



# 18<sup>th</sup> ANNUAL REPORT 2010 - 2011

SOM DISTILLERIES & BREWERIES LIMITED



## DIRECTORS

Shri Surjeet Lal	Chairman/Managing Director
Shri Shailendra Singh Sengar	Director
Shri Deenanath Singh	Director
Shri Guru Darshan Arora	Director

## BANKER

Punjab National Bank Limited

## AUDITORS

K.C. Khanna & Co.  
Chartered Accountants  
12, Zone-II, M.P. Nagar  
Bhopal-462011

## REGISTERED OFFICE

1-A, Zee Plaza, Arjun Nagar  
Safdarjang Enclave,  
Kamal Cinema Road,  
New Delhi - 110029  
Tel Nos. 011-26169909, 26169712

## CORPORATE OFFICE

23, Zone-II, M.P. Nagar, Bhopal - 462011  
Tel Nos. 0755-4271271, 4278827

## FACTORY

Rojra Chak, District Raisen, Madhya Pradesh  
Tel Nos. 07480-266244, 266245

## STOCK EXCHANGE

Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400001

## SOM DISTILLERIES & BREWERIES LIMITED

### Eighteenth Annual Report

## NOTICE TO MEMBERS

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of Som Distilleries & Breweries Limited will be held on Friday the 30<sup>th</sup> September 2011 at 10.00 A.M. at Executive Club, Dolly Farms and Resorts Pvt. Ltd, 349, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi 110030 to transact the following business: -

## ORDINARY BUSINESS

### 1. ACCOUNTS

To approve and adopt the Audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011 and the Balance Sheet as at that date and the reports of Directors' and Auditors' thereon.

### 2. APPOINTMENT OF SHRI DEENA NATH SINGH AS DIRECTOR

To appoint a director in place of Shri Deena Nath Singh who retires by rotation and being eligible, offers himself for re-appointment.

### 3. To declare a dividend on equity shares of the company for 2010-11.

### 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 18<sup>th</sup> Annual General Meeting till the conclusion of 19<sup>th</sup> Annual General Meeting at a remuneration to be decided by the Chairman cum Managing Director with the consent of the auditors”.

## Notes:-

- 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.
- The Register of Members of the company will remain closed from 23.09.2011 to 30.09.2011 (both days inclusive).
- All correspondence regarding dematerialization/transfer of shares, change of address etc. should be addressed to MAS Services Pvt. Ltd, T-34, Okhla Industrial Area, Phase II, Delhi-110021 who are the Registrar and Transfer Agents.
- Any queries for being answered at the meeting must reach at least seven days in advance.
- Shareholders are requested to furnish their e-mail addresses to RTA so that annual report can be sent by e-mail in future.

By Order of Board of Directors

PLACE: BHOPAL

DATED: 3<sup>rd</sup> September 2011

SURJEET LAL

CHAIRMAN AND MANAGING DIRECTOR



**SOM DISTILLERIES & BREWERIES LIMITED**  
**Eighteenth Annual Report**

**REPORT OF To,**  
**DIRECTORS** The Shareholders  
Som Distilleries & Breweries Ltd.

Sirs,

Your Directors have pleasure in presenting the Eighteenth Annual Report of your Company for the year ended on 31<sup>st</sup> March 2011.

**1. WORKING RESULTS**

During the year 2010-2011 the factory produced 39602 KL of Beer and 3236 KL of IMFL compared with 27152 KL of Beer and 1011 KL of IMFL during the year 2009-2010.

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

	<b>2010-11</b>	<b>2009-10</b>
	Rs. lakhs	Rs. lakhs
Sales & Other Income	18389.04	10522.79
Depreciation	298.87	186.89
Profit for the year	2169.06	1025.29
Provision of Tax	655.08	190.77
Profit after Tax	1513.98	834.52

It will be seen that the production and sales were substantially higher. Higher installed capacity and good demand for the products of the company enabled it to achieve much better results.

**2. DIRECTORS:**

There was no change in the constitution of the Board of Directors during the year 2010-11

**3. DIVIDEND**

Directors recommend for the year 2010-11, dividend of Re.0.75 (i.e.7.5%) on each share of Rs.10 on 27522400 equity shares payable to shareholders as on the date of Annual General Meeting.

**4. AUDITORS**

M/s K.C. Khanna & Co., Chartered Accountants, Bhopal retire at the ensuing 18<sup>th</sup> 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 there under,

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.2,19,06,290

Imports: Rs. 75,57,404

(d) Directors Responsibility Statement

The Directors hereby certify:-

- i) that in the preparation of the accounts for 2010-2011, the applicable accounting standards have been followed.
- ii) that accounting policies have been stated in Schedule L 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 31.03.2011 and of the Profit of the Company for 2010-2011.
- 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.

**6. CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Mumbai Stock Exchange, Corporate Governance Report including Management Discussion and Analysis and Certificate from Company Secretary in Practice regarding compliance of conditions of Corporate Governance are attached and form part of this report.

**7. 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 : 03.09.2011

SURJEET LAL  
Chairman and Managing Director

**ANNEXURE-I TO DIRECTORS' REPORT**  
**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED ON 31<sup>st</sup> MARCH, 2011**  
**(as required under clause 49 of the listing agreement)**

**1. Board of Directors**

The Board consists of four directors including Chairman-cum-Managing Director. Two of the Directors on the Board are independent directors. All Directors are non-executive since no remuneration is paid to any director, except sitting fees, if claimed. The details of composition and categories of Directors are as under:

Sr. No.	Name of Director	Category
1.	SHRI SURJEET LAL, Chairman and M.D.	Non independent and Non Executive
2.	SHRI D N SINGH	Independent and Non Executive
3.	SHRI SHAILENDRA SINGH SENGAR	Independent and Non Executive
4.	SHRI GURU DARSHAN ARORA	Non independent and Non Executive

- a) Non-executive directors are not paid any remuneration except sitting fees of Rs.1000/- per Board/Committee meeting attended, if claimed. No stock options were given to any directors.
- b) During the financial year 2010-11, the Board of Directors met seven times on 07.05.2010, 13-07-2010, 22-07-2010, 01-09-2010, 14-09-2010, 29-11-2010 and 17-01-2011. Each of the directors attended all the meetings. The minimum gap between any two meetings 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 of conduct has been complied by all the directors and senior managers. Last AGM held on 29.09.10 was attended by Shri Surjeet Lal the chairman and managing director and Shri Deenanath Singh Chairman of the Audit Committee.

**2. Details of Directors seeking Re-appointment/ appointment at the forthcoming Annual General Meeting.**

Shri Deena Nath Singh has been a Director on the Board of Directors of the company since 30.03.2006. He is a B.Sc.(Hons) and Intermediate (Group I) of ICWA with 13 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 relatives. He is an independent Director as per clause 49 of the listing agreement. The Board of Directors recommend his reappointment

**3. Audit Committee**

The Audit Committee comprises of three non-executive directors viz Shri D. N. Singh (Chairman), Shri G. D. Arora, Director and Shri Shailendra Singh Sengar, Director. Two of them are independent. All the members of the committee are financially literate and the Chairman Shri D. N. Singh, an independent director, is having wide experience of industry and has passed Intermediate(Group I) of ICWA. At the last AGM held on 29.09.2010, the Chairman of the Audit Committee Shri D.N. Singh attended the annual general meeting. During 2010-11 the audit committee met five 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 as per section 292A of the Companies Act, 1956.

**4. Remuneration Committee**

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

**5. Subsidiaries**

The company is not having any subsidiary.

**6. Disclosures**

- (a) The Company has whistler blower policy under which all employees are having direct access to the management in case of any complaint about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics. No personnel was denied access to the audit committee.
- (b) No director is paid any remuneration by the company except sitting fees of Rs.1000/- for attending each Board Meeting, if claimed.
- (c) There were no instances of non-compliance or penalty imposed on the company by Mumbai Stock Exchange or SEBI or any other statutory authority on any matter related to capital market, during the last three years.
- (d) At the time of appointment/reappointment of Directors, requisite information about directors was given in the notice of general meetings.
- (e) The Company is complying with all mandatory requirements of Clause 49 of the listing agreement.

**7. 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.



## 8. General Meetings

Particulars of Annual General Meetings and Extra Ordinary General Meetings held during the last four years

During Year	Date	Time	Venue	Meeting
2007-08	29 <sup>th</sup> Sept, 2007	10.00 A.M.	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30	14 <sup>th</sup> AGM
2008-09	30 <sup>th</sup> Sept., 2008	10.00A.M.	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30	15 <sup>th</sup> AGM
2009-10	30 <sup>th</sup> Sept., 2009	10.00A.M.	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30	16 <sup>TH</sup> AGM
2010-11	29 <sup>th</sup> Sept., 2010	10.00 A.M./	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30	17 <sup>th</sup> AGM

No Special Resolution was put through postal ballot last year.

## 9. Means of Communication

The quarterly, half-yearly and yearly financial results of the company are sent to the stock exchange immediately after they are approved by the Board. These are also published in the prescribed pro-forma as per the listing agreement in two newspapers of Delhi from time to time. No presentations were made to any institutional investors or analysts. The Company also has exclusive e-mail ID i.e. [sombreweries@gmail.com](mailto:sombreweries@gmail.com) for investors to contact the company in case of any information and grievances.

## 10. Investor Correspondence:

Any query relating to shares and request for transactions such as transfer, transmission and nomination facilities, duplicate share certificates, change of address, non-receipt of dividend/Annual Report, and also regarding dematerialization/ rematerialisation of shares may be taken up with :

**MAS SERVICES PRIVATE LIMITED,**  
**T-34,OKHLA INDUSTRIAL AREA**  
**PHASE II, DELHI-110020**  
**TELEPHONE NO. 011-26387281-83**  
**FAX NO. 011- 26387384**

## 11. Management Discussion and Analysis Report

### OVERVIEW

The Indian beer industry has been witnessing steady growth of 10 - 17% per year over the last ten years. The rate of growth has increased in recent years, with volumes crossing 230m cases during the F.Y. 2010-11. The ban on marketing is the greatest barrier for the higher growth of Industry. The licensing and the high Govt. control limit growth. However, the government is considering issuing licenses for outlets to sell beer and wine only, delinking it from the sale of spirits. This development would generate huge demand for the industry.

Taxation is yet another major factor which adversely affects the Indian brewing industry. Brewery industry in India is one of the heaviest taxed drinks in the world. Due to the prevalent excise taxation structure, the majority of Indians who consume alcohol prefer to purchase spirits over beer as it contains higher alcohol at a similar price. Some States have recently started to delink beer taxation from spirits, thereby promoting a logical growth in the future. Uniform tax regime for beer in all States will be a boon for the industry. If implemented, it will help the beer industry by rationalizing end consumer prices in all States, as is in the case of other consumer goods. Excessive regulation and Government intervention, in the areas of distribution and pricing, is affecting the growth and profitability of the industry. In addition, restrictions on advertising and licensing of retail outlets continue to present challenges to the Industry.

The low per capita consumption of beer in India as compared to the world average offers a phenomenal demand growth potential for the industry in years to come. This coupled with the youthful age of Indian population will add to the demand for the product. The gradual deregulation in the Indian beer industry too will give it a boost. Foreign brewers have been eyeing the Indian market for some years now as India is widely acknowledged to be the last untapped big growth market.

With leading brands and other international brands starting domestic production in India, indigenous brands such as your company face increasing competition. However, consistent investments by your Company, in the product, packaging and communication, along with well established distribution, puts SOM in a strong position, not only in its home state but also in other states where its presence has already increased.

While multinational companies are expected to increase competition in the premium beer segment, regional players with established domestic brands, particularly those of your Company have the advantage of having established brand equity in the regional market. Several international brewers have currently built brand associations and are marketing their brands aggressively through various point-of-sale promotions throughout their distribution networks. Your Company has the benefit of a strong route to market combined with established Indian leading brands.

### PRODUCT WISE PERFORMANCE

Your Company is dealing in two products:

- 1) Beer
- 2) IMFL

The company has added to the production capacity 30,000 KL of beer with a capital investment of around Rs.296 million. The production of beer has an impressive growth of 46% over the previous year and stood at 39,602 KL. IMFL has also shown a good growth of 220% over the previous year.

### OUTLOOK

Your Company has seen an impressive growth in the past in volumes as well as turnover. Your Company's turnover has increased from INR 542 million in 2007-08 to INR 1830 million in 2010-11. To cater to the growing demand your Company proposes to add 40,000 KL to its capacity during financial year 2011-12

### OPERATIONS

Your Company successfully commissioned a state of art brewery with a production capacity of 29,200 KL of beer. The installed capacity of your Company for production of beer has now been increased to 59,200 KL in year under consideration. In view of the increase in demand for the Company's products and expanding the marketing area of the products in India and abroad, your Company is prompted to go for yet another expansion. The expansion of capacity by another 40,000 KL is under way and is expected to be commissioned by the end of the F.Y. 2011-12. The latest equipment is being installed with a vision of productivity and environmental conscienceness.