th Annual General Meeting of Som Distilleries & Breweries Limited will be held on Friday the 30th September 2005 at 16.00 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 2004-05.

2. APPOINTMENT OF SHRI A. K. ARORA AS DIRECTOR

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

3. 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 12th Annual General Meeting till the conclusion of 13th Annual General Meeting at a remuneration of Rs.60,000/- plus actual traveling 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 23.8.2005 to 12.9.2005 (both days inclusive).
- c. All correspondence regarding dematerialisation/transfer of shares and change of address should be addressed to MAS Services Private Limited, AB-4, Safdarjang Enclave New Delhi-110029 who are the Registrar and Transfer Agents.
- d. Any queries for being answered at the meeting must reach at least seven days in advance.

For and on behalf of the Board of Directors

PLACE : BHOPAL
DATED : 6th September 2005

J. K. ARORA
CHAIRMAN

SOM DISTILLERIES & BREWERIES LIMITED

**EXPLANATORY STATEMENT**

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956 TO THE NOTICE OF THE 12TH ANNUAL GENERAL MEETING OF SOM DISTILLERIES & BREWERIES LTD TO BE HELD ON 30.08.2005 AT 10.00 HRS AT NEW DELHI.

Item No. 2**Appointment of Shri A. K. Arora as Director**

Shri Ajay Kumar Arora became a Director of the company w.e.f. from the date of incorporation of the company on 26.3.93. He is a Civil Engineer with a long experience of factory management of the company's Brewery and also a Distillery. He is also a Director of Som Distilleries Pvt. Ltd, Som Agro Products Ltd, Som Power Ltd, Legend Distilleries Pvt. Ltd and Legend Capital Pvt. Ltd. He is Member Chairman of the committee dealing with transfers, demats and also shareholders grievances. He holds 2,50,010 shares of Rs.10/- each of the company. He is also quite knowledgeable on accounts and various managerial subjects concerning a company.

None of the Directors is interested in the resolution.

The Board of Directors recommended his re-appointment on the Board.

For and on behalf of the Board of Directors

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Place : Bhopal
Dated : 08.09.2005

(J. K. ARORA)
CHAIRMAN

SOM DISTILLERIES & BREWERIES LIMITED


**REPORT OF
DIRECTORS**

To,
The Shareholders
Som Distilleries & Breweries Ltd

Sirs,

Your Directors have pleasure in presenting the Twelfth Annual Report of your Company for the year ended on 31st March 2005.

2. WORKING RESULTS

During the year 2004-2005 the factory produced 5595 KL of Beer and 763 KL of IMFL compared with 4566 KL of Beer and 242 KL of IMFL during the year 2003-2004.

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

	<u>2004-05</u>	<u>2003-04</u>
	(Rs. In lacs)	(Rs. In lacs)
Sales & Other Income	2176.63	1860.47
Profit/loss before Depreciation	(510.18)	(566.89)
Depreciation	143.89	142.37
Loss for the year	(654.07)	(709.26)

Production and profit had gone down due to the shortage of working capital funds

3. AUDITORS

M/s K.C. Khanna & Co., Chartered Accountants, Bhopal retire at the ensuing 12th Annual General Meeting. They are eligible for reappointment. The Board recommends their reappointment.

4. 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 : NIL
Imports : Rs.61,376/-
- (d) **Directors Responsibility Statement**
The Directors hereby certify :-
- i) that in the preparation of the accounts for 2004-2005 the applicable accounting standards have been followed.
 - 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 31.03.2005 and of the Profit & Loss Account of the Company for 2004-2005.

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REPORT OF DIRECTORS

- 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 two years and current year the company has incurred losses and it is not possible to create deferred tax asset/liability at this juncture.
- ii) 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 corporation.
- iii) Reference Para 6 (ii) of the Auditors Report. In respect of debit balances, particularly old outstandings, there is no need to make further provisions or to write off.
- iv) Advances given to four companies covered in the register mentioned under section 301 of the Companies Act 1956 are in the nature of advances for sale/purchase of goods or amount given as share application money. As such there were no stipulations about repayments and interest thereon.
- v) Procedures for purchase of inventory are being strengthened.
- vi) Regular system of internal audit of all areas of the company's operation is being initiated from the current financial year.
- vii) 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 due to losses incurred.
- viii) Default in repayment of dues to Bankers and Financial Institutions are due to losses incurred by the company during last three years. Various efforts are being made to regularize the accounts with Banks and Financial Institutions.

5. 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.

6. ACKNOWLEDGEMENTS

Directors are grateful for the co-operation received from 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 : 30.05.2005

J. K. ARORA
CHAIRMAN



REPORT OF DIRECTORS

ANNEXURE-I TO DIRECTORS' REPORT DATED 30.05.2005 **Report on Corporate Governance for 2004-05** **(as required under clause 49 of the listing agreement)**

1. Board of Directors

- a) The Board has four directors including 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. Shri J. K. Arora and Shri A. K. Arora are the promoter Directors.
- (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 thirteen meetings during 2004-05. Each of the directors attended all the meetings held during his tenure except that Shri A. S. Vijan did not attend two of the meetings.. 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 viz Shri Manoj Varshney (Chairman), Shri A. K. Arora, Director and Shri Surjeet Lal, Director. 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 29.09.2004 the Chairman of the Audit Committee attended the annual general meeting. During 2004-05 the audit committee met four times. The gap between any two meetings was not more than four months. The quorum was complied with. All the members of the committee attended all the meetings. The committee has been given the powers and assigned the role as per clause 49 and per section 292 A of the Companies Act 1956.

3. Remuneration Committee

No remuneration committee has been constituted since no remuneration was paid to any Directors except sitting fees.

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REPORT OF DIRECTORS

4. **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.

5. **Subsidiaries**

The company does not have any subsidiary.

6. **Disclosures**

(a) Material Contingent liabilities have been duly disclosed in the note to the accounts for 2004-05. During the year there were no transactions with related parties except the following :

M/s K. K. Packers	-	Rs.6,12,946/- corrugated boxes purchased
M/s Som Distilleries Pvt. Ltd	-	Rs.69,25,000/- spirit for manufacturing IMFL was purchased.

(b) Procedures to inform the Board about risk assessment and minimization have been devised. There was no public issue during the year 2004-05. 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.**

Today, alcohol beverages business looks to be very attractive and handsome in terms of volume and revenue. The recent activity of coming multinationals into India has also warmed up the scene. The progress of the United Breweries Group is also an eye opener for everyone, despite not much of returns to the investors.

The Company has clear dependency on its bankers. This confidence was on the basis of long term relationship with the Bankers without realizing that the Bankers provide umbrella for non-raining days only. This dependency on and prolonged persuasion with the Bankers has put the Company into difficult situation where the Company has suffered huge losses due to non-availability of small requirement of working capital since last three years. Now the company is exploring alternative strategies to arrange the finance on low cost and settlement with the Bankers to come out of the financial trap.

The Company has reduced all operating and manpower costs substantially. United Breweries has also helped in bringing down the cost of plant operations and raw materials. The quality of product in the plant is one of the best quality produced all over India. The Company has got an excellent plant with rarely available canning facility in the country.

The management is working hard to get restructuring done at the fastest speed possible and hoping to get through soon once the restructuring is completed. Management foresees that future of the Company is very bright.



REPORT OF DIRECTORS

(d) Shareholders

- i) At the time of appointment/reappointment of Directors, requisite information about directors was given in the notice of general meetings.
- ii) The company has a Transfer Committee consisting of Chairman 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 generally meets twice in a month. The Committee has also been authorized to look into shareholders grievances. During 2004-05, 69 complaints were received from Shareholders etc. which were satisfied. There was no pending complaint as on 31.3.2005. There was no pending transfer 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 31.61% of the paid up capital on 31.3.05, Private bodies corporates held 8.51% while NRI's/OCBs held 3.34% on that date.

e) General Meetings

- i) 9th Annual General Meeting was held on 27.12.2002, the 10th AGM was held on 30.9.2003 and 11th AGM was held on 29.9.04 all at Executive Club, Dolly Farms and Resorts Pvt. Ltd, 439, Village Fatehpur Beri, New Delhi - 30.
- ii) The authorized capital has been increased from Rs.13 crores to Rs.19 crores. On 13.5.2005 a special resolution was passed for issue of warrants giving options to the warrant holders to subscribe for equity shares of the face value of Rs.9 crores at the rate of Rs.11/- for every share of Rs.10/-.
- iii) 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.
- iv) A compliance certificate from M. M. Chawla & Associates, Company Secretaries in Practice, on Corporate Governance is attached.

6. C.E.O/C.FO has given the requisite certificate to the Board of Directors as required under clause 49 VIII of the listing agreement.

For and on behalf on the Board of Directors

Place : Bhopal
Dated : 30.5.2005

J. K. ARORA
Chairman