

# **17TH ANNUAL REPORT**

## **2 0 0 3 - 2 0 0 4**



**MAHAAN FOODS LIMITED**

**BOARD OF DIRECTORS**

Sh. Rajiv Goyal	Managing Director
Sh. H.C. Gandhi	Director
Smt. Shashi Rani Goyal	Director
Smt. Deepa Goyal	Director
Brig. P.C. Goel	Director

**REGD. OFFICE & WORKS**

Village Kunja  
Rampur Road  
Paonta Sahib  
Distt. : Sirmour  
Himachal Pradesh  
Phone : (01704) - 222313  
Fax : (01704) - 222630

**CORPORATE & HEAD OFFICE**

78/3, Janpath  
New Delhi - 110 001

**AUDITORS**

M/s Dawar Mathur & Goel  
Chartered Accountants  
41, Vivekanand Puri,  
Delhi - 110 007

**BANKERS**

State Bank of Patiala

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**MAHAAN FOODS LIMITED**
**NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Mahaan Foods Limited will be held on Thursday, the 30th September, 2004 at 2:00 p.m. 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, 2004 and the report of the Directors and Auditors' thereon.
2. To appoint a Director in place of Smt. Shashi Rani Goyal, who retires by rotation and being eligible, offer herself for re-appointment.
3. To appoint a Director in place of Brig. P.C. Goel, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass the following resolution as a Special Resolution :

**SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorized to furnish a guarantee in connection with Loan / Bank Guarantee facilities made available by Punjab National Bank to Mahaan Dairies Limited for an amount not exceeding Rs. 375/- Lacs (Rupees Three Hundred Seventy Five Lacs Only) & State Bank of Patiala for an amount not exceeding Rs. 365/- Lacs (Rupees Three Hundred Sixty Five Lacs Only) notwithstanding that the aggregate of the investments made, loans given, guarantee / securities provided together with the proposed guarantee shall exceed the limit of sixty per cent of paid-up share capital and free reserves of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may deemed expedient and necessary to give effect to this resolution."

By order of the Board  
**MAHAAN FOODS LIMITED**

Place : New Delhi

Date : 07.07.2004

RAJIV GOYAL  
 (MANAGING DIRECTOR)

**NOTES :**

1. A member entitled to attend and vote is entitled to appoint 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. The register of Members and shares Transfer book of Company will remain closed from 23.09.2004 to 30.09.2004 (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. The Company has signed agreement with National Securities Depository Ltd. (NSDL) and Central Depository Service (India) Ltd. (CDSL) and connectivity has been established for dematerialization of Shares. M/s Alankit Assignments Limited is the Company's Share Transfer Agent both for the physical and demat form. Shareholders may correspond directly at the following address :

**MAHAAN FOODS LIMITED**

M/s Alankit Assignment Ltd.

2E/8, 1st Floor,

Jhandewalan Extension

New Delhi - 110 055

Tel : 51540060/62/63

Fax : 51540064

Email : alankit@alankit.com

Website : www.alankit.com

4. At the ensuing Annual General Meeting Smt. Shashi Rani Goyal and Brig. P.C. Goel retire by rotation and being eligible offer themselves for re-appointment. The information/ details to be provided for the aforesaid Directors under Corporate Governance Code are as under :
- a. Smt. Shashi Rani Goyal has sufficient experience and takes active interest in running business units and has been associated with the Company in her capacity as a Director since 16.03.1988. Her Directorships and Committee Memberships of other Companies, as on date, are as follows :

Company	Position	Committee Membership
Advance Circuits India Pvt. Ltd.	Director	--

- b. Brig. P.C. Goel is an Engineer and has retired after a long career with the armed forces. He is also member of the Audit Committee of the Company.

There are no other Directorships / Committee Memberships held by him

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 SPECIAL BUSINESS**

##### **ITEM NO. 5**

The Company has provided a guarantee to Punjab National Bank in connection with Loan / Bank Guarantee facilities sanctioned to Mahaan Dairies Limited for an amount not exceeding Rs. 375/- Lacs (Rupees Three Hundred Seventy Five Lacs Only) & State Bank of Patiala in connection with Working Capital Facilities sanctioned for an amount not exceeding Rs. 365/- Lacs (Rupees Three Hundred Sixty Five Lacs Only). Mahaan Dairies Limited has close business relationship with the Company and is the supplier of the main raw material i.e. Skim Milk to the Company. The Company also holds 4,00,000 equity shares in Mahaan Dairies Limited. The growth in the activities of the Company will also benefit Mahaan Foods Limited. In view of this, the Company has provided guarantee for the facilities sanctioned by Punjab National Bank & State Bank of Patiala to Mahaan Dairies Limited after taking due approval of the Board.

The aggregate investments made, loans given, guarantee / securities provided together with the proposed investment shall exceed 60% of the paid-up share capital and free reserves and thus the shareholders approval is recommended.

None of the Directors is concerned or interested in the resolution.

By order of the Board  
**MAHAAN FOODS LIMITED**

Place : New Delhi

Date : 07.07.2004

**RAJIV GOYAL**  
(MANAGING DIRECTOR)

**MAHAAN FOODS LIMITED****DIRECTOR'S REPORT**

Your Directors have pleasure in presenting the 17th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004 and Auditors' Report thereof.

	(Rs. / Lacs)	
<b>FINANCIAL RESULTS</b>	<b>2003-2004</b>	<b>2002-2003</b>
Sales Turnover & Other Income	6529.85	5495.96
Operating Profit	134.39	121.99
Interest	74.78	91.39
Depreciation	28.48	24.55
Profit before tax	31.13	6.05
Provision for tax including for :		
- Current year	3.15	2.60
- Earlier years	(1.62)	1.55
- Deferred tax	0.26	(2.60)
Net Profit after tax	29.34	4.50
<b>Appropriations :</b>		
Proposed Dividend	-	-
Transfer to General Reserve	29.34	4.50

In view of the inadequate profits, your Directors are not in a position to recommend any dividend for the year.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- ☐ In the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- ☐ The Company has selected such accounting policies, applied them consistently, made judgements and estimates that are reasonable and prudent to as to give a true and fair view of the state of the affairs of the Company as at the end of the financial year and of the profit of the Company for that period.
- ☐ The Directors 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.
- ☐ The Company has prepared the attached Annual Statement of Accounts for the year ended 31st March, 2004 on a going concern basis.

**OPERATIONS**

Sales turnover and Other Income for the period under review amounted to Rs. 6530 Lacs as against Rs. 5496 Lacs in the previous year. The net profit before tax is Rs. 31.13 Lacs as compared to Rs. 6.05 Lacs in the last year. The increase has come mainly from additional contribution generated by the diversification project implemented by the Company in the last year under the name of 'Mahaan Nutrition'. The Company has setup facilities to manufacture Glucon-D on behalf of Heinz India Pvt. Ltd. for which it has entered into a contract for a period of 5 years. The Company is also looking for further opportunities arising in Himachal Pradesh with Government of India granting excise exemption.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****1. Outlook for the Industry**

The Dairy Industry in India has the cooperative sector on the one hand which have an excellent milk procurement network. These Companies are now becoming more market savvy and are launching new products and expanding their market. On the other hand the role of the private sector is also important and MNCs and large Indian Companies co-exist side by side. With the Government placing more emphasis on the agriculture sector the domestic Dairy Industry is keenly waiting for the Government policy in this front.

**2. Future Prospects**

The Company has been able to develop a strong marketing and distribution network for selling its FMCG products under the 'Mahaan' brand consisting of 800 distributors and 11ac retailers spread over 15 states. However, the profit margins have continued to be squeezed due to competitive market conditions in the domestic Dairy Industry.

With the latest Government notification granting excise exemption to manufacturing units in Himachal Pradesh. There are new business opportunities for the Company, which has its plant in this state. The Company has already implemented a project for contract manufacturing of nutraceutical products and is looking for further opportunities in this area.



### 3. Risk and concerns

A large number of players in both the organized and unorganized sector enjoy price advantage due to tax concession and / or resorting to other unfair practices. We have been representing at various levels against these unfair practices. The early implementation of VAT will remove the disadvantage to certain extent.

### 4. Internal control systems

Mahaan Foods Limited has put in place a computerized system of transaction management in almost all areas. The internal checks and control mechanism is in place, which ensures adequate checks and balances. The Audit Committee whose Chairman is an independent Director, meets periodically to review the existence of internal control systems.

### 5. Operational vis-à-vis Financial Performance

The Company manufactures quality dairy products and has been an ISO-9002 Company. The intense price competition and unfair practices have had a dampening effect on Company's performance in the last few years. The financial performance / results are not commensurate with the high quality standards of the Company's products.

### 6. Material Development in Human Resources / Industrial Relations Front

The team of people in the organization has been working with dedication, diligence, devotion, determination, dynamism, discipline and direction. The Company believes that motivated employees are its most important resource and asset. Industrial relations during the year were cordial, co-operative, concerted and peaceful. As on 31.03.2004 there were about 167 employees on its rolls.

### DIRECTORS

Smt. Shashi Rani Goyal & Brig. P.C. Goel - Directors of the Company are retiring by rotation at the forthcoming AGM and being eligible have offered themselves for re-appointment.

### AUDIT COMMITTEE

The Audit Committee consists of Sh. H. C. Gandhi, Smt. Shashi Rani Goyal & Brig.P.C. Goyal.

### AUDITORS

M/s Dawar Mathur & Goel, Chartered Accountants, New Delhi retires at the ensuing General Meeting and is eligible for re-appointment. 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 the meaning of Section 58-A of the Companies Act, 1956 read with the Companies Acceptance of Deposit Rules, 1975 as modified from time to time.

### PARTICULARS OF EMPLOYEES

During the year ended 31st March, 2004, there was no employee drawing remuneration in excess of the amount prescribed Under Section 217(2A) of the Companies Act, 1956.

### 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 and relevant data pertaining to conservation of energy and technology absorption, foreign exchange earning and outgo are given in Annexure - I of this Report.

### ACKNOWLEDGEMENTS

The Directors wish to place on record their gratitude to all Financial Institutions, Banks and Government Authorities for their valuable support. Your Directors also wish to place on record their gratitude to the valued shareholders of the Company. The Board also records their appreciation to the contribution of their dedicated employees and dealers of the Company.

for and on behalf of the Board

Place : New Delhi  
Date : 07.07.2004

**RAJIV GOYAL**  
(MANAGING DIRECTOR)

**MAHAAN FOODS LIMITED****ANNEXURE - I TO THE DIRECTOR'S REPORT**

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

**I. CONSERVATION OF ENERGY**

In addition to steps already taken by the Company to conserve energy, efforts are continuing to improve further by use of latest technology.

**A. POWER AND FUEL CONSUMPTION****Current Year****Previous Year****a. Dairy Unit****I. Electricity****a. Purchased**

Total units (Lacs)	15.56	15.23
Total Amount (Rs. in Lacs)	41.84	39.91
Rate / Unit (Rs.)	2.69	2.62

**b. Own Generation****i. Through diesel generator**

Units (in Lacs)	1.80	2.07
Units per ltr. Of Diesel Oil	3.49	3.35
Cost / Unit (Rs.)	5.85	4.69

**ii. Fuel used in Boiler**

Quantity (in Tonnes)	12616	11240
Total cost (Rs. in Lacs)	146.60	142.29
Average Rate (Rs./Tonnes)	1162.02	1265.93

**II. Consumption per unit of production**

Products (Milk Products / Tonnes)	5499	5960
Electricity / Tonnes (KWH)	316	290
Fuel / Tonnes	2.29	1.89

**b. Others (Contract Manufacturing Activities) :****I. Electricity****a. Purchased**

Total units (Lacs)	0.46	0
Total Amount (Rs. in Lacs)	1.20	0
Rate / Unit (Rs.)	2.61	0

**b. Own Generation**

Through diesel generator		
Units (in Lacs)	0.61	0
Units per ltr. Of Diesel Oil	3.49	0
Cost / Unit (Rs.)	5.85	0

**II. Consumption per unit of production**

Products (Glucon-D / Tonnes)	1802	0
Electricity / Tonnes (KWH)	59	0

**B. TECHNOLOGY ABSORPTION**

Efforts are continuing in this direction. Our products continue to get preferential acceptance. R&D is a continuous endeavour for upgrading the manufacturing technology to improve Plant capacity.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

The details of foreign earnings and outgo are given in Note No. 12 (F&G) of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place : New Delhi

Date : 07.07.2004

**RAJIV GOYAL**  
MANAGING DIRECTOR



## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Corporate Governance Code

The objective of the Company's is to meet the statutory requirements of the code and also institute such systems and procedures as are in accordance with the best global practices, making management completely transparent and institutionally sound.

### 2. Board of Directors

The present strength of the Board is 5 Directors. The Board meets regularly to assess the Company's past performance, operations and to ensure compliance with laws and regulations.

Sl. No.	Name	Category	Designation	No. of Board Meetings attended	Attendance at last A.G.M.	No. of other Director -ship	No. of member -ship Committees of the Board of other Companies
1.	Sh. Rajiv Goyal	Executive Director	Chairman & Managing Director	4	Yes	3	-
2.	Sh. H.C. Gandhi	Non-Executive / Independent Director	Director	4	Yes	3	2
3.	Brig. P.C. Goyal	Non-Executive / Independent Director	Director	-	No	-	-
4.	Smt. Shashi Rani Goyal	Non- Executive Director	Director	4	Yes	1	-
5.	Smt. Deepa Goyal	Non- Executive Director	Director	4	No.	-	-

There were four Board Meeting held during the year ended 31.03.2004. These were on 30.06.2003, 31.07.2003, 31.10.2003, 31.01.2004.

### 3. Audit Committee

The Board of Directors of the Company have constituted an Audit Committee and Sh. H. C. Gandhi, Brig. P.C. Goel & Smt. Shashi Rani Goyal all non-executive directors are members of the Audit Committee. Sh. H.C. Gandhi is the Chairman of the Audit Committee.

#### Terms of Reference

The Terms of Reference of this Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreements as well as in Section 292A of the Companies Act, 1956. During the year the Audit Committee had met three times on 30.06.2003, 31.07.2003 & 31.10.2003 and the meeting were attended as follows :

S.No.	Name of Directors	No. of meetings attended
1.	Sh. H.C. Gandhi	3
2.	Smt. Shashi Rani Goyal	3
3.	Brig. P.C. Goel	-

### 4. Share Transfer Committee

The Company has a Share Transfer Committee comprising Smt. Shashi Rani Goyal (who chairs the committee), Sh. Rajiv Goyal and Smt. Deepa Goyal. Total 21 meetings of the committee were held during the year. If the transfer deeds and other documents were correct and valid in all respects, then all shares received for transfer were approved and registered within the prescribed time period, otherwise the objection letters were sent for correction of errors or other discrepancies found. This also function as the Investor Grievances Committee.




**MAHAAN FOODS LIMITED**
**5. Remuneration Committee**

The Company does not have a Remuneration Committee. The Board determines the remuneration of Managing Director or any other Directors. (Non-mandatory requirement).

**6. General Body Meetings**

The last three AGMs were held on/at: :

Year	AGM	Location	Date	Time	No. of Special Resolutions
2000-2001	14th AGM	Village Kunja, Rampur Road, Paonta Sahib, Distt. Sirmour (H.P.)-	29.11.2001	2.00 p.m.	NIL
2001-2002	15th AGM	- DO -	30.09.2002	2.00 p.m.	NIL
2002-2003	16th AGM	- DO -	30.09.2003	2:00 p.m.	1

The Company has not passed any resolution requiring Postal ballot for shareholders' approval during the current year under review.

**7. Disclosures:**

- Related party transactions as required under Accounting Standard - 18 are disclosed in Notes to Accounts to the Balance Sheet. None of the transactions of the Company of material nature, with its promoters and their relatives, the directors or the management and their relatives, its subsidiaries or any other related parties were in conflict with the interest of the Company.
- There were no cases of non-compliance by the Company and no penalties and strictures were imposed on the Company by SEBI or any other statutory authority on any matter related to capital markets during the last three years.

**8. Means of Communication:**

The Company in compliance with the listing agreement, regularly intimates un-audited as well as audited results to the stock exchanges, immediately after they are approved by the Board. The Company published its results in two newspapers. Management discussion and analysis report forms part of the Directors' Report.

**9. Shareholder information**
**a) Annual General Meeting :**

Date : 30th September, 2004  
Time : 2.00 p.m.  
Venue : Village Kunja, Rampur Road, Paonta Sahib,  
Distt.Sirmour(Himachal Pradesh)

- Book Closure Date : 23rd Sep., 2004 to 30th Sep., 2004  
(both days inclusive)

Dividend Payment : The Directors have not recommended Dividend for the financial year ended 31st March, 2004

**c) Financial Calendar :**
Adoption of Quarterly / Half Yearly results

June 30, 2004	Jul., 2004
September 30, 2004	Oct., 2004
December, 31, 2004	Jan., 2005
March 31, 2005 (Audited)	Jun., 2005