



SOM DISTILLERIES AND BREWERIES LIMITED
25th ANNUAL REPORT 2017-18

CORPORATE INFORMATION

DIRECTORS

Shri J.K.Arora
Chairman and Managing
Director

Shri Surjeet Lal
Director

Shri Nakul Kam Sethi
Whole Time Director

Shri Deenanath Singh
Independent Director

Ms. Nishi Arora
Independent Director

AUDITORS

R.N.Gupta & Associates
Chartered Accountants
6, New Market, 1st Floor,
T. T. Nagar, Bhopal - 462003

REGISTERED OFFICE

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

BANKERS

Punjab National Bank Limited
IFCI Ltd.
Lakshmi Vilas Bank Ltd.
IFCI Venture Capital Funds Ltd.

STOCK EXCHANGE

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

National Stock Exchange of India
C1 Block G, Bandra Kurla Complex,
Bandra (E), Mumbai - 400051

CORPORATE OFFICE

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

From The Chairman's Desk.....

Dear friends and fellow shareholders,

It is my pleasure to address you all and update about the exciting phase of growth that the Company has embarked upon during the last fiscal year. Globally, the economic activity continued to further strengthen driven by investment recovery in advanced economies, continued strong growth in emerging Asia and better than anticipated growth in emerging Europe. Indian economy experienced structural reforms directed at ensuring long term sustainable growth of the country. India expected to continue to build on the strong momentum and achieve growth rates in line with pre-reform period driven by higher private consumption and the implementation of recent structural changes.

During FY2018, beer volumes increased by 38.9% to reach 7.49 million cases compared to last year. IMFL volumes stood at 0.75 million cases, indicating a growth of 10.3% in the same period. This robust growth in volumes during the year was achieved due to a combination of increased acceptance of our products in existing markets coupled with expansion in the states of Karnataka, Kerala, Chhattisgarh and Delhi. Our robust volume expansion led to a strong growth in total income of 43.3% to reach Rs. 3,525 million compared to FY2017. EBITDA for the year was Rs.605 million up around 57% from the previous year. EBITDA margins for the year were 17.2%, an improvement of 159 basis points compared to FY2017. The consistent enhancement in EBITDA margin is a testament to our relentless focus on premiumization, cost optimisation and financial discipline.

We undertook various strategic initiatives during the year including completion of the construction of the Karnataka plant where we commenced operations from April 2018. We launched White Fox RTD in Karnataka, further market share gains in the existing markets and entry into new states such as Kerala and West Bengal. In July 2018, we also acquired a brewery in Orissa with a capacity 42 lakh cases per annum. This acquisition will enable us to further strengthen our presence in eastern states of India. In July 2018, we also successfully completed a preferential allotment of Rs. 1,000 million. This preferential allotment clearly demonstrates investors' confidence in our business and future prospects. It further strengthens our balance sheet which will enable us to capitalize on the growth opportunities arising in the near future.

I am pleased to report that our beer brands were approved by the FDA for supplying to the United States. The first trial order and subsequent repeat orders have already been dispatched and we anticipate the export business to grow and contribute meaningfully in the medium to long term.

We remain focused on our long-term strategy of enhancing our brands outreach to pan India level. The initiatives undertaken during the year were in-line with our long term strategy and we believe that it will provide us the impetus to achieve our growth objectives. In our view, we are currently at an inflection point of growth for the Company. We are confident of continuing the profitable growth momentum and enhancing shareholder value. In addition, macroeconomic factors such as higher proportion of young population, increasing social acceptability and preference for quality products will also contribute towards our growth endeavours.

Before concluding, I would like to thank the Board for their wise counsel and guidance. I am also very thankful to our customers, without whose feedback and appreciation we would not have created products which offer value and quality.

I also wish to thank the executive management of the company for their hard work in steering the company during these exciting times and all the employees for their unstinted support. Finally, thanks to all the shareholders for their support and encouragement as always and look forward to the same in the years ahead as we work towards transforming the company into a PAN India integrated alcobev player.

Best Wishes
J.K. Arora
(Chairman & Managing Director)

NOTICE TO MEMBERS

Notice is hereby given that the 25th Annual General Meeting of Som Distilleries & Breweries Limited will be held on Friday the 28th September, 2018 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 consider and if thought fit to pass with or without modification(s) the following resolution as an ordinary resolution:

"Resolved that Audited Financial Statement as at 31.03.2018 and Reports of the Auditors and Directors' thereon for the year 2017-18 be and are hereby adopted."

2. RETIREMENT OF DIRECTOR BY ROTATION

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

"Resolved that Shri Jagdish Kumar Arora, who retires by rotation at this meeting and has offered himself for reappointment, be and is hereby reappointed as a Director."

3. DECLARATION OF DIVIDEND FOR 2017-18

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

"Resolved that as recommended by the Board of Directors, the company do hereby declare a dividend of 15% i.e. Rs.1.50 per share of Rs.10 on all the 2, 75, 22,400 equity shares as on 31.3.2018 of the company for the year 2017-18, which dividend may be paid to holders of such shares as on the date of this annual general meeting, not including holders of shares which might be issued hereafter."

SPECIAL BUSINESS

4. APPOINTMENT OF SHRI NAKUL KAM SETHI AS WHOLE TIME DIRECTOR

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

"Resolved that pursuant to the provision of sections 149, 152, 160 and 161 read with schedule V of the Companies Act 2013, Shri Nakul Kam Sethi (DIN: 06512548) who was appointed as an additional Director, (Finance and Strategy) from 01.06.2018 and who holds the office of Director up to the date of this Annual General meeting, and in respect of whom the company has received a notice in writing under section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director (Finance and Strategy), liable to retire by rotation from 01.06.2018 for a period of five years on the following terms and condition:-

- i. Salary: Rs 500000(Rupees five lakh only) per month inclusive of all allowances with annual increments as may be approved by Managing Director.
- ii. Gratuity at the rate of half a month's salary for each completed year of service.
- iii. Leave encashment as per company norms.
- iv. His appointment shall be for 5 years from 01.06.2018 to 31.05.2023.

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 21.09.2018 to 28.09.2018 (both days inclusive).
- c. All correspondence regarding dematerialization, transfer of shares, change of address etc. should be addressed to MAS Services 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 ten days in advance.
- e. Shareholders are requested to furnish their e-mail addresses to RTA so that annual report etc. can be sent by e-mail in future.
- f. Electronic voting is allowed from 24.09.2018 10.00 a.m. to 27.09.2018 at 5.00 p.m. in respect of each of the items of business mentioned above. Notes/procedure on electronic voting may be seen at pages 92 to 94.
- g. Explanatory statement under section 102 of the Companies Act, 2013 is attached

BY ORDER OF BOARD OF DIRECTORS

Place: Bhopal
Dated: 06.07.2018

Jagdish Kumar Arora
Chairman And Managing Director

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013 TO THE NOTICE OF THE ANNUAL GENERAL MEETING TO BE HELD ON FRIDAY THE 28TH SEPTEMBER, 2018 AT 10.00 HOURS AT EXECUTIVE CLUB, DOLLY FARMS AND RESORTS PVT. LTD, 349, VILLAGE SHAHOORPUR, P.O. FATEHPUR BERI, NEW DELHI -110030

APPOINTMENT OF SHRI NAKUL KAM SETHI AS WHOLE TIME DIRECTOR

Shri Nakul Kam Sethi was appointed in the company on 23.11.2011 and looks after the functions of finance, accounts and strategy of the company. His current designation is Head-Finance & Strategy. He has been with the company for about 6 and a half years and has a total work experience of close to 19 years. His previous organizations include, Alfardan Group, Yes Bank, Kotak Mahindra Bank and Knights Insolvency among others. He has a bachelor's in commerce and MBA. He holds only 6538(.024%) shares in the company. He is not related to any Director of the company nor does he have any business relations with any of the other Directors. He was appointed as additional Director (Finance and Strategy) of the company for 5 years from 01.06.2018 to 31.05.2023 under section 161 of the companies Act 2013 and holds office up to the date of this Annual General meeting. The Board has received a notice from a shareholder proposing his candidature as Director of this company. His consent to act as Director has been received in form DIR-2. The Board has recommended his appointment as Director (Finance and Strategy) as proposed in the draft resolution.

None of the directors, Key Managerial Personnel or their relatives is interested in the resolution.

BY ORDER OF BOARD OF DIRECTORS

Place: Bhopal
Dated: 06.07.2018

Jagdish Kumar Arora
Chairman And Managing Director

SOM DISTILLERIES & BREWERIES LIMITED
REPORT OF DIRECTORS

To
The Shareholders
Som Distilleries and Breweries Ltd.

Sirs,

Your Directors have pleasure in presenting the Annual Report of your Company for the year ended on 31st March 2018.

1. WORKING RESULTS

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

Particulars	2017-18 Rs.(in crores)	2016-17 Rs.(in crores)
Gross Sales & Other Income	430.41	304.87
EBIDTA	60.47	38.58
Depreciation	4.26	3.57
Profit for the year	47.43	23.71
Provision of Tax	22.20	9.56
Profit after Tax	25.23	14.15

There has been an increase in the turnover and net profit during 2017-18 over the previous year.

2. EXTRACT OF ANNUAL RETURN

The extract of annual return in Form MGT 9 is attached herewith as **Annexure I**.

3. MEETINGS OF BOARD OF DIRECTORS

During the financial year 2017-18, the Board of Directors met 17 times on 01.04.2017, 02.05.2017, 30.05.2017, 8.07.2017, 08.08.2017, 17.10.2017, 01.11.2017, 05.12.2017, 21.12.2017, 04.01.2018, 19.01.2018, 24.01.2018, 1.01.2018, 12.02.2018, 14.02.2018, 14.03.2018 and 22.03.2018

4. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby certify:-

- (i) that in the preparation of the accounts for 2017-18, the applicable accounting standards have been followed.
- (ii) that the Directors selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the Company for the year.
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- (iv) that the directors prepared the annual accounts on a going concern basis.
- (v) that the directors had laid down internal financial controls to be followed by the company, which are adequate and were operating effectively.
- (vi) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

5. DECLARATIONS BY INDEPENDENT DIRECTORS

Independent directors i.e. Shri S.S.Sengar, Ms Nishi Arora and Shri D.N.Singh have given the requisite declarations under Section 149(7) of the Companies Act, 2013 to the effect that they meet the criteria of independence as provided under section 149(6).

6. COMMITTEES OF THE BOARD

Details of the Committees of the Board of Directors are given in the Corporate Governance Report attached as **Annexure IV**.

7. RESERVATION AND QUALIFICATION ON STATUTORY AUDIT REPORT AND SECRETARIAL AUDIT REPORT.

There is no qualification, reservation or adverse remark or disclaimer of the statutory auditors and secretarial auditor to which a reply is needed from the Board.

As per suggestions given by auditors in its Audit Report for the year 2016-17 regarding codification of internal financial controls, documentation of operations and effectively monitoring controls and more effectively segregating of duties, were operating effectively as at 31st March, 2018.

8. PARTICULARS OF LOAN, INVESTMENTS AND GUARANTEES.

The company has complied with the provisions of Section 186 of the Companies Act, 2013 in relation to loans, investments and guarantees given by the Company during the year.

9. PARTICULARS OF CONTRACTS AND ARRANGEMENTS UNDER SECTION 188

Contracts or arrangements with related parties during the year 2017-18 were either within the limits as stated in rule 15 (3)(a) of Companies (Meetings of Board and its Powers) Rules, 2014 or were arms length transactions or were in the nature of current accounts.

10. DIVIDEND

Directors have recommended for the year 2017-18, a dividend of Rs. 1.5 on each share of Rs.10 (i.e. 15%) on all the 27522400 equity shares payable to shareholders as on the date of Annual General Meeting i.e 28.09.2018.

11. CONSERVATION, TECHNOLOGY, FOREIGN EXCHANGE

In terms of Rule 8(3) of Companies (Accounts) Rules, 2014, information about energy conservation and technology absorption is nil in regard to each of the respective items.

Information regarding foreign exchange is as follows: -

- Earnings: Rs 2,20,24,071/-
- Outgo: Rs. 5,60,00,578/-

12. CORPORATE SOCIAL RESPONSIBILITY

The Board constituted a corporate social responsibility committee in terms of section 135 of the Companies Act, 2013 consisting of Shri Deena Nath Singh (Chairman), Shri S.S.Sengar and Smt. Nishi Arora. The CSR activities of the company are conducted through Asha Mohan Foundation which is a registered society engaged in the education of children for the last more than ten years and has been established by the promoters of this company. The CSR Committee monitors the CSR expenditure of the company through Asha Mohan Foundation and has to ensure that at least 2% of the average net profit of the company made during the immediately preceding three years is incurred and well utilized for the education and other welfare activities. In respect of the year, 2017-18, a report under Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached in **Annexure II**.

13. SECRETARIAL AUDIT

M.M.Chawla and Associates, Company Secretaries in Practice, Bhopal were appointed as Secretarial Auditor of the company to perform Secretarial Audit of the company for the year 2017-18 in terms of section 204 of the Companies Act, 2013. The secretarial audit report issued by them is attached herewith as **Annexure III**.

14. DIRECTORS/CFO/INTERNAL AUDITOR.

Shri Nakul Kam Sethi was appointed as Director (Finance and Strategy) of the Company with effect from 01.06.2018. Shri Rajesh Dubey is the Chief Financial Officer and Shri Sourabh Tandon is the Internal Auditor. The Board now consists of Shri Jagdish Kumar Arora, CMD, Shri Surjeet Lal, Shri S.S.Sengar, Shri Deenanath Singh, Shri Nakul Kam Sethi and Ms Nishi Arora

15. SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES

Woodpecker Distilleries and Breweries Private Limited is a wholly owned subsidiary of Som Distilleries and Breweries Limited. Som Distilleries and Breweries Limited holds 5,09,95,000 equity shares of Rs. 10 each out of a

total paid up capital of Rs. 5,10,00,000 shares of Rs. 10 each constituting 99.99% of the equity capital of the subsidiary. The consolidated financial statement is also being attached to this report.

16. AUDITORS

Appointment of M/s R.N.Gupta and Associates. Chartered Accountants, Bhopal as auditors has already been made for 2018-19 and does not now require ratification since first proviso to section 139(1) of Companies Act, 2013 has been deleted with effect from 07.05.2018.

17. CORPORATE GOVERNANCE

Pursuant to Regulation 34 and Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 as **Annexures IV and V**.

18. OTHER STATUTORY INFORMATION

In respect of other various matters listed in section 134(3) and other sections of the companies Act, 2013 and rules made there under, there is no further information to be furnished in this report. There are adequate internal financial controls keeping in view the size and nature of transactions of the Company. A system of evaluation of the performance of Directors is yet to be evolved. Details of risk management policy are yet to be framed. The information/ratios as required under Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2016 are attached as **Annexure VI**.

19. 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.

BY ORDER OF BOARD OF DIRECTORS

Place: Bhopal
Dated: 06.07.2018

Jagdish Kumar Arora
Chairman And Managing Director

ANNEXURE I TO THE DIRECTOR'S REPORT

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN FOR THE FINANCIAL YEAR ENDED ON 31.03.2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i. Corporate Identification Number : L74899DL1993PLC052787
- ii. Registration Date : 26.03.1993
- iii. Name of the Company : Som Distilleries And Breweries Limited
- iv. Category / Sub-Category of the company : Company Limited By Shares/Indian Non-Government Company
- v. Address: :
Registered Office and Contact Details: 1-A, Zee Plaza, Arjun Nagar, Safdarjung Enclave, Kamal Cinema Road, New Delhi - 110029
Telephone No. 011-26169909
- Corporate Office and Contact Details: 23, Zone II, M.P.Nagar, Bhopal, Madhya Pradesh - 462011
Telephone No. 0755-4271271
- vi. Whether listed company : Yes
- vii. Name, Address and Contact details of Registrar and Transfer Agents, if any : MAS Services Ltd T-34, Okhla Industrial, Area, Phase-II, Delhi - 110020
Telephone No. 01126387281-83
E-mail: info@masserv.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

S. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	BEER MADE FROM MALT PLUS WHISKIES	2203.00 PLUS 2208.30	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

S. NO.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of Shares held	Applicable section
1.	Woodpecker Distilleries & Breweries Pvt. Ltd. Suit No.601, Shivkaran Apartments, Off Yari Road, Panchtantra Nagar, Andheri (W) Mumbai, Maharashtra 400061	U15400MH2010PTC211663	Wholly owned Subsidiary	99.99 %	Section 2(46) And 2(87) of Companies Act, 2013