

DIRECTORS' REPORT*Dear Members,*

Your Directors Take pleasure in presenting the Annual Report together with audited statement of accounts of the Company for the year ended on 31st March 2010.

FINANCIAL HIGHLIGHTS*Rs. In lacs*

| Particulars | Current Year | Previous Year |
|----------------------------------|---------------------|----------------------|
| Total Income | 13.35 | 0.00 |
| Less : Expenditure | 17.13 | 6.60 |
| Profit Before Tax | (3.77) | (6.60) |
| Profit After Tax | (3.86) | (6.60) |
| Profit / (Loss) Brought Forward | (6.13) | 0.47 |
| Balance Carried to Balance Sheet | (9.99) | (6.13) |

DIVIDEND

In view of the losses during the current year, your directors are unable to recommend any dividend for the year.

PUBLIC DEPOSITS

During the year the company has not accepted any deposit u/s. 58A of the Companies Act, 1956 and rules framed there under.

AUDITORS

M/s. Bipin Zavar & Associates, Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received confirmation that their appointment, if made, would be within the prescribed limit specified under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

Your Directors recommend re-appointment of M/s. Bipin Zavar & Associates as the Statutory Auditors of the Company for the current financial year and fixation of their remuneration.

AUDITORS' REPORT

The Auditors' Report on the financial statement for the current year is self-explanatory, therefore does not require any further explanation.

DIRECTORS

In accordance with the Companies Act, 1956, Mr. Raj Kumar Jain, who is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. A motion for the re-appointment of Mr. Raj Kumar Jain, as Director of the Company will be placed before the Members in the ensuing AGM.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company has no activities relating to conservation of energy and technology absorption. There are no foreign exchange transactions during the year.

PARTICULARS OF EMPLOYEES

The Company does not have any employee who is in receipt of remuneration aggregating to the sum prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended till date.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements u/s. 217(2AA) of the Companies Act, 1956, your Directors hereby state and confirm that:

- (i) in preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected the 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 at the end of the financial year under review and for the loss of the Company for the same period;
- (iii) they have taken proper and sufficient care 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 preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has complied with the mandatory statutory requirement of corporate Governance specified by the SEBI through Clause 49 of the Listing Agreement. As required by the said clause, a separate report on the Corporate Governance together with the Management Discussion and Analysis Report forms part of this Annual Report.

A certificate from the Auditor of the company regarding compliance of conditions of Corporate Governance has been obtained and enclosed to this report.

LISTING OF SECURITIES

The Equity shares of the company are listed with the Bombay Stock Exchange limited and Jaipur Stock Exchange Limited. The trading in Equity shares of the company is currently suspended at both the exchanges.

ACKNOWLEDGEMENTS

Your Directors thank the Company's Bankers and other statutory authorities for their continued support to the Company. The Directors express their gratitude for the support and guidance received from its shareholders. The Directors also express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution during the year.

By order of the board
For Chambal Breweries & Distilleries Limited

PLACE: MUMBAI
DATE: August 27, 2010

CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the company offer readers of financial statements this narrative overview and analysis of the financial activities of the company for the financial year ended 31st March, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

Alcoholic Beverages have been a part of Indian since ancient times. The industry today is a combination of branded liquors across multiple price points and a commodity space operating at the lowest price point in the market. Locally produced products like Indian Made Foreign Liquor (IMFL), Beer and Wine operate in the branded space, apart from imported Bottled In Origin (BIO) products. The global spirits industry is estimated at over 2 billion cases - with the Indian industry accounting for about 12% at 236 mio cases. The Indian spirits industry is predominantly a 'browns' market with Whisky, Rum and Brandy being the prominent flavours and White Spirits (Gin & Vodka) having only 5% share. This is contrary to International trends, where 'Whites' have a predominant presence. With a large and growing number of youth coming into the legal drinking age category, the outlook for the industry is buoyant. In sharp contrast to countries like the USA and China which have an ageing population, and have passed the 'demographic window', India is still comparatively 'young' with over half the 1.2 billion population under 25 years of age. The increasing trend of urbanization and exposure to global lifestyles will further accelerate growth. The product distribution in most states is managed through the respective State Beverages Corporation.

B. OUTLOOK

The Company is striving hard to improve cost efficiency, widen its reach to new consumer segments and consolidate further on its image. Barring unforeseen circumstances, the Company expects to improve its march towards improved profitability. Today, with the acceptance of social drinking, the alcoholic beverages industry is likely to grow with the compounded annual growth rate of 16%. More and more foreign players are expected to come into India, especially in the beer segment and on such foreign players entering the beer market, this segment is expected to grow exponentially.

C. RISKS & CONCERNS

Stiff competition in the market does have an impact on the product pricing policies and put the operating margins under pressure. All the insurable interests of the Company including inventories, buildings, plants and machinery and liabilities under legislative enactments are adequately insured. For alcoholic beverages industry, the significant risk factor is the purchasing power of individuals and non existence of brand loyalty. The company is ensuring that its products are available on the shelf at any point of time.

D. INTERNAL CONTROL SYSTEMS

The system of internal control is being improved to ensure that all assets are safe and protected against loss from unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The Company regularly conducts internal check, using external and internal resources to monitor the effectiveness of internal control in the organization. The Company has a well-defined organization structure and authority limits. It strictly adheres to corporate policy with respect to financial reporting and budgeting functions.

The Audit Committee of the Board of Directors deals with significant control issues and instructs further areas to be covered.

E. FINANCIAL CONTROLS

The Company's management is committed to evolve strategy to achieve enhancement in the shareholders value through the adoption of strong fiscal discipline, improvement in operating efficiencies and resource utilization

F. HUMAN RESOURCES

Human capital continues to be a vital resource for the Company. The Company has a continuous process to monitor individual performance. The Company continued to have cordial and harmonious relations with its employees.

G. CAUTIONARY STATEMENT

Statements in the Management Discussions and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your company has always believed in the concept of good Corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhance the Stock Holders' Value. The Company has professionals on its Board of Directors who are actively involved in the deliberations of the Board on all Important Policy matters.

2. BOARD OF DIRECTORS

| Name | Category* | No. of Meetings held during the Financial Year | No. of Board Meetings attended during the FY | Whether attended at last AGM | No. of Directorship in other Listed Companies | No. of Committee Positions held in other Listed Companies |
|-----------------------|-----------|--|--|------------------------------|---|---|
| | | | | | | Chairman / Member |
| Mr. Parasram Jhamnani | CMD | 6 | 6 | Yes | Nil | Nil |
| Mr. Raj Kumar Jain | NEID | 6 | 6 | Yes | Nil | Nil |
| Mr. Gajraj Singh | NEID | 6 | 6 | Yes | Nil | Nil |
| Mr. Anupam Garg | NEID | 6 | 6 | Yes | Nil | Nil |

* CMD : Chairman and Managing Director. NEID: Non Executive Independent Director

During the accounting year 6 board meetings were held. The Annual General Meeting of the company was held on September 30, 2009 during the Financial Year.

3. AUDIT COMMITTEE

The terms of reference of the Audit committee include the matters specified under Clause 49(II) (D) and (E) of the Listing Agreement as well as in Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee, inter alia, include the following:

- a. Overseeing of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Reviewing with the management the financial statements at the end of the quarter, half year and the annual statements before submission to the Board for approval with reference to :
 - i. Matters required being included in the Director's responsibility statement which form part of the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - ii. Changes, if any, in the accounting policies and practices and reason for the same.
 - iii. Major accounting policies and practices and reason for the same.
 - iv. Significant adjustments made in the financial statements arising out of audit findings.
 - v. Compliance with the listing and other legal requirements relating to financial statements.
 - vi. Disclosure of any related party transactions.
 - vii. Qualifications, in the draft audit report.
- c. Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment of any other expenses.

An Audit Committee of the Company in terms of section 292A of the Companies Act, 1956 as introduced by the Companies (Amendment) Act, 2000 and as per requirement of clause 49 of the Listing Agreement, was duly constituted and comprises of four Directors viz. Mr. Parasram Jhamnani, Mr. Raj Kumar Jain, Mr. Gajraj Singh and Mr. Anupam Garg.

Mr. Raj Kumar Jain is the chairman of the Committee. The terms of reference of the Audit Committee are contained in Section 292A of the Companies Act, 1956 and also as contained in the Corporate Governance Clause of the listing Agreement.

The Audit Committee met 6 times during the financial Year.

ATTENDANCE OF THE AUDIT COMMITTEE MEETING:

| Name of the Director | Number of Meeting Held | Number of Meeting Attended |
|-----------------------|------------------------|----------------------------|
| Mr. Parasram Jhamnani | 6 | 6 |
| Mr. Raj Kumar Jain | 6 | 6 |
| Mr. Gajraj Singh | 6 | 6 |
| Mr. Anupam Garg | 6 | 6 |

Necessary quorum was present at the meeting. Representative of Statutory Auditors were invited to the Meeting, as and when required.

4. SHARE HOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Company has an independent Shareholders' Grievance Committee to look into the redressal of Investors' complaints like transfer of shares, non-receipt of balance sheet etc., besides complaints from SEBI, Stock Exchange etc.

The committee comprises of:

| Name of the Director | Number of Meeting Held | Number of Meeting Attended |
|-----------------------|------------------------|----------------------------|
| Mr. Parasram Jhamnani | 3 | 3 |
| Mr. Raj Kumar Jain | 3 | 3 |
| Mr. Gajraj Singh | 3 | 3 |
| Mr. Anupam Garg | 3 | 3 |

Mr. Gajraj Singh acts as the Chairman of the committee. Mr. Parasram Jhamnani is the Compliance officer of the company. The committee is prompt in attending to requests received for transfer, split, consolidation as well as issue of duplicate certificates well within the stipulated time. The number of complaints received was very few and the same were dealt suitably.

5. GENERAL BODY MEETINGS

Details of last 3 Annual General Meetings are as under:

| Year | Day, Date & Time | Location | Whether any Special Resolution Passed |
|---------|--|-------------------|---------------------------------------|
| 2006-07 | Saturday, 29 th September, 2007 at 11 a.m. | Registered Office | No |
| 2007-08 | Tuesday, 30 th September, 2008 at 11 a.m. | Registered Office | No |
| 2008-09 | Wednesday, 30 th September, 2009 at 11 a.m. | Registered Office | No |

No resolution was passed by Postal Ballot during the financial year.

6. DISCLOSURES

RELATED PARTY TRANSACTION

Related party transactions are defined as transactions of the Company of a material nature with its Promoters, Directors or the Management, their subsidiary or relatives, etc. that may have potential conflict with the interest of the Company at large.

Among the related party transactions are, contracts or arrangement made by the Company from time to time with the Companies in which Directors are interested. All those contracts or arrangements are entered in the Register of Contracts under section 301 of the Companies Act, 1956 and the Register is placed before every Board Meeting.

All transaction covered under the Related Party Transactions are regularly ratified and/or approved by the Board.

There has been no transaction of the Company with its promoters, their subsidiary or the management that may have potential conflict with the interest of the Company at large.

STATUTORY COMPLIANCE, PENALTIES AND STRICTURES:

The Company has not complied with the regulations pertaining to Listing Agreement and company law compliances. The trading in Equity shares of the Company is currently suspended in the stock exchanges.

7. MEANS OF COMMUNICATION

The quarterly results are available on BSE website.

Management discussions and analysis form part of the Annual report.

8. GENERAL SHAREHOLDER INFORMATION

| | |
|--|--|
| Compliance Officer | Mr. Parasmal Jhamnani |
| Date and Time of AGM | 30 th September, 2010 at 11 a.m. |
| Venue | Registered Office |
| Financial reporting for quarter Ending | 1 st Quarter : Within one month from end of respective quarter 2 nd Quarter : Within one month from end of respective quarter 3 rd Quarter : Within one month from end of respective quarter 4 th Quarter : Within one month from end of respective quarter |
| Dividend | No Dividend declared for the current year |
| Date of Book Closure | September 28, 2010 to September 30, 2010 (both days inclusive) |
| Listing of Stock Exchanges | 1. The Bombay Stock Exchange Limited, Mumbai. 2. Jaipur Stock Exchange Limited, Jaipur |
| Scrip Code | BSE : 512301 JSE : 786 |

Dematerialisation Information

Company does not have demat connectivity with any of the depositories. Hence entire equity of the Company is held in physical form.