

19th Annual Report 2005-2006



MAHAAN FOODS LIMITED

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
Sh. Anil Kapoor	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
51, Front Block, 2nd Floor,
Rama Road, Najafgarh Road Industrial Area,
Delhi – 110 015

BANKERS

State Bank of Patiala

MAHAAN FOODS LIMITED**NOTICE**

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of Mahaan Foods Limited will be held on Saturday, the 30th September, 2006 at 2:00 p.m. at Hotel Grand Riviera, Near Bata Riviera, National Highway 72, 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, 2006 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, WITH OR WITHOUT MODIFICATIONS AS MAY BE PRACTICAL AND PERMISSIBLE, THE FOLLOWING RESOLUTION AS **SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company [hereinafter referred to as "the Board" which term shall be deemed to include Committees of the Board of Directors or persons authorized by the Board of Directors] to make / give, from time to time, any loans / advances / deposits / investments in shares, debentures and / or other securities of any body corporate and to give, on behalf of the Company, any guarantee and /or provide any security in connection with any loan or loans made by any other person to, or to any other persons by, any body corporate and, in particular, in addition to the existing outstanding loan / investment transactions within the respective limits as hereafter mentioned:

"Mahaan Dairies Limited upto 100% of Company's Paid Share Capital and Free Reserves

be and is hereby approved, and the amount comprised by all of which would be over and above 60% of the Company's paid up share capital and free reserves or 100% of the Free Reserves, whichever is more.

"RESOLVED FURTHER THAT the proposed transactions with the said Company shall be in addition to the existing exposure of the Company in any or all of the said Companies by way of loans made, guarantees given, securities provided and investments in securities made by the Company."

Provided that in case of loans, the interest rate shall not be lower than the prevailing bank rate or such other rate as may be provided in the said Act.

"RESOLVED FURTHER THAT the aforesaid loans / investments be made by the Company out of internal resources or borrowing or in such other manner as the Board thinks appropriate and the Company do hereby confirm and approve the loans / guarantees / securities / investments made /given so far by the Board of Directors from time to time and the Board be and is hereby authorized to finalize the terms of the aforesaid loans / investments / guarantees and to settle any question or doubt that may arise in relation to the above and to execute such deeds, agreements, documents and writings and to do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution or otherwise considered by the Board to be in the best interest of the Company."

By order of the Board
MAHAAN FOODS LIMITED

Place : New Delhi
Date : 05.09.2006

PRERNA BISHT
(COMPANY SECRETARY)

NOTES :

1. A member entitled to attend the 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 23.09.2006 to 30.09.2006 (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 :

M/s Alankit Assignment Limited
2E/21, Alankit House
Jhandewalan Extension
New Delhi – 110 055
Tel : 51540060-63
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. Limited	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.

ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT PURSUANT TO THE SECTIONS 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

As the members are aware, the Company has already made investments in other body corporate within the limits as mentioned in Section 372 A of the Companies Act, 1956. In the course of its business, the Company may also have to enter into similar transactions with the body corporate. The Company intends to make more investments in the Nutrition based Companies for profitable results in the best interest. Hence, it is in the above circumstances that the resolution as in this item of the Notice is proposed, to obtain the approval of the members and the Board taking steps the manner set out in the resolution.

Hence the same resolution is being presented for your necessary approval

MAHAAN FOODS LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 19th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006 and Auditors' Report thereof.

<u>Financial Results</u>	2005-06 (Rs. in Lacs)	2004-05 (Rs. in Lacs)
Sales Turnover & Other Income	5707.70	7610.32
Operating Profit	200.33	176.50
Interest	106.16	100.70
Depreciation	34.76	34.29
Profit before tax	59.41	41.51
Provision for tax including for :		
- Current year	9.85	3.30
- Earlier years	-	0.99
- Deferred tax	(1.50)	(0.61)
Net Profit after tax	51.06	37.83

Appropriations :

Proposed Dividend	-	-
Transfer to General Reserve	51.06	37.83

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, 2006 on a going concern basis.

OPERATIONS -

During the year under review, sales of the company at Rs. 5708 Lacs are lower by 25% as compared with Rs. 7610 Lacs in the previous year. However, the decline comes on account of reduction in trading sales significantly from Rs. 3108 Lacs to Rs. 487 Lacs. The sale of manufactured products has increased by 19% from Rs. 4300 Lacs to Rs. 5018 Lacs in the current year. The Operating Profits of the Company show upward trend registering an increase over 13% to Rs. 200.33 Lacs and Profit After Tax at Rs. 51.06Lacs, registered a growth of 35%. The Company is dedicated towards improvement of its performance in future by implementing further cost control measures and increasing sales. Simultaneously, the company is committed towards exploring the best possible opportunities in its area of operations with extension of Excise exemption in Himachal Pradesh.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. **Outlook for the Industry**
With a current output of 78 million tonnes, India has emerged as the highest milk producer globally and is all set to become the world's largest food factory. At less than Rs. 10 per ltr., the farm-gate price of milk is perhaps the lowest in the world. The native dairy farmer does not receive any subsidy. Hence, India's milk products in the post-GATT era can out-compete those from developed countries that now dominate global markets. As per recent data available, the cost of milk per 100 Kg was US \$ 14.75 in India as compared with US \$ 15.50 in New Zealand and US \$ 33 in USA and European Union countries.
2. **Future Prospects**
While its annual milk production growth rate averages about 5%, the domestic market for products like butter, powder, cheese, dairy whiteners and spreads is galloping at 10-15% per year. Speciality dairy products like Casein, Lactose and Whey Proteins are also being made with foreign collaboration in India.

While the advent of foreign brands produced in India is changing the profile of the Indian dairy industry, your Company's brand "MAHAAN" has become synonymous with quality dairy products and is marketed through a distribution network of over 800 distributors and over 1 Lac retailers spread over 15 States in the country.

The Company is undertaking Contract Manufacturing for various healthcare, pharma, nutraceuticals, dairy and food products for leading MNCs and domestic companies. This area is sought to be strengthened with Excise exemption being extended to units Himachal Pradesh.

3. Risk and concerns

With the integration of the Indian economy with the world economic mainstream, MNCs looking for overseas manufacturing facilities find India's irresistible. FMCG products are the focus area of competition as new enterprises are cropping up by dozen. Players in the unorganized sector, in particular, enjoy certain benefits vis-à-vis the organized sector. Your Company is taking all necessary steps to reduce cost and improve its operating margins. Your Directors are confident that the years ahead would be fruitful and rewarding.

4. Internal control systems

The Internal Control Systems of your Company are proper and adequate commensurate to its size so as to ensure that transactions are fully authorized, recorded and reported correctly. The Company has laid down policies, guidelines and procedures comprising Internal Control System, which is designed to ensure all financial and other records are reliable for preparing financial statements, other data and for maintaining accountability of assets.

The Audit Committee, whose Chairman is an independent Director, meets periodically to review the working of Internal Control Systems with a view to enhance their effectiveness in decision making.

5. Operational vis-à-vis Financial Performance

The company manufactures quality dairy products and has been an ISO-9002 Company for the last so many years. The intense price competition has had a dampening effect on your Company's performance in this segment in recent times. With lower per unit sales realization, the financial results have not been commensurate with the high quality products of your Company. However, cost control measures and development and launch of new products by the Company are expected to improve its margins. The Contract Manufacturing activities have shown significant contribution both to the top line and profits.

6. Development in Human Resources / Industrial Relations Front

The Company believes that its employees are its real strength and their contribution always remains predominant for its growth and progress. Your Company has taken various initiatives to become an employer of choice in the Indian dairy industry. Talent acquisition, development and retention are key issues receiving management attention, besides performance-orientation.

Industrial relations continued to remain harmonious at all the manufacturing units during the year. The number of persons employed in the Company is 86 as at 31st March, 2006.

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, 2006, 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

Your Directors wish to place on record their gratitude to all Financial Institutions, Banks, Government Authorities, Business Associates and Share Holders unstinted support, assistance and cooperation.

Your Company and its Directors also acknowledge with thanks the full-fledged cooperation received from the employees at all levels.

for and on behalf of the Board

Place : New Delhi
Date : 05.09.2006

RAJIV GOYAL
(MANAGING DIRECTOR)

ANNEXURE – 1 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 & Fuel Consumption		<u>2005-06</u>	<u>2004-05</u>
a.	<u>Dairy Unit :</u>		
i.	Electricity		
a.	Purchased		
	Total units (Lacs)	30.77	19.62
	Total Amount (Rs. In Lacs)	119.25	59.68
	Rate / Unit (Rs.)	3.88	3.04
b.	i. Own Generation		
	Through diesel generator		
	Units (in Lacs)	2.33	0.65
	Units per ltr. Of Diesel Oil	3.65	3.52
	Cost / Unit (Rs.)	6.48	6.25
	ii. Fuel used in Boiler		
	Quantity (in Tonnes)	14760.42	13458.59
	Total cost (Rs. In Lacs)	214.32	164.61
	Average Rage (Rs./Tonnes)	1450.03	1223.09
ii.	Consumption per unit of production		
	Production (Milk Products / Tonnes)	6282	6957
	Electricity / Tonnes (KWH)	527	291
	Fuel / Tonnes	2.35	1.93
b.	<u>Others (Contract Manufacturing Activities) :</u>		
i.	Electricity		
a.	Purchased		
	Total units (Lacs)	1.29	1.26
	Total Amount (Rs. in Lacs)	4.99	4.03
	Rate / Unit (Rs.)	3.87	3.20
b.	Own Generation		
	Through diesel generator		
	Units (in Lacs)	0	1.15
	Units per ltr. Of Diesel Oil	0	3.52
	Cost / Unit (Rs.)	0	6.25
ii.	Consumption per unit of production		
	Products (Glucon-D / Tonnes)	3937	4181
	Electricity / Tonnes (KWH)	33	58

B. TECHNOLOGY ABSORPTION

Efforts are continuing in this direction. Our products continue to get preferential acceptance R&D is a continuous endeavor 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 : 05.09.2006

RAJIV GOYAL
(MANAGING DIRECTOR)

MAHAAN FOODS LIMITED**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 6 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 Directorship	No. of membership in 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	2	1
3.	Brig. P. C. Goyal	Non-Executive / Independent Director	Director	4	Yes	-	-
4.	Smt. Shashi Rani Goyal	Non-Executive Director	Director	4	Yes	1	-
5.	Smt. Deepa Goyal	Non-Executive Director	Director	4	Yes	-	-
6.	Sh. Anil Kapoor	Non-Executive/ Independent Director	Director	-	No	-	-

There were four Board Meeting held during the year ended 31.03.2006. These were on 30.06.2005 (Adjourned to 30.07.2005), 30.07.2005, 31.10.2005 and 31.01.2006.

3. Audit Committee

The Board of Directors of the Company have constituted an Audit Committee and Sh. H. C. Gandhi, Brig. P. C. Goyal & 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 30.07.2005, 31.10.2005 & 31.01.2006 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. Goyal	3

4. 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).

5. Shareholders / Share Transfers 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 25 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.

Mr. Pradeep Narang, General Manager (Finance) was compliance officer upto June 2006. Now the Compliance Officer is Ms. Perna Bisht, Company Secretary.

During the year ended March 31, 2006, all complaints that were received from the shareholders were replied / resolved to the satisfaction of the shareholders.

6. General Body Meetings

The last three AGMs were held on / at :

Year	AGM	Location	Date	Time	No. of Special Resolutions
2002-2003	16th AGM	Village Kunja, Rampur Road, Paonta Sahib, Distt. Simmour (H.P.)	30.09.2003	2.00 p.m.	1
2003-2004	17th AGM	- DO -	30.09.2004	2:00 p.m.	1
2004-2005	18th AGM	- DO -	30.09.2005	2:00 p.m.	NIL

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 published its results in two newspapers i.e Himachal Times English and Hindi Edition. 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 in the prescribed format so as to enable the respective stock exchange to put the same on their own Website. The notice of AGM along with Annual report is sent to the shareholders well in advance of the AGM. The stock exchange is notified of any important developments that may materially affect the working of the Company. Disclosure with regard to shareholding pattern, change in major shareholdings etc. are sent to the stock exchange as required under SEBI Takeover Regulations and SEBI Prohibition of (Insider Trading) Regulations. Management discussion and analysis report forms part of the Directors' Report.

9. Shareholder information

- Annual General Meeting:

Date	: 30th September, 2006
Time	: 2.00 p.m.
Venue	: Hotel Grand Riviera, Near Bata Riviera, National Highway 72, Paonta Sahib, Distt Simmour (Himachal Pradesh)
- Financial Calendar :

<u>Adoption of Quarterly / Half Yearly results</u>	
June 30, 2006	Jul , 2006
September 30, 2006	Oct , 2006
December, 31, 2006	Jan , 2007
March 31, 2007 (Audited)	Jun , 2007
- Book Closure Date : 23rd Sep., 2006 to 30th Sep , 2006 (both days inclusive)
- Dividend Payment : The Directors have not recommended Dividend for the financial year ended 31st March, 2006.
- Listing on Stock Exchanges

S. No.	Name of the Stock Exchange
1.	The Ludhiana Stock Exchange Association
2.	The Delhi Stock Exchange Association Ltd.
3.	The Stock Exchange, Mumbai
4.	The Jaipur Stock Exchange Ltd.
5.	The Delhi Stock Exchange Association Ltd.

Annual Listing fee for the year 2005-06 were paid to The Stock Exchange, Mumbai. The Stock code of the Company at BSE is 519612

d) Market Price – Data

Month	Mumbai Stock Exchange	
	High	Low
Apr., 2005	6.50	4.16
May, 2005	11.50	5.22
Jun., 2005	18.83	8.91
Jul., 2005	25.20	14.00
Aug., 2005	32.75	21.20
Sep., 2005	29.70	18.55
Oct., 2005	19.00	12.75
Nov., 2005	17.35	14.81
Dec., 2005	15.75	11.50
Jan., 2006	15.41	11.50
Feb., 2006	13.20	10.37
Mar., 2006	13.50	9.00

f) Registrar and Share Transfer Agents

M/s Alankit Assignment Limited is the Registrar and Share Transfer Agents for transfer of shares held in Electronic Form as well as Physical Form. Their address is as under :

Alankit Assignment Limited
2E/21, Alankit House
Jhandewalan Extn.
New Delhi – 110 055
Tel : (011) 51540060-63
Fax : 51540064
Email : alankit@alankit.com
Website : www.alankit.com

