



Champagne Vineyards Limited

21st Annual Report 2003 - 2004

Champagne Vineyards Limited

BOARD OF DIRECTORS

Shri. S. G. Chougule	(Chairman)
Shri. J. B. D'Souza	(Vice Chairman)
Shri. A. B. Shah	
Shri. G. G. Desai	
Shri. H. G. Desai	
Shri. R. S. Chougule	

Audit Committee

Shri. G. G. Desai	Chairman
Shri. J. B. D'Souza	Member
Shri. H. G. Desai	Member
Shri. A. B. Shah	Member

Bankers

UCO Bank
HDFC Bank Ltd.

Shareholders / Investors Grievances Committee

Shri. S. G. Chougule
Shri. J. B. D'Souza
Shri. A. B. Shah

Registered Office

Indage House,
82 Dr. A. B. Road,
Worli, Mumbai – 400 018.

Remuneration Committee

Shri. S. G. Chougule
Shri. J. B. D'Souza
Shri. G. G. Desai

Administrative Office & Share Department

33-B, Krishnamai,
Sir Pochkhanwala Road,
Worli, Mumbai – 400 030
e-mail : wines@indagegroup.com
visit us at : www.indagegroup.com

Auditors

M/s. Sorab S. Engineer & Co.
Chartered Accountants
Ismail Building,
381, Dr. D. N. Road,
Fort, Mumbai – 400 001.

Registrar & Share Transfer Agents

M/s. Sharepro Services
Satam Industrial Estate,
Chakala, Andheri (E),
Mumbai – 400 099.

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NOTICE

Notice is hereby given that the 21st Annual General Meeting of Champagne Vineyards Limited will be held on Wednesday, 29th day of December 2004 at 11.00 a.m. at The Synthetic and Art Silk Mills' Research Association, Sasmira Textile College Auditorium, Sasmira Marg, Worli, Mumbai - 400 030 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2004, the Profit & Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. J. B. D'Souza who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri. G. G. Desai who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT pursuant to the provisions of Sections 78, 100 and any other applicable provisions of the Companies Act, 1956, as amended, and subject to (i) the confirmation of the High Court of Judicature of Bombay and/or The National Company Law Tribunal and or any other Regulatory Authority and (ii) the consent of any other appropriate authorities as may be prescribed under the Companies Act, 1956 as amended in this regard and such other approvals as may be required, and pursuant to the provisions of Article No. 8 of the Articles of Association of the Company, the consent of the company be and is hereby accorded to reduce the Issued and Subscribed Equity Share Capital of the Company (including forfeited shares) from Rs. 4,36,37,000/- (Rupees Four crores thirty six lakhs thirty seven thousand only) consisting of 4363700 (Forty three lakhs sixty three thousand seven hundred only) Equity Shares of the face values of Rs. 10/- (Rupees Ten only) each to Rs. 1,30,91,100/- (Rupees One crore thirty lakhs ninety one thousand one hundred only) consisting of 4363700 Equity Shares of the face values of Rs. 3/- (Rupees Three only) each, by cancelling the face value to the extent of Rs. 7 /- (Rupees Seven only) per Equity Share and correspondingly the Issued and Subscribed Equity Share Capital shall also stand reduced.

RESOLVED FURTHER THAT the sum of Rs. 3,05,45,900/- (Rupees Three crores five lakhs forty five thousand nine

hundred only) representing the total reduction in the Issued and Subscribed Equity Share Capital in terms of the above resolution be adjusted against the debit balance under the head "Profit and Loss Account " of the Balance Sheet of the Company as at 31st March, 2004.

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 78, 100 and any other applicable provisions of the Companies Act, 1956, as amended, and subject to (i) the confirmation of the High Court of Judicature of Bombay and/or The National Company Law Tribunal and/or any other Regulatory Authority and (ii) the consent of any other appropriate authorities as may be prescribed under the Companies Act, 1956, as amended, in this regard and such other approvals as may be required, the consent of the Company be and is hereby accorded to draw an amount of Rs. 70, 00,000/- (Rupees Seventy Lakhs only) out of the Company's Share Premium Account to the extent required, but not exceeding the balance in the said account and Rs. Rs. 3,40,84,570/- (Rupees Three crores forty lakhs eighty four thousand five hundred seventy only) out of the Capital Reserves Account but not exceeding the balance in the said account to be utilised for the purpose and be applied / adjusted against the debit balance of Rs.7,20,67,740/- (Rupees Seven crores twenty lakhs sixty seven thousand seven hundred forty only) under the head "Profit and Loss Account " of the Balance Sheet as at 31st March, 2004, or any accretion or deduction thereto, leaving a debit balance of Rs. 4,37,270/- (Rupees Four lakhs thirty seven thousand two hundred seventy only) after adjustments of reserves as indicated above and the reduction of capital.

RESOLVED FURTHER THAT the utilisation of the Share Premium Account and the Capital Reserve Account as also the reduction of the Company's Issued and Subscribed Equity Share Capital as indicated above is subject to the following terms and conditions: -

- a) After the reduction is confirmed by the High Court of Judicature of Bombay and/or The National Company Law Tribunal and or any other Regulatory Authority, as the case may be, the Company shall fix a Record Date for the purpose of determining the names of the registered holders and the beneficial holders of the Equity Shares of the Company.
- b) In the case of shareholders holding existing Equity Shares in physical form as on the Record Date, the Company shall soon thereafter issue the new share certificates for the new Equity Shares of such reduced face value, in lieu of the existing Equity Shares of the face value Rs 10/- each and thereupon the said old share certificates shall automatically stand cancelled. However, before the issue of the new share certificates as mentioned above, the Company shall give an option to the said shareholders who hold equity shares in physical form to receive the credit for the said new Equity Shares in electronic form provided that the facility is made available.

Champagne Vineyards Limited

- c) In the case of shareholders holding existing Equity Shares in electronic form if the facility is provided as on the Record Date, the Company shall give credit for the new Equity Shares of such reduced face value, in lieu of the existing equity shares of the face value Rs 10/- each.
- d) The reduction of the Company's Equity Share Capital is conditional upon and subject to the receipt of sanctions and approvals as may be required or necessary.

RESOLVED FURTHER THAT the existing certificates of shares which are in physical form be called back and cancelled and in place thereof new certificates of shares be issued in terms of the Companies (Issue of Share Certificates) Rules, 1960;

RESOLVED FURTHER THAT in the event there are any pending share transfers, whether lodged or outstanding of any member of the Company, the Board be and is hereby empowered in appropriate cases, even subsequent to Record Date (as may be fixed by the Board) at its sole discretion, to effectuate such a transfer in the Register of Members of the Company, as if such changes were operative as on the Record Date;

RESOLVED FURTHER THAT subject to the confirmation of the High Court of Judicature of Bombay and/or The National Company Law Tribunal and or any other Regulatory Authority as may be prescribed under the Companies Act, 1956 in this regard, the Board do incorporate the aforesaid reduction/adjustment in the annual accounts of the Company which are yet to be approved by the Board as on the date of confirmation.

RESOLVED FURTHER THAT the Board (which term shall also include any committee thereof) be and is hereby authorized, in its absolute discretion, to make the reduction and cancellation of the share capital on such other conditions as it may consider appropriate and to accept such other conditions and modifications as may be prescribed by the High Court of Judicature of Bombay, National Company Law Tribunal or such other Regulatory Authority, as the case may be, Banks, Financial Institutions and other appropriate bodies/authorities while according their sanction, consent or approvals to the proposed reduction and cancellation of share capital;

RESOLVED LASTLY THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized on behalf of the Company, inter alia, to evolve, decide upon and bring into effect the capital reduction and make and give effect to any modifications, changes, variations, alterations or revision in the proposal for capital reduction from time to time or to suspend, withdraw or review the proposal for capital reduction from time to time as may be specified by any statutory authority, or as the Board may suo moto decide in its absolute discretion and to do all such acts, deeds, matters and things whatsoever, including settling of any question, doubt or difficulty that may arise, as it may in its absolute discretion consider necessary, expedient, fit and/or proper.

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business of the Notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** A Proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Company has obtained from the Registrar of Companies extension of time for three months vide its letter No. TA/28415/54 dated 10th September, 2004 to convene and hold the meeting on or before 31st December, 2004
4. The Company's Share Transfer Register as also the Register of Members was closed during the period from 21st August, 2004 to 27th August, 2004 both days inclusive.

For and on behalf of the Board of Directors
For Champagne Vineyards Limited

Place : Mumbai
Date : 2nd December, 2004

S. G. Chougule
Chairman

Explanatory Statement

Explanatory Statement under Section 173 of the Companies Act, 1956 relating to the Special Business to be transacted at the said meeting.

Item No 5

The Company was incorporated in the year 1982 and commenced its business of agriculture farming and subsequently set up a winery unit as an EOU Unit. Due to dwindling export market and unremunerative export price the company incurred heavy operational losses. During 1997 the said winery unit was transferred to Champagne Indage Ltd., under the Scheme of Arrangement. The Company then remained Agriculture Company and it concentrated on grape growing on its own land as well as contract farming on co-farming basis. It requires three years period to bear fruits on the plants grown and the Company has since started making profits,

The debit balance of accumulated losses under the head "Profit and Loss Account" of the Balance Sheet as at March 31, 2004, is Rs. 7,20,67,740 (Rupees Seven Crores Twenty lakhs sixty-seven thousand seven hundred forty).

The Company proposes to write off its Issued and Subscribed Equity Share Capital by writing off the excess Share Capital and Reserves & Surplus against the debit balance under the head "Profit & Loss Account" of the Balance Sheet, so as to reduce the share capital that has

been lost on account of accumulated losses. Accordingly, the Board of Directors of the Company at its meeting held on 2nd December 2004 approved the proposal to write-off the debit balance under the said Account of the balance sheet to the extent of Rs.7,16,30,470/- (Rupees Seven crores sixteen lakhs thirty thousand four hundred seventy only) as at March 31, 2004 by reducing the face value of the Equity Shares from Rs.10/- per Equity Share to Rs.3/- per Equity Share of the Company to the extent of Rs.3,05,45,900/- (Rupees Three crores five lacs forty five thousand nine hundred only) (i.e. Rs 7/- per share) as also of reducing the Share Premium Account to the extent of Rs. 70,00,000/- (Rupees Seventy lakhs) and Capital Reserve Account to the extent of Rs. 3,40,84,570/- (Rupees Three crores forty lakhs eighty four thousand five hundred seventy only) aggregating to Rs 4,10,84,570/- (Rupees Four crores ten lakhs eighty four thousand five hundred seventy only), leaving a debit balance in the profit & Loss Account of the Balance Sheet at Rs. 4,37,270/- (Rupees four lakhs thirty seven thousand two hundred seventy only). This debit balance could be set -off against future profits.

The resultant balance sheet will show a realistic picture of the Company's Share Capital and Reserves & Surplus Account. Since the reduction of Issued and Subscribed Equity Share Capital would be equally applicable to all the equity shareholders, their respective voting and other rights

on shares, within themselves, would not in any way be affected.

The above reduction of equity share capital is subject to the approval of the shareholders of the Company by way of a Special Resolution and will be subject to the confirmation of the High Court of Judicature of Bombay and/or The National Company Law Tribunal and or any other Regulatory Authority as the case may be, or such other authorities or creditors as may be required in accordance with law.

The Board recommends passing of the said Special Resolution. None of the Directors are interested in the above Resolution except to the extent of their shareholding.

By Order of the Board of Directors

S. G. Chougule
Chairman

Registered Office:

Indage House,
82 Dr. A. B. Road,
Worli, Mumbai – 400 018

Place: Mumbai

Date : 2nd December, 2004

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Champagne Vineyards Limited

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 21st Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2004.

FINANCIAL RESULTS

	Year ended 31.3.2004 (Rs.in Lakhs)	Year ended 31.3.2003 (Rs.in Lakhs)
Sales & other income	295.46	208.17
Profit before Int. & Depreciation	22.93	13.64
Interest & Finance Charges	11.99	4.66
Depreciation	4.21	2.97
Profit for the year	6.73	6.01

The profit for the year of Rs. 6.73 lakhs has been adjusted against the carried forward debit balance of Rs. 727.41 lakhs under the head "Profit & Loss Account" of the Balance Sheet leaving a debit balance of Rs. 720.68 lakhs under the said head.

OPERATIONS

The coordinated efforts of contract farming enabled the Company to achieve better results and earn a profit of Rs. 6.73 lakhs during the year under review as against a profit of Rs. 6.70 lakhs earned during the previous year.

The new Central Government's policy of assigning highest priority to the Agriculture, Plantation etc. coupled with announcement of agricultural credit would immensely benefit the Company.

The contract farming, research in viticulture practices and vinotherapy would help the Company to improve its working. Beside this the exploratory work in biotechnology and organic farming would also help the Company to achieve better results.

DIVIDEND

In view of accumulated losses, your Directors do not recommend any dividend for the year.

DIRECTORS

Shri. J. B. D'Souza & Shri. G. G. Desai, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

- In preparation of Annual Accounts the applicable accounting standards have been followed along with proper explanation and that no material departures have been made from the same.

- Accounting policies selected & applied are on consistent basis & judgments and estimates made are reasonable & prudent so as to give a true & fair view of the state of affairs of the company at the end of the financial year and of profit & Loss of the Company for that period.
- Sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- Annual account has been prepared on going concern basis.

FIXED DEPOSIT

The Company has neither invited nor accepted any Fixed Deposits from the public during the year.

AUDITORS

The Company's Auditor's M/s Sorab S. Engineers & Co. hold office upto the conclusion of the forthcoming Annual General Meeting and being eligible are recommended for re-appointment on terms to be negotiated by the Audit Committee of the Board of Directors. They have furnished the requisite certificate to the effect that their re-appointment, if effected, will be in accordance with Section 224(1B) of the Companies Act, 1956.

AUDITOR'S COMMENTS

In the Auditor's Report observations have been made under sub-clause f) of **Clause 2** of the report. This has been explained in note no. 1.5 and 2.1 of Schedule 16 which is self explanatory and therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES

None of the employees of the Company are covered by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2000.

REDUCTION OF EQUITY SHARE CAPITAL

As per the balance sheet as at 31st March, 2004 there is a debit balance of Rs. 7,20,67,740/- (Rupees Seven crores twenty lakhs sixty seven thousand seven hundred forty only) under the head "Profit And Loss Account" of the Balance Sheet (hereinafter referred to as "P&L A/c") as against which the Share Premium and Capital Reserve Account under the head Reserves and Surplus Account shows a credit balance of Rs.4,10,84,570/- (Rupees Four crores ten lakhs eighty four thousand five hundred & seventy only), which can be utilized for off -setting the debit balance of "P & L A/c".

The Board of Directors at the Board Meeting held on 2nd December, 2004 have decided that, subject to the approval of the High Court of Judicature of Bombay and/or the National Company Law Tribunal and/or such other Regulatory Authority, as the case may be, the Reserves & Surplus Account comprising of Share Premium Account

and Capital Reserve Account amounting to Rs.4,10,84,570/- (Rupees Four crores ten lakhs eighty four thousand five hundred & seventy only) be adjusted against the debit balance of "P & L A/c" and the remaining debit balance in the said account be adjusted against the reduction of capital to the extent of Rs.3,05,45,900/- (Rupees Three crores five lakhs forty five thousand nine hundred only) i.e. Rs 7/- per Equity Share leaving a debit balance in the 'P & L A/c' of Rs.4,37,270/- (Rupees Four lakhs thirty seven thousand two hundred seventy only). This debit balance could be set-off against future profits.

The need to reduce the Equity Capital is justified on the ground that cancellation of the capital which has been lost on account of accumulated losses would enable the Company to depict in the Balance Sheet the real capital employed as fully represented by the value of currently productive assets on its assets side.

A Special Resolution has been proposed at Item No.5 of the Notice of the Annual General Meeting for reduction of Equity Share Capital which the directors commend. "

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, a report on Corporate Governance is provided as a part of the Annual Report.

LISTING ARRANGEMENT

The securities of the Company are listed on Mumbai & Pune Stock Exchanges. Its application for de-listing to Pune Stock Exchange is pending final disposal.

Applications made to NSDL and CDSL for the connectivity, is being pursued by the Company. The Connectivity are not yet assigned in view of erosion of net worth which is

now being explained. Necessary representation has been made to the Securities and Exchange Board of India (SEBI) to expedite the matter.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Parts A and B pertaining to Conservation of Energy and Technology Absorption are not applicable to the Company.

The Company has taken steps towards scientific cultivation of grapes in association with reputed agencies in the field

FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has not earned any foreign exchange during the year under review. There has been no foreign exchange outgo on account of import.

ACKNOWLEDGEMENTS & APPRECIATION

The Board of Directors place on record its sincere appreciation for the dedicated efforts put in by all employees, their commitment and contribution ensuring high levels of performance.

Your Directors would like to record their sincere appreciation of the members, customers, suppliers, bankers and other business associates for their forbearance, understanding and support to the Company.

**For and on behalf of the Board
For Champagne Vineyards Limited**

Place : Mumbai
Date : 2nd December, 2004

S. G. Chougule
Chairman

Champagne Vineyards Limited**CORPORATE GOVERNANCE DISCLOSURE**

Your Company fully appreciates the object and need to implement the Corporate Governance Code in its true sense as far as possible to the members of the Company. Your Company has implemented the mandatory requirement of Corporate Governance as set out under Clause 49 of the Listing Agreement with the Stock Exchanges.

1. Company's philosophy on code of governance

Your Company's philosophy on corporate governance envisages the attainment of highest level of transparency, accountability and equity in all facts of its operation and in all its interactions with its members / employees, government and lenders.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders' value over a sustained period of time.

2. Board of Directors

The Board of Directors consists of six Directors, the composition and category of directors is as follows

Category	Name of the Directors
Promoter Non Executive Director	S. G. Chougule, Chairman
Promoter Non Executive Director	R. S. Chougule
Independent Non Executive Directors	J. B. D'souza, Vice-Chairman
	G. G. Desai
	A. B. Shah
	H. G. Desai

Details of the Directors seeking the reappointment at the ensuing Annual General Meeting :

Name of Director	Shri J. B. D'Souza	Shri G. G. Desai
Date of Appointment	29th January, 1994	14th February, 1998
Qualification	M.P.A.-Harvard IAS-Ex.Chief Secretary State of Maharashtra	B.A., L.L. M.
Nature of expertise in specific functional areas	Public Administration	Legal
Names of Directorship in other Companies	1) Champagne Indage Ltd.	1) Champagne Indage Ltd. 2) Duphar Interfran Ltd. 3) Atlas Leasing & Finance Limited 4) Bliss Chemicals & Pharmaceutical Ltd 5) Camlin Ltd 6) Fermenta Biotech Limited 7) Gravity Realty Limited 8) Kerry Jost Engineering Limited
Names of Committees of other Companies in which the Director is a member	Champanage Indage Limited	1) Champagne Indage Ltd 2) Duphar Interfran Ltd. 3) Camlin Ltd.

3. Board Meetings, Committee Meetings and procedures

Information relating to Attendance of each director at board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/ Membership of committee of each director in various companies.

The Board met 6 (Six) times during the year, on the following dates :

30th June 2003, 31st July 2003, 30th October 2003, 28th November 2003, 30th December 2003, 29th January 2004.

Name of the director	Attendance Particulars			No. of other Directorships and Committee Chairmanships / Memberships	
	Board Meetings	Last AGM	Directorships	Committee Chairmanships	Committee Memberships
S. G. Chougule	6	Yes	5	1	2
J. B. D'Souza	6	Yes	1	—	3
H.G.Desai	6	Yes	1	—	1
G. G. Desai	6	Yes	8	4	2
A. B. Shah	6	Yes	6	—	3
R. S. Chougule	6	Yes	4	—	—