

Brewed to Rule

SDBL ANNUAL REPORT 2011-12



The
Hunter
effect,
truly
electrifying



19th Annual Report 2011-2012



Som Distilleries and 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 & Company
Chartered Accountants
12, Zone-II, MP Nagar, Bhopal - 462 011

REGISTERED OFFICE

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

CORPORATE OFFICE

23, Zone-II, M.P. Nagar, Bhopal – 462 011
Tel.: 0755 4271271, 4278827

STOCK EXCHANGE

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street Mumbai – 400 001

Notice To Members

Notice is hereby given that the 19th Annual General Meeting of Som Distilleries & Breweries Limited will be held on Friday the 28th September 2012 at 11.00 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 31st March, 2012 and the Balance Sheet as at that date and the Reports of Directors' and Auditors' thereon.

2. Appointment of Shri Surjeet Lal as Director

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

3. To declare a dividend on equity shares of the company for 2011-12.

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 19th Annual General Meeting till the conclusion of 20th Annual General Meeting at a remuneration to be decided by the Chairman and Managing Director with the consent of the auditors".

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 22.09.2012 to 28.09.2012 (both days inclusive).
- c. 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-110020 who are the Registrar and Transfer agents (RTA).
- d. Any queries for being answered at the meeting must reach at least seven days in advance.
- e. 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

Surjeet Lal

Dated: 3rd September 2012

Chairman and Managing Director

Report Of Directors

To,

The Shareholders

Som Distilleries & Breweries Ltd.

Sirs,

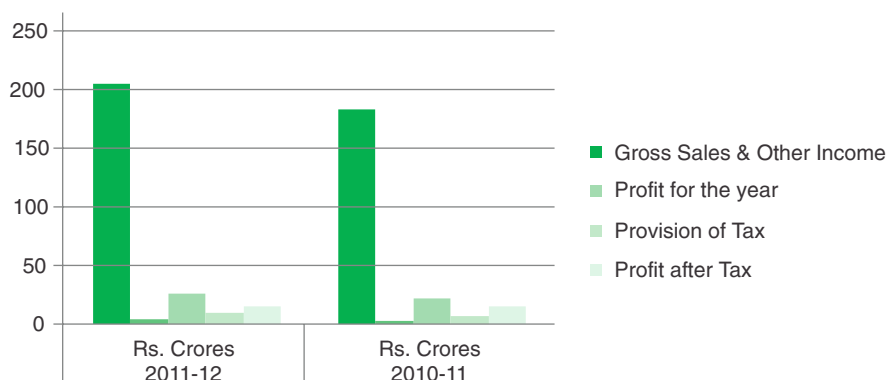
Your Directors have pleasure in presenting the 19th Annual Report of your Company for the year ended on 31st March 2012.

1. Working Results

The summarized working results for the year are as under:

	2011-12 Rs. crores	2010-11 Rs. crores
Gross Sales & Other Income	205.30	182.70
Depreciation	3.60	2.99
Profit for the year	25.48	21.69
Provision of Tax	10.24	6.55
Profit after Tax	15.24	15.14

Thus, the sales and profit were higher compared with the previous years' figures.



2. Directors

There was no change in the constitution of the Board of Directors during the year 2011-12.

3. Dividend

Directors recommend for the year 2011-12, dividend of Re.1.00 (i.e.10%) 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 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. 5,03,10,784 |
| Outgo | : Rs. 1,20,72,881 |
- (d) Directors Responsibility Statement

The Directors hereby certify

- i) that in the preparation of the accounts for 2011-2012, the applicable accounting standards have been followed.
- ii) that accounting policies have been stated in Note No. 2 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 31.03.2012 and of the Profit of the Company for 2011-2012.
- 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. Acknowledgments

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

Dated: 3rd September 2012

Surjeet Lal

Chairman and Managing Director

Annexure

Annexure to Directors' report on corporate governance for the year ended on 31/03/2012

(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 2011-12, the Board of Directors met ten times on 25.04.2011, 30.05.2011, 02.08.2011, 29.08.2011, 03.09.2011, 14.11.2011, 05.01.2012, 07.02.2012, 09.03.2012 and 26.03.2012. 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 30.09.11 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 at the forthcoming Annual General Meeting.

Shri Surjeet Lal, Chairman and Managing Director has been a Director on the Board of Directors of the company since 19.05.1993. He is the Managing Director of the Company since 21.03.2009. He is a B.Sc. He is not a member of the audit committee. He is a member of the Shareholders / Investors Grievances and Transfer Committee. He has also been elected as Chairman of the Board of Directors. He is not paid any remuneration from this company. He gets his remuneration from Som Distilleries Private Limited which is a company under same management.

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 30.09.2011, the Chairman of the Audit Committee Shri D.N. Singh attended the annual general meeting. During 2011-12 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 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 Director, except sitting fees, if claimed.

5. Subsidiaries

The company is not having any subsidiary.

6. Disclosures

- (a) The Company has whistle blower policy under which all employees are having direct access to the management in case of any complaint about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics. No person 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 three years

During Year	Date	Time	Venue	Meeting
2009-10	30th Sept., 2009	10.00 A.M.	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30	16th AGM
2010-11	29th Sept., 2010	10.00 A.M.	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30	17th AGM
2011-12	30th Sept. 2011	10.00 A.M.	Executive Club, Dolly Farms and Resorts Pvt. Ltd., 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-30.	18th 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. somdistilleries@rediffmail.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-110 020 Tel.: 011-26387281-83 Fax: 011- 26387384

11. Management Discussion and Analysis Report

Industry

India is a large, intriguing and extremely diverse country with big differences in language, religion and local governments, to name a few. Its states operate more like independent countries especially in the case of a product like beer where each state has a peculiar distribution structure as well as different duty structure. India has a relatively low per capita beer consumption (a little over one litre per capita per annum), with spirits being the alcoholic beverage of choice. There have been changes in the structure of the market but these have been slow.

The beer consumption reported modest growth of 3-4% in the just ending fiscal to about 240 million cases (of 7.8 litres each) after a bruising summer in 2011. UB and SABMiller together hold around 80% share of domestic market, but new foreign brands, regional brands and niche beers are looking at consolidating their respective markets.

There is a very high likability around the strong beer with a high alcohol percentage. So, unlike the rest of the world where the mild and lagers are dominating, in India we actually are seeing a trend where strong beer relative to mild beer is growing faster. Strong beers are now above 80% of the total beer market. This has even prompted the new entrants to change their product mix. The reason for this is the high taxation structure on alcohol in India which prompts the consumers to go for high alcoholic content drinks as they are available at nearly the same price as the milder ones.

Current Operations for Som Distilleries & Breweries Limited (SDBL)

SDBL has shown consistent growth in both its products namely Beer and IMFL. The gross sales and other income of the company were of the order of Rs.205.3 crores in FY 2011-2012 as against Rs.182.7 crores in FY 2010-11. A sharp focus on cost management enabled us to continue to invest in our brands and capabilities while delivering stable margins. The inflationary pressures had quite an impact on the company not only on input costs, but also the labour costs in the company. your company implemented many cost efficient programmes in order to bring down be production costs, the resultant being the company has been able to maintain its Earnings before Interest, Depreciation, Tax and Amortisation (EBIDTA) margins for FY 12 as compared to previous year. **The company has the distinction of having one of the highest EBIDTA margins among its peers.**

We are proud to state that your company does not have any long term secured debt outstanding on its books. The company has been managing its cycle of debtors and creditors very well with minimal requirement of any working capital.

A relentless focus on customers and execution has been our mantra for all these years. There is a continuous innovation by your company to strengthen its position in its markets through brand extension, innovative packaging and reaching out to consumers through new channels. In the face of stiff competition from the existing players as well as the entry of the major beer MNCs, your company still has been successfully able to make inroads into new markets as well as consolidate its position in its natural markets.

The expansion of the company is underway from the existing capacity of 59,200 KL to 99,200 KL due to wide acceptance of our products, the full effect of which will be seen in the financial year 2012-2013. The company is also contemplating increasing its bottling capacity in IMFL due to an increase in demand for its products.

Our Human Capital

As a major employer, our business model is rooted in our people. We have a distinctive set of values and they attract people who bring a sense of purpose to their work. We reward in line with performance and create a climate where people are incentivized to excel. We develop leadership capabilities early and place priority on building tomorrow's leaders today.

- **The Company has the distinction of having one of the highest EBIDTA margins among its peers.**

- **A relentless focus on customers and execution has been our mantra for all these years.**