



Som Distilleries
And Breweries Limited

29th ANNUAL REPORT

2021-22



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ONCE A HUNTER ALWAYS A



INDEX

CORPORATE OVERVIEW

CORPORATE INFORMATION	04
FROM THE DESK OF CHAIRMAN & MANAGING DIRECTOR	05
FINANCIAL HIGHLIGHTS	08
OPERATIONAL HIGHLIGHTS	09
MANAGEMENT DISCUSSION AND ANALYSIS	10

MANAGEMENT REPORTS

NOTICE OF AGM	16
BOARD'S REPORT	24
CORPORATE GOVERNANCE REPORT	43
CERTIFICATE CORPORATE GOVERNANCE	54
NO DISQUALIFICATION CERTIFICATE	55
WTD / CFO CERTIFICATE	56

FINANCIAL STATEMENTS

STANDALONE FINANCIAL STATEMENTS

AUDITORS' REPORT	57
BALANCE SHEET	64
STATEMENT OF PROFIT AND LOSS	65
CASH FLOW STATEMENT	66
STATEMENT OF CHANGES IN EQUITY	67
NOTES TO THE FINANCIAL STATEMENTS	68

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT	88
CONSOLIDATED BALANCE SHEET	93
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	94
CONSOLIDATED CASH FLOW STATEMENT	95
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	97
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	98
DISCLOSURE PURSUANT TO SECTION 129(3) OF THE COMPANIES ACT, 2013	112

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Jagdish Kumar Arora
Chairman and Managing Director

Mr. Nakul Kam Sethi
Whole Time Director

Mr. Satpal Kumar Arora
Director (Non-Executive & Independent)

Mr. Uma Kant Samal
Director (Non-Executive & Independent)

Mr. Deena Nath Singh
Director (Non-Executive & Independent)

Ms. Nishi Arora
Woman Director (Non-Executive & Independent)

CHIEF FINANCIAL OFFICER

Mr. Rajesh Kumar Dubey

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Om Prakash

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Deena Nath Singh, Chairperson
Mr. Nakul Kam Sethi
Ms. Nishi Arora
Mr. Uma Kant Samal

NOMINATION AND REMUNERATION COMMITTEE

Mr. Deena Nath Singh, Chairperson
Ms. Nishi Arora
Mr. Satpal Kumar Arora

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Deena Nath Singh, Chairperson
Mr. Nakul Kam Sethi
Ms. Nishi Arora
Mr. Uma Kant Samal

INVESTOR GRIEVANCES CUM STAKEHOLDER RELATIONSHIP COMMITTEE

Mr. Deena Nath Singh, Chairperson
Mr. Nakul Kam Sethi
Ms. Nishi Arora

RISK MANAGEMENT COMMITTEE

Mr. Nakul Kam Sethi, Chairperson
Mr. Deena Nath Singh
Ms. Nishi Arora

EXECUTIVE, LEGAL AND BORROWING COMMITTEE

Mr. Nakul Kam Sethi, Chairperson
Mr. Deena Nath Singh
Mr. Rajesh Kumar Dubey

STATUTORY AUDITORS

M/s AKB Jain & Co.,
Chartered Accountants
E-2/316, Arera Colony, Bhopal
Madhya Pradesh - 462 016

SECRETARIAL AUDITORS

M/s N.K. Jain & Associates
Company Secretaries
208, Akansha, Press Complex,
Zone I, M.P. Nagar, Bhopal 462011

REGISTRAR & SHARE TRANSFER AGENT

MAS Services Limited
T-34, Okhla Industrial Area,
Phase-II, Delhi 110020

BANKERS

State Bank of India
DBS Bank Ltd.
Bandhan Bank
Punjab National Bank

REGISTERED OFFICE

CIN: L74899DL1993PLC052787
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

BSE Limited
BSE Security ID: 507514
National Stock Exchange of India
NSE Security ID: SDBL

INVESTOR'S HELP-DESK

Email: compliance@somindia.com
Phone: +91 755 4278827



From the desk of Chairman and Managing Director

Dear Friends and Fellow Shareholders,

Following an unprecedented FY2021, last year was a year of recovery. The curbs during the year were less restrictive compared to prior period. Also, the Company was better prepared this time to manage the unprecedented challenges.

During FY2022 as well, the restrictions were broadly during the peak season for the beer industry, which had severe impact on the performance of the Company. However, our preparedness enabled us to reduce losses during the year. Our mainline brands continued to gain market share across all our key markets which supported the utilization enhancement across our plants. During the last quarter of last fiscal year, the Company turned PAT positive and reduced the total loss to Rs. 9.8 crores compared to over Rs. 38 crores in FY2021. This was an encouraging development and testament to the customer inclination towards the Company's products.

During the year, we recorded a beer volume sale of 68.3 lakhs cases, an increase of 35% compared to the last year. This growth was achieved despite the loss of peak season sale in Q1 FY2022. The demand was driven by strong recovery in our traditional markets. In particular, the Karnataka market experienced robust market share gain to 6.9 % of the total beer segment compared to 3.5% markets share in the previous year.

We have been able to overcome all the challenges due to our ability to quickly adapt and respond to the pandemic led difficult situation. We undertook various initiatives such as focus on profitable markets and selective new market expansion with the objective to balance profitability and future growth prospects. Going forward, the prospects look very encouraging which is evident from our last quarter performance. We anticipate FY2023 to be the first year of our first full fledged operation post completion of expansion plan.

In terms of regulatory changes, there has been some positive developments across many states which have increased the point of sales for our products. Most notable and favourable development has been in our home market, Madhya Pradesh. The new excise policy of the state has indicated reducing price by 20%, which will enhance the affordability of our brands. It has also indicated allowing liquor sales through select supermarkets in four big cities, which would be beneficial from availability perspective for customers. Furthermore, the state has also allowed sale of beer and IML through country liquor outlets, which has resulted in increase in point of sales by over 3x. Our strategic initiatives coupled with such favourable market dynamics is anticipated to support our profitable growth in the next fiscal year.

The prevailing geo-political situation has posed some challenge to us as the resulting inflation is expected to impact margins. However, the Company is evaluating various options to offset the impact. We have taken price hikes in some of our key markets. We will continue to launch some premium variants of our popular brands to offset the margin impact to some extent.

Overall, our long-term growth story remains intact. We would continue to focus on driving our utilization levels which will enable strong cash generation and strengthening of balance sheet. Our products have a strong customer base and continues to add new customers, which would be the primary driver for our business going forward.

I would like to express my deepest thanks to all the stakeholders who have been our partners in our journey. I would like to thank you all for your unending support and belief in us and in our potential to grow.

Keep Safe!

J.K. Arora

Chairman & Managing Director

६ WOODPECKER



HANDCRAFTED
SPECIALLY BREWED



FIRST FILTERED
WHEAT BEER IN INDIA



PENTAGON

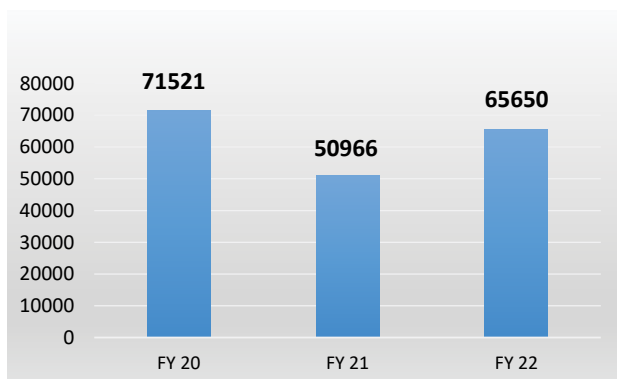
GOLD EDITION WHISKY



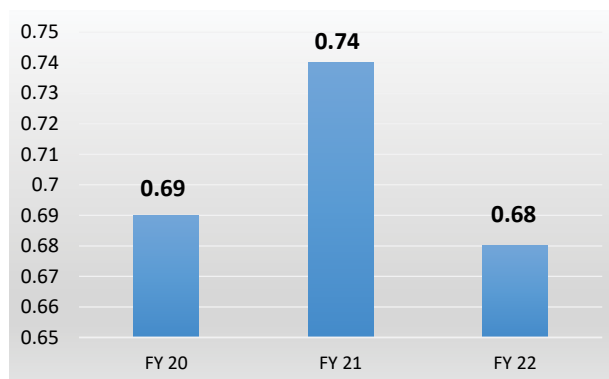
Versatile and Smooth

Blended with Old Scotch Malts and
Premium Indian Grain Spirits

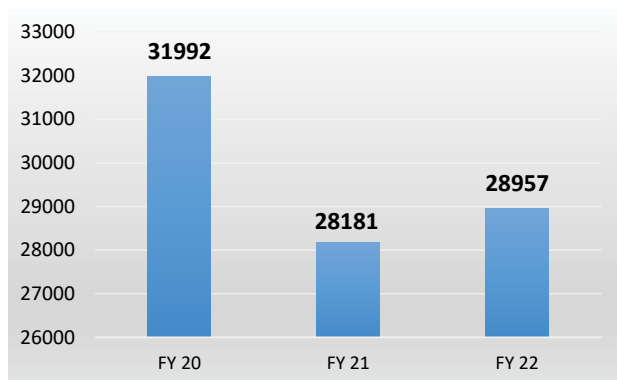
FINANCIAL HIGHLIGHTS



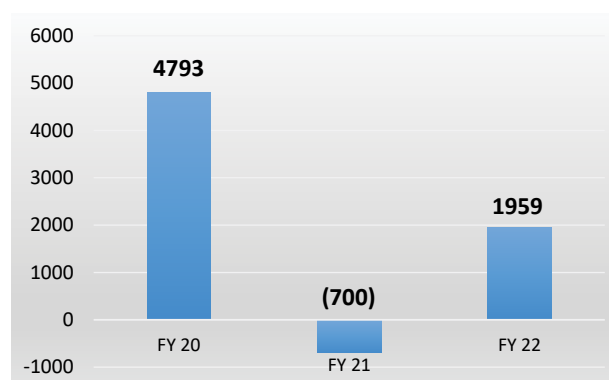
GROSS TOTAL REVENUES (RS. LAKH)



GROSS DEBT TO EQUITY (TIMES)

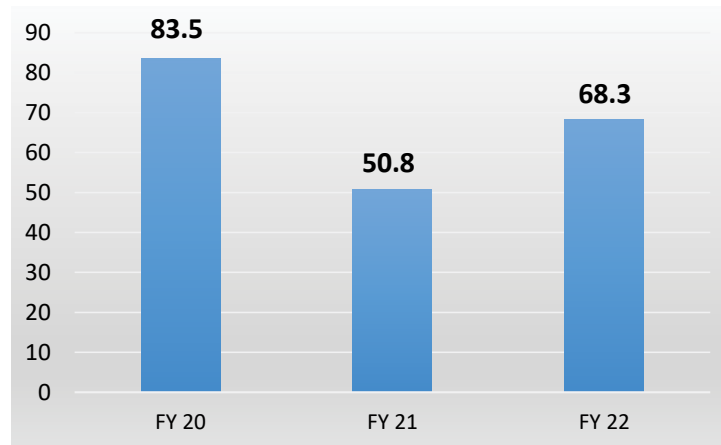


NET WORTH (RS. LAKH)

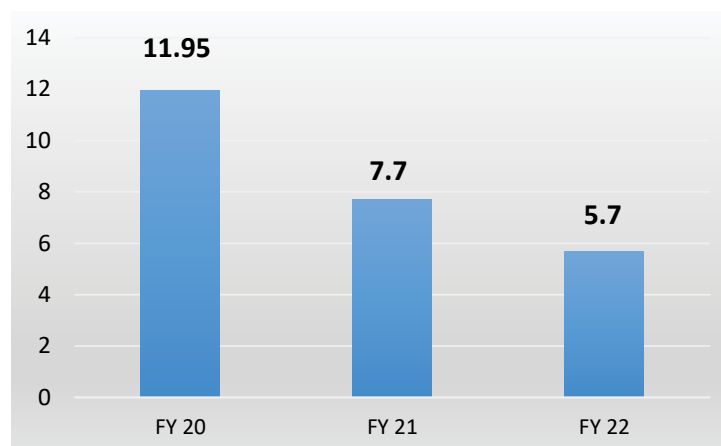


EBITDA (RS. LAKH)

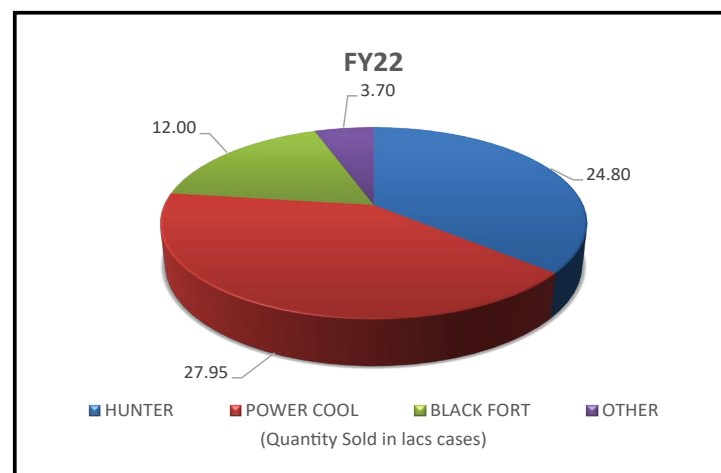
OPERATIONAL HIGHLIGHTS



BEER
(QUANTITY SOLD IN LACS CASES)



IMFL
(QUANTITY SOLD IN LACS CASES)



MANAGEMENT DISCUSSION & ANALYSIS

1. Economy and Outlook

The global economy was severely impacted in 2020 due to the impact of the pandemic and related lockdowns to curtail the impact of the covid-19 virus. However, in 2021 the world economy recorded a remarkable recovery and recorded a growth of 6.1%, as per International Monetary Fund (IMF). This strong growth was supported by favorable economic and social policies. In addition, faster pace of vaccinations ensured gradual relaxations to support resumption of economic activities.

However, the pace of the recovery is expected to slow-down going forward in 2022 primarily due to prevailing uncertainties around resolution of geopolitical crisis. The economic cost of the conflict is anticipated to have severe impact on the commodity market and result in food and fuel rise. In addition, the global pandemic continues to resurface with new variants and has been impacting some of the countries. Considering the prevailing challenges, IMF has projected a moderation in the growth outlook to 3.6% in 2022 and 2023.

The Indian economy started the fiscal year with a strong recovery during the first nine months of FY2022. This recovery was driven primarily by less stringent restrictions on back of rapid pace of vaccination. India successfully ran one of the largest vaccination programme globally, which was instrumental in curbing the spread of the virus. Furthermore, supportive fiscal and monetary stance of the Government coupled with various incentive schemes also contributed to the growth. The pace of the economic growth slowed in the fourth quarter due to prevailing geopolitical instability arising from Russia and Ukraine conflict. This has also resulted in various supply chain restrictions resulting in higher inflationary conditions. As per the National Statistical Office (NSO), the latest estimate for India's GDP growth in FY2022 is 8.7%.

As per Economic Survey 2021-22, Indian economic growth is anticipated to remain in the range of 8.0% – 8.5%. This growth will be supported by long term benefits of supply side reforms coupled with building back of economic momentum.

2. Indian Alcobeve Industry

India is the third largest spirits market by volume in the world, just behind China and Russia. The Indian alcobeve industry can broadly be classified into five categories, namely Indian Made Foreign Liquor (IMFL), India Made Indian Liquor (IMIL), foreign liquor Bottled in Origin (BIO), Beer and Wine. IMFL primarily comprises of brown spirits such as whisky, rum, and brandy whereas white spirits comprises of gin, vodka and white rum. The alcoholic strength of IMFL generally does not exceeds 42.8%. IMIL is also referred as country liquor. It is produced in licensed distilleries and made of cheaper raw material, primarily rectified spirits of grains or molasses. IMIL generally has an alcohol content of around 30%. BIO forms a very small part of alcohol consumption in India. It is usually consumed by the rich and the upper middle class in metropolitan cities. It is also subject to customs duty which makes it much more expensive. Beer can broadly be classified into two subcategories, strong beer with an alcohol content of around 6-8% and mild or lager beer which has an alcohol content of 4-6%. Wine is an alcoholic drink made from fermented grapes. The major variants of wine are red, white and sparkling. The recent trends in the alcoholic beverages segments includes launch of flavoured alcoholic drinks and ready to drink (RTD).

The alcobeve sector was among the most impacted industry due to the pandemic. The impact was due to combination of factors such as production and sales restrictions, higher taxations / cess, limiting capacity and restaurants / pubs. The beer industry was further impacted as consumers preferred avoiding cold beverages. However, the pandemic also led to some structural changes in the industry such as home delivery. Many states have not allowed home delivery of liquor which is anticipated to be a big boost to the industry in the medium to long term. It is expected that the other states will also follow the trend and overall, the sector will benefit from increased number of point of sales.

The demand for alcoholic beverages has been steadily increasing driven by rapid urbanisation, changing consumer preferences and a sizeable and growing middle-class population with increased purchasing power. In addition, the alcohol consumption share by middle income group is steadily increasing and is currently around 21%, which is anticipated to reach over 40% by 2030. [Source: Indian Council for Research on International Economic Relations (ICRIER)].

Beer Industry

Indian beer industry is primarily dominated by strong beer which accounts for over 80% of the total beer volumes sold in India. The beer consumption in the country is driven by the demand from the southern states which accounts for more than half of the volumes consumed in India. Around 30% of the total consumption is contributed by western region and equally spread between northern and eastern states. Despite India being a tropical country, it has one of the lowest per capita alcohol consumption rates globally, which is an indicator of the prevailing opportunity.

The growth in the beer market is predominantly driven by young consumers and professionals who consider beer as a trendy drink, as compared with traditional spirits. In addition to factors such as favourable demographics, improving disposable income and increasing social acceptance, recent entry by new players have also resulted in wider options to the consumers. The Alcohol content is lower in beer which makes it preferred drink among youngsters, professionals, and females. Craft beer is a relatively new concept in the industry and has made a mark predominantly in the metro and mega metros, where customers are also looking for more variety. But from Indian context strong beer continues to dominate the overall market as the tier-2 and onwards market has its preference inclined towards it.

Indian beer industry is very seasonal as around 40-45% of the sales happen in the summer. The southern states, which have slightly humid weathers, sales are mostly spread throughout the year but still summer months account for around 30-40% of the annual sales. The consumption of beer dips during rainy and winter seasons as these seasons in India is also marked by some religious events during which people prefer to avoid alcoholic drinks. The pandemic led restrictions in last couple of years has significantly impacted the consumption of alcohol in restaurants and pubs. The situation is gradually improving, and people have now started going out of homes. As the situation gradually moves towards the normalcy, it is anticipated to be one of the major drivers for growth.