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11th Annual Report 1997-98

MAHAAN GROUP

Certified True Copy
For MAHAAN FOODS LTD.
Executive Director

MAHAAN FOODS LIMITED

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MAHAAN FOODS LIMITED

BOARD OF DIRECTORS

Shri Amar Nath Goyal	Chairman & Managing Director
Shri Rajiv Goyal	Executive Director
Shri Sanjeev Goyal	Director
Smt. Shashi Goel	Director
Dr. K.K. Khurana	Director
Shri H.C. Gandhi	Director

AUDITORS

M/s Dawar Mathur & Goel
Chartered Accountants
41, Vivekanand Puri,
Delhi - 110007.

BANKERS

State Bank of Patiala

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CORPORATE & HEAD OFFICE

78/3, Janpath
New Delhi - 110 001 (INDIA)
Phone : (011) 3353191-94
Fax No.: (011) 3718056

REGD. OFFICE & WORKS

Village Kunja
Rampur Road
Paonta Sahib
Distt : Sirmour
Himachal Pradesh (INDIA)
Phone : (01704) - 22313
Fax : (01704) - 22630

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MAHAAN FOODS LIMITED

NOTICE

Notice is hereby given that the 11th Annual General Meeting of the Members of the Company will be held on Wednesday, the 30th September, 1998 at 12.00 Noon at the registered office of the company at Milk Plant, Village Kunja, Rampur Road, Paonta Sahib, Distt. Sirmour, (H.P.) to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the annual statement of account for the year ended 31st March, 1998 and the report of the Directors and Auditors' thereon.
2. To elect a Director in place of Sh. H. C. Gandhi, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors and to fix their remuneration.

By Order of the Board
MAHAAN FOODS LIMITED

PLACE : New Delhi
DATED : 29.06.1998

A.N. GOYAL
Chairman & Managing Director

NOTES :

1. A member entitled to attend and vote is entitled a proxy. Proxies in order to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting. A proxy need not be a Member of the Company.
2. Register of members and Share transfer Book of Company will remain close from 25.09.1998 to 30.09.1998 (both days inclusive.)
3. a) All members are requested to quote their Folio Number in all future correspondence with the Company.
   b) All members are requested to notify their change of address to the Company.
   c) M/s Alankit Assignments Limited is the Company's Share Transfer Agent. Shareholders may correspond directly at the following address :

M/s Alankit Assignment Ltd.
205-206, Anarkali Market
Jhandewalan Extension
New Delhi - 110 055.
Telephones: 3552001,3540641

Certified True Copy
For MAHAAN FOODS LTD.
Executive Director

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 11th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 1998 and Auditors' Report thereof.

	(Rs./ Lacs)	
	1997-98	1996-97
FINANCIAL RESULTS		
Sales Turnover & Other Income	5530.95	4436.10
Operating Profit	156.34	192.52
Interest	74.90	68.13
Depreciation	20.20	18.65
Net Profit before Tax	61.24	105.74
Provision for Tax	1.73	0.67
Net Profit after Tax	59.51	105.07
APPROPRIATIONS		
Proposed Dividend	--	--
Transfer to General Reserve	59.51	105.07

DIVIDENDS

The Dairy Industry has been passing through a very critical phase and the margin of profit has been decreasing. Apart from this, there has been a Mushroom growth of the small dairy plants all over due to which the competition in the Dairy sector has been ever increasing. To combat the ever increasing competition, your company is required to keep sufficient cash reserves. Keeping this in view your Company's Directors are taking a conservative approach by not declaring dividend. Your Directors are also contemplating expansion and diversification plans for the forthcoming year so as to increase the productivity and profitability of your company.

YEAR IN RETROSPECT

During the period ended on 31.3.98 your Company has made significant all round progress despite all the adversities faced by it. The products of the Company have been well accepted all over the country and the Company was able to increase its turnover by 25%. The turnover of the Company for the year ended 31st March 1998 was recorded at Rs.55.31 crores as compared to Rs.44.36 crores during the last year. The post tax profits have been recorded at Rs. 59.51 lacs compared to Rs.105.07 lacs during the previous year. The post tax profits have not increased in-line with the increase in the turnover due to the adverse market forces coupled with the increased competition for the product line of the Company.

FUTURE PROSPECTS

Your Company had ventured into a new project Mahaan Proteins Limited to manufacture the non-conventional high value added dairy products like Casein, Lactose, Whey Protein etc. The conventional product of the Company will be Ghee.

The commercial production at Mahaan Protein Limited has since started. The export of Casein has also started and the product of the Company is being well accepted in the International market. It is hoped that Company will have healthy returns on the investment made by it in Mahaan Proteins Limited.

DIRECTORS

Shri H.C.Gandhi retires by rotation and being eligible offers himself for re-appointment.

AUDITORS

M/s. Dawar Mathur & Goel, Chartered Accountants, New Delhi retire at the ensuing general meeting and are eligible for reappointment. The observations made by auditors in their report are self-explanatory and do not call for any further comment.

DEPOSITS

Your Company has not accepted any deposit within meaning of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 as modified from time to time.

PARTICULARS OF EMPLOYEES

The Board of Directors wish to express its appreciation to all employees of the Company for their outstanding contribution to the operation of the Company during the year.

Particulars of employees in receipt of remuneration as contemplated under Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are annexed at Annexure - I.

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

As required by Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 the relevant data pertaining to conservation of energy and technology absorption, foreign exchange earning and outgo are given in Annexure - II of this report.

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ACKNOWLEDGMENTS

The Directors wish to place on record their gratitude to all Financial Institutions, Banks, Government Authorities for their valuable support. Your Directors also wish to place on record their gratitude to the valued shareholders of the Company to take these strides in such a short span of time. THe Board also record the appreciation to the contribution of their dedicated employees and dealers of the Company.

For and on behalf of the Board of Directors

PLACE : New Delhi
DATED : 29.06.98

A.N.Goyal
Chairman and Managing Director

ANNEXURE - I TO DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Persons employed throughout the year:

Sl. No.	Name	Age (Yrs.)	Designation/ Date of Commencement of employment	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Last Organisation	Employment Position Held	Duration (Yrs)
1.	Mr. Rajiv Goyal	32	Executive Director 1.1.97	6,78,000	MBA (Finance & Marketing)	10 yrs.	Mahaan Dairies Limited	Chief Executive	7.5 yrs.

Note : There was no employee who was employed for any part of the year and was in receipt of the remuneration as prescribed in Section 217 (2A) (a) (i).

ANNEXURE - II TO DIRECTORS' REPORT

Statement of particulars pursuant to Companies (Disclosure of particulars in the Report of Directors)Rules, 1988.

1. CONSERVATION OF ENERGY

In addition to steps already taken by your Company to conserve energy, studies are continuing to improve further by use of latest devices and developments.

	Current Year	Previous Year
A. Power and fuel consumption		
i. Electricity		
a. Purchased		
Total units (in lacs)	16.07	14.91
Total amount (Rs. in lacs)	28.95	21.61
Rate/Unit (Rs.)	1.80	1.43
b. Own generation		
i. Through diesel generator		
Units (in lacs)	1.56	1.47
Units per ltr. of diesel oil		
Cost/Unit (Rs.)	2.45	2.32
ii. Fuel used in Boiler		
Quantity (in tonnes)	17125	11323
Total Cost (Rs. in '000)	13181	9106
Average Rate (Rs./tonnes)	770	804
i. Consumption per unit of production		
Products (Milk Products/tonnes)	6643	5759
Electricity/tonnes(KWH)	436	375
Fuel (tonnes)	2.58	1.97

B. TECHNOLOGY ABSORPTION

Efforts are continuing in this direction. Our products continue to get preferential acceptance. R & D is continuing endeavoring to upgrade its manufacturing technology to improve Plant capacity.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

i. Foreign Exchange earnings - NIL
ii. Foreign exchange outgo - Rs. 1,11,887

For and on behalf of the Board of Directors

PLACE : New Delhi
DATED : 29.06.98

A.N. GOYAL
Chairman & Managing Director

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DAWAR MATHUR & GOEL
CHARTERED ACCOUNTANTS
41, VIVEKANAND PURI,
DELHI - 110 007.

AUDITORS' REPORT

The Members of Mahaan Foods Limited.
We have audited the attached Balance Sheet of Mahaan Foods Limited as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred in paragraph 1 above, we state that:
   i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
   iii. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
   iv. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
      a. insofar as it relates to the Balance Sheet, of the state of affairs of the company as at 31.03.1998, and
      b. insofar as it relates to the profit and Loss Account, of the PROFIT of the company for the year ended on that date.

For DAWAR MATHUR AND GOEL
CHARTERED ACCOUNTANTS

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PLACE : New Delhi
DATED :29.06.98

ARUN K. GOEL
PARTNER

REG : MAHAAN FOODS LIMITED

Annexure to Auditors' Report dated 29.06.1998

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. According to the information and explanations given to us the Fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw material have been physically verified during the year by the management at reasonable intervals.
4. In our opinion and according to the information and explanations given to us the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks as compared to the book record which were not material have been properly dealt within the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the sam basis as in the preceding year.
7. The Company has not taken any loan from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act 1956 or from the Companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act 1956.

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8. The company has granted unsecured loans only to companies, listed in the registers maintained under Section 301 of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prime- facie, prejudicial to the interest of the company.
9. In respect of loans and advances in the nature of loans given by the company, where stipulations have been made, the parties are repaying the principal amounts as stipulated or as rescheduled and have also been regular in the payment of interest, where applicable, execpt in rspect of certain loans/advances in the nature of loans which have been considered as doubtful and fully provided for. As per the information and explanation given to us, the management has been taking reasonable steps for recovery of the principal and interest due thereon.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. According to the information and explanations given to us purchase and sale of goods and material aggregating during the year to Rs. 50,000/- or more in respect of each party in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods and materials have been made with other parties. There are no such transactions of sale of services.
12. As explained to us, the company has a reasonable system for the determination of unserviceable or damaged stores, raw materials and finished goods. Reasonable provision has been made in the accounts for the loss arising on the items so determined.
13. According to the information and explanations given to us, the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, are not applicable.
14. The Company does not have any by-product. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap.
15. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
16. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the companies Act, 1956 for the product of the company.
17. According to the records of Company, provident funds dues have been regularly deposited during the year with appropriate authority. We are informed that Employees State Insurance Scheme is not applicable during the year ended 31.03.1998.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31.03.1998, for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The company is not a sick industrial company within the meaning of clause(O) of Sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. As explained to us, in respect of goods purchased for resale, the company has a reasonable system for the determination of damaged goods. Adequate provision has been made for the loss arising on the items so determined which is not of any significant value.
22. The investments are held by the company in its own name.

For DAWAR MATHUR AND GOEL
CHARTERED ACCOUNTANTS

PLACE : New Delhi
DATED : 29.06.98

ARUN K.GOEL
PARTNER

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