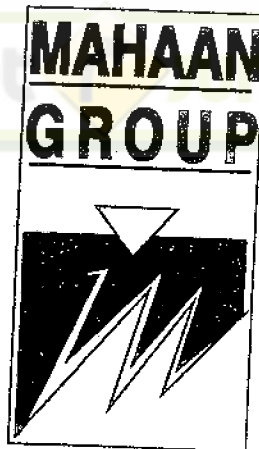


# 21ST ANNUAL REPORT 2007-2008



## MAHAAN FOODS LIMITED



## MAHAAN FOODS LIMITED

### BOARD OF DIRECTORS

Shri Rajiv Goyal

Shri H. C. Gandhi

Brig. P. C. Goel

Shri Suresh Garg

Managing Director

Director

Director

Director

### REGD. OFFICE & WORKS

Village Kunja

Rampur Road

Ponta Sahib

Distt. Sirmour

Himachal Pradesh

Phone : (01704) - 222313

Fax : (01704) - 222630

### CORPORATE & HEAD OFFICE

78/3, Seond Floor, Janpath

New Delhi-110 001-(INDIA)

Phone: 011- 23353191-94

Fax No.: 011-23718056

### AUDITORS

Dawar Mathur & Goel

Chartered Accountants

41, Vivekanand Puri

Sarai Rohilla

Delhi-110 007

### COMPANY SECRETARY

Mr. Praveen Kumar Pandey

### BANKERS

State Bank of Patiala

### REGISTRAR & TRANSFER AGENT

Alankit Assignments Limited, New Delhi

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## MAHAAN FOODS LIMITED

### NOTICE

NOTICE is hereby given that the **TWENTY FIRST** Annual General Meeting of the members of **MAHAAN FOODS LIMITED** will be held at the Registered Office of the Company at Rampur Road, Village Kunja, Paonta Sahib-173025, Himachal Pradesh on Tuesday, the 30th September, 2008, at 2.00 p.m. to transact the following business:

#### AS ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet of the Company as on 31st March, 2008 and the Profit & Loss Account for the Financial Year ending 31st March 2008, together with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri Suresh Garg who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s Dawar Mathur & Goel, retiring Auditor, as Auditor of the company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.

By Order of the Board of Directors  
For Mahaan Foods Limited

Praveen Kumar Pandey  
Company Secretary

Place: New Delhi

Date: September 05, 2008

#### NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of him self and the proxy need not be a member of the company. Proxy form duly completed should be deposited at the registered office of the company not less than 48 hours before the scheduled time of the annual general meeting. Blank proxy form is enclosed.
2. A proxy shall not vote except on a poll.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 27th day of September 2008 to 30th Day of September, 2008 (both days inclusive).
4. Members are requested to notify immediately any change of address:
  - a) To their Depository Participants (DPs) if they have holding shares in Electronic Form, and,
  - b) If they have shares in physical form, to the Registrar and Transfer Agent of the Company at following address:  
**Alankit Assignment Limited,**  
 2E/21, Alankit House,  
 Jhandewalan Extention,  
 New Delhi-110 055,  
 Tel: 011-23541234, 42541234  
 Fax: 011 2352001, 42541201  
 Email: alankit@alankit.com  
 Website: www.alankit.com
5. Members attending the meeting are requested to complete the enclosed Attendance Slip and deliver the same at the entrance of the meeting venue.



## MAHAAN FOODS LIMITED

6. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the company seven days before the date of the general meeting, so that the information required can be made readily available at the venue of Meeting.
7. Members are requested: -
  - a) To bring their copies of Annual Report, Notice and Attendance Slip at the time of meeting.
  - b) To quote their Folio Nos. / Client ID and DP ID, in all correspondence.
  - c) To note that no briefcase or bag will be allowed to be taken inside the venue of the meeting for security reasons.
  - d) To note that no gifts will be distributed during the Annual General Meeting.
8. At the ensuing Annual General Meeting Shri Suresh Garg retire by rotation and being eligible offer himself for re-appointment. The information/ details to be provided for the aforesaid director under the corporate governance code is as under:

Shri Suresh Garg is a Commerce Graduate and having 21 years of experience in Dairy sector. He is also a member of Audit Committee and Share Transfer and Investor Grievance Committee of the Company. He is on the Board of:

Company	Position	Committee Membership
Zeon Lifesciences Limited	Managing Director	---
French Foods Pvt. Limited	Director	

By Order of the Board of Directors  
For Mahaan Foods Limited

Praveen Kumar Pandey  
Company Secretary

Place: New Delhi

Date: September 05, 2008



## MAHAAN FOODS LIMITED

### MAHAAN FOODS LIMITED DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their 21st Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended, 31st March, 2008.

#### FINANCIAL RESULTS:

The Financial Results for the year are as under :-

PARTICULARS	(Rs. in Lacs)	
	2007-08	2006-07
Sales Turnover & Other Income	9264.00	6802.39
Operating Profit	357.00	240.26
Interest	166.00	127.85
Depreciation	53.00	39.35
Profit before tax	138.00	73.06
Provision for tax including for :		
- Current year	18.00	9.45
- Earlier years		0.40
- Deferred tax		4.46
- Fringe Benefit Tax		3.55
Net Profit after tax	120.00	55.20
Appropriations:		
Proposed Dividend		-
Transfer to General Reserve	120.00	55.20

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, 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 the affairs of the Company 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, 2008 on a going concern basis.

#### OPERATIONS:

During the year under review, Sales and other Income of the Company at Rs. 9264 Lacs are higher as compared with Rs. 6802.39 Lacs in the previous year. The Operating Profits of the Company show upward trend registering an increase over to Rs. 357 Lacs and Profit after Tax at Rs.120 Lacs. The Company is dedicated towards improvement of its performance in future by implementing further cost control measures and increasing sales.



## MAHAAN FOODS LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### 1. Outlook for the Industry

With a current output of over 100 million tonnes, India is the highest milk producer globally and is now also gaining strength in export of dairy products its farm gate price of milk is also one of the lowest in the world and that too with out any subsidy. Hence, India's milk products in the post-GATT era can out-compete those from developed countries that till now have dominated global markets.

#### 2. Future Prospects

The vision for the dairy sector entails:

- Increase in level of processing to 30% to 35% from around 18% - 20%.
- Enhance commercialization of ethnic Indian products.
- Further increase in India's shares in global trade.

To achieve this vision, following steps will have to be taken.

- Training of the unorganized sector.
- Research & development for livestock development and improving productivity of milk animals.
- Research & development for commercialization of indigenous dairy products.
- Promoting dairy exports in milk deficit countries.

The Company is undertaking Contract Manufacturing and also set up a facility for manufacturing for starch powder.

#### 3. Risk and concerns

The major challenge to the industry is continuous hardening of milk prices which is the main raw material and thus effecting the margins in the most important segment for the Company.

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 Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of the other controls in the organization. All significant issues are brought to the attention of the audit committee of the Board.

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 to the profits.



## MAHAAN FOODS LIMITED

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

The Company continues to lay emphasis on building and sustaining an excellent organizational-climate based on human performance. Performance management is the key word for the Company. During the year the Company employed over 130 employees.

Pursuit of proactive policies for industrial relations has resulted in a peaceful and harmonious situation on the shop floors of the various plants.

#### **DIRECTORS:**

Shri Suresh Garg- Director of the Company is retiring by rotation at the forthcoming AGM and being eligible has offered himself for re-appointment.

#### **AUDIT COMMITTEE:**

The Audit Committee consists of Sh. H. C. Gandhi, Brig. P. C. Goyal, and Shri Suresh Garg.

#### **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 calls 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, 2008, 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 are pleased to place on record their sincere gratitude to the Government, all Financial Institutions, Banks, Business Associates and Share Holders for their continued and valuable co-operation and support to the Company. They also take this opportunity to express their deep appreciation for the devoted and sincere services rendered by the employees at all levels of the operations of the Company during the year.

for and on behalf of the Board of Directors  
for Mahaan Foods Limited

**RAJIV GOYAL**  
**(CHAIRMAN)**

**Place: New Delhi**  
**Date: September 05, 2008**



## MAHAAN FOODS LIMITED

### 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	2007-08	2006-07
a.	<b>Dairy Unit:</b>		
I.	<b>Electricity</b>		
a.	Purchased		
	Total units (Lacs)	13.54	09.30
	Total Amount (Rs. in Lacs)	60.61	42.34
	Rate / Unit (Rs.)	4.48	4.55
b. i.	<b>Own Generation</b>		
	Through diesel generator		
	Units (in Lacs)	8.99	3.24
	Units per liter. Of Diesel Oil	4.00	0.25
	Cost / Unit (Rs.)	7.55	7.75
ii.	Fuel used in Boiler		
	Quantity (in Tonnes)	8921.42	7097.35
	Total cost (Rs. In Lacs)	238.56	161.07
	Average Rate (Rs./Tonnes)	2674.00	2269.5
II.	<b>Consumption per unit of production</b>		
	Production (Milk Products / Tonnes)	32056	5993
	Electricity / Tonnes (KWH)		
	Fuel / Tonnes	0.28	1.18
b.	<b>Starch Powder:</b>		
I.	<b>Electricity</b>		
a.	Purchased		
	Total units (Lacs)	10.68	2.98
	Total Amount (Rs. in Lacs)	35.92	9.51
	Rate / Unit (Rs.)	3.36	3.19
b. i.	<b>Own Generation</b>		
	Through diesel generator		
	Units (in Lacs)	1.21	Nil
	Units per liter. Of Diesel Oil	4.00	Nil
	Cost / Unit (Rs.)	8.25	Nil
ii.	Fuel used in Boiler		
	Quantity (in Tonnes)	11459.00	26.86
	Total cost (Rs. In Lacs)	171.99	39.80



**MAHAAN FOODS LIMITED**

	Average Rate (Rs./Tonnes)	1500.91	148176
II.	<b>Consumption per unit of production</b>		
	Production (Starch Powder / Tonnes)	4310.00	1753
	Electricity / Tonnes (KWH)	248.00	170
	Fuel / Tonnes	2.66	1532
c.	<b>Others (Contract Manufacturing Activities) :</b>		
I.	<b>Electricity</b>		
a.	<b>Purchased</b>		
	Total units (Lacs)	2.61	1.75
	Total Amount (Rs. in Lacs)	9.66	6.65
	Rate / Unit (Rs.)	3.70	3.79
b.	<b>Own Generation</b>		
	Through diesel generator		
	Units (in Lacs)	0.79	NH
	Units per liter. of Diesel Oil	4.00	NH
	Cost / Unit (Rs.)	8.25	NH
II.	<b>Consumption per unit of production</b>		
	Products (Glucon-D / Tonnes)	5006	4545
	Electricity / Tonnes (KWH)	52	38

Figures are only for part of the year as during the balance period lease rent was paid which was inclusive of the power charges for unit taken on lease.

**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 Notes to the Accounts.

for and on behalf of the Board of Directors  
for **Mahaan Foods Limited**

RAJIV GOYAL  
(CHAIRMAN)

Place: New Delhi

Date: September 05, 2008



## MAHAAN FOODS LIMITED

### MAHAAN FOODS LIMITED REPORT ON CORPORATE GOVERNANCE

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

The objective of the Company 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 **four 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	Attend- -ance at last A.G.M.	No. of Directorship in other Companies	No. of membership in committees of the Board of other Companies
1.	Sh. Rajiv Goyal	Executive Director	Chairman & Managing Director	5	Yes	3	-
2.	Sh. H. C. Gandhi	Non-Executive / Independent Director	Director	5	Yes	2	1
3.	Brig. P. C. Goyal	Non-Executive / Independent Director	Director	5	Yes	2	-
4.	Shri. Suresh Garg (Appointed w.e.f. 05.09.07)	Non-Executive Director	Director	3	Yes	2	-
5.	Sh. Rajiv Anand (Appointed w.e.f. 31.01.07 & Resigned w.e.f. 09.06.07)	Non-Executive/ Independent Director	Director	1	-	-	-
6.	Sh. S. L. Goyal (Appointed w.e.f. 27.04.07 & Resigned w.e.f. 27.07.2007)	Non-Executive/ Independent Director	Director	1	-	-	-

There were five Board Meeting held during the year-ended 31.03.2008. These were on 27.04.07, 30.06.2007 (Adjourned to 05.09.2007), 31.07.2007 (Adjourned to 05.09.2007), 30.10.2007 & 24.01.2008.

#### 3. Audit Committee

The Committee reviews the financial performance, internal control systems, procedures of financial reporting, auditing and accounting matters including the recommendation for appointment of our independent auditor, compliance with legal and statutory requirements and integrity of the Company's financial statements. The Committee focused its attention on overseeing and monitoring financial systems and considers the un-audited quarterly, half-yearly and yearly financial results and then it is forwarded to Board for its approval.