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16TH ANNUAL REPORT
2002-2003

MAHAAN GROUP

MAHAAN FOODS LIMITED

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BOARD OF DIRECTORS

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

REGD. OFFICE & WORKS

Village Kunja
Rampur Road
Paonta Sahib
Distt : Sirmour
Himachal Pradesh (INDIA)
Phone : (01704) - 222313
Fax No.: (01704) - 222630

CORPORATE & HEAD OFFICE

78/3, Janpath
New Delhi - 110 001

AUDITORS

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

BANKERS

State Bank of Patiala

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of Mahaan Foods Limited will be held on Tuesday, the 30th September, 2003 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, 2003 and the report of the Directors and Auditors' thereon.
2. To appoint a Director in place of Smt. Deepa Goyal, who retires by rotation and being eligible, offer herself for re-appointment.
3. To appoint a Director in place of Sh. H.C. Gandhi, 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 modification/s, the following resolutions as

ORDINARY RESOLUTION

"RESOLVED THAT Brig. P.C. Goyal who was appointed as an Additional Director of the Company Under Section 260 of the Companies act, 1956 and holds office until the conclusion of this meeting and in respect of whom the Company has received a notice Under Section 257 of the Act ibid from a Member signifying his intention to propose his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

SPECIAL RESOLUTION

"RESOLVED THAT the Equity Shares of the Company be de-listed from The Delhi Stock Exchange Association Ltd., The Calcutta Stock Exchange Association Ltd., The Ludhiana Stock Exchange Association and The Jaipur Stock Exchange Ltd., in accordance with the relevant laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary for this purpose."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to seek voluntary delisting and to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in regard to delisting of the Equity Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit and for this purpose and to delegate the authority duly vested in it by virtue hereof to the Managing Director or any other person whom the Managing Director may consider suitable to do the various acts, deeds and things required to be done in this behalf."

By order of the Board
MAHAAN FOODS LIMITED

Place : New Delhi
Date : 30.06.2003

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 23.09.2003 to 30.09.2003 (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 :

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M/s Alankit Assignment Ltd.
205-208, Anarkali Complex
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. Deepa Goyal and Sh. H.C. Gandhi retire by rotation and being eligible offer themselves for re-appointment. Brig. P.C. Goel who was appointed as an additional Director is proposed to be appointed as a Director at the forhcoming Annual General Meeting. The information / details to be provided for the aforesaid Directors under Corporate Governance Code are as under :

   a. Smt. Deepa 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 30.06.2001.

      There are no other Directorships / Committee Memberships held by her.

   b. Sh. H.C. Gandhi is an Engineer by profession and retired Secretary. Technical Development, Govt. of India. He has a vast experience in the industry. He is also Chairman of the Audit Committee of the Company. His directorships and Committee Memberships of other Companies, as on date, are as follows.

COMPANY	*POSITION*	*COMMITTEE MEMBERSHIP*
Texamaco Limited	Director	-
Hindustan Paper Corporation Limited	Director	Audit Committee Chairman
Interstate Finance Limited	Director	Audit Committee Chiarman

   c. 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 Board of Directors had appointed Brig. P.C. Goyal as an Additional Director of the Company w.e.f. 31.07.2002. Under Section 260 of the Companies Act, he holds office till the date of ensuing Annual General Meeting. The Company has received a notice in writing alongwith requisite deposit from a Member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Brig. P.C. Goyal for the office of Director. Brig. P.C. Goyal is an Engineer and has retired after a long career with the armed forces. Keeping in view, his vast experience and knowledge, the Company will stand to benefit from his appointment as Director. It is recommended that Brig. P.C. Goyal be appointed as Director of the Company.

None of the Directors of the Company except Brig. P. C. Goyal is concerned or interested in the resolution.

ITEM NO. 6

Presently the Equity Shares of the Company are listed on the Stock Exchanges at Mumbai, Delhi, Kolkata, Ludhiana and Jaipur.

Consequent to the rapid changes in the capital market in relation to the manner of dealing in share Companies, the volume of trading in the Company's equity shares at The Delhi Stock Exchange Association Ltd., The Calcutta Stock Exchange Association Ltd., The Ludhiana Stock Exchange Association and The Jaipur Stock Exchange Ltd. is NIL which does not justify payment of considerable amounts by way of listing fees and other expenses which the Company is incurring. The Board of Directors of the Company have, therefore, decided to get the Equity Shares of the Company voluntarily delisted from the above mentioned four Stock Exchanges, in accordance with applicable laws, rules, regulations and guidelines.

Your approval for the above proposal is sought by way of a Special Resolution.

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

By order of the Board
MAHAAN FOODS LIMITED

Place : New Delhi
Date : 30.06.2003

RAJIV GOYAL
MANAGING DIRECTOR

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DIRECTOR'S REPORT

Your Directors have pleasure in presenting the 16th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2003 and Auditors' Report thereof.

		(Rs. / Lacs)
FINANCIAL RESULTS	**2002-2003**	**2001-2002**
Sales Turnover & Other Income	5495.96	6205.44
Operating Profit	121.99	125.73
Interest	91.39	85.09
Depreciation	24.55	23.91
Profit before tax	6.05	16.73
Provision for tax including for :		
- Current Year	2.60	2.80
- Earlier Years	1.55	2.17
- Deferred tax	(2.60)	0.13
Net Profit after tax	4.50	11.64
APPROPRIATIONS :		
Proposed Dividend	-	-
Transfer to General Reserve	4.50	11.64

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, 2003 on a going concern basis.

OPERATIONS

Sales turnover and Other Income for the period under review amounted to Rs. 5495 Lacs as against Rs. 6205 Lacs in the previous year. With sales deducting over by 11%, the net profit before tax has fallen from Rs. 16.73 Lacs to Rs. 6.05 Lacs. The profit margins continued to be squeezed due to competitive market conditions in the domestic Dairy Industry.

Your Directors are concerned about the low level of profitability in the last few years and effective steps are being taken to increase productivity, control costs and thereby improve profitability.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

1. ***Outlook for the Industry***

The Dairy Industry in India is undergoing diversification, expansion and consolidation. These structural changes are a consequence of de-licensing and economic liberalization. The role of private sector is increasing especially in those areas where there is a marketable surplus beyond the carrying capacity of the existing cooperative sector. Companies are upgrading technology to keep pace with increasing demand for dairy products.

MNC's and large Indian Companies are expanding capacities through acquisitions and setting up new milk processing plants. While the MNC's have the advantage of international brands, technological capability and rational distribution network, the Indian Companies have large milk procurement networks.

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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 1 lakh retailers spread over 15 states. Although because of competition, the growth of medium size dairy Companies continue to be difficult and margins remain under pressure, the advantage of being a Company having extensive product range, modern manufacturing facilities, a well knit marketing structure coupled with dedicated team of management and personnel should enable the Company to contain the negative impact and turn into a satisfactory performance.

3. ***Risk and concerns***

A large number of players in both the organized and unorganized sector enjoy price advantage due to tax concession or other unfair practices. The early implementation of VAT should have been removing 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 crowded price competition and unfair practices have had a dampening effect on Company's performance in the last few years. The financial performance / results do 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 31.03.2003 there were about 80 employees on its rolls.

DIRECTORS

Brig. P.C. Goyal was appointed as an Additional Director during the year and vacates his office at the forthcoming Annual General Meeting of the Company. The Company has received notice Under Section 257 of the Companies Act, 1956, notifying the intention to propose the appointment of Brig. P.C. Goyal to the office of the Director and the necessary resolution seeking your approval for the appointment is included in the notice convening the AGM.

Sh. H.C. Gandhi & Smt. Deepa Goyal - 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, Brig. P.C. Goyal & Smt. Shashi Rani Goyal.

AUDITORS

M/s Dawar Mathur & Goel, Chartered Accountants, New Delhi retire at the ensuing General Meeting and are 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 Deposits Rules, 1975 as modified from time to time.

PARTICULARS OF EMPLOYEES

During the year ended 31st March, 2003, 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 - 1 of this Report.

ACKNOWLEDGEMENTS

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. 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 of Directors

RAJIV GOYAL

MANAGING DIRECTOR

Place : New Delhi

Date : 30.06.2003

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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***
I. Electricity		
a. Purchased		
Total units (Lacs)	15.23	19.91
Total Amount (Rs. in Lacs)	39.91	58.16
Rate / Unit (Rs.)	2.62	2.92
b. Own Generation		
i. Through diesel generator		
Units (in Lacs)	2.07	0
Units per ltr. Of Diesel Oil	3.35	0
Cost / Unit (Rs.)	4.69	0
ii. Fuel used in Boiler		
Quantity (in Tonnes)	11240	14665
Total cost (Rs. in Lacs)	142.29	157.85
Average Rage (Rs./Tonnes)	1265.93	1076.37
II. Consumption per unit of production		
Products (Milk Products / Tonnes)	5960	6215
Electricity / Tonnes (KWH)	290	320
Fuel / Tonnes	1.89	2.36

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. 15 (E & F) of the Notes to the Accounts.

For and on behalf of the Board of Directors

RAJIV GOYAL
MANAGING DIRECTOR

Place : New Delhi
Date : 30.06.2003

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REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance Code

The objective of the Company's is to initially meet the statutory requirements of the code but later, go beyond it by instituting 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 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	No	3	2
3.	Brig. P.C. Goyal *	Non-Executive / Independent Director	Director	3	No	-	-
4.	Smt. Shashi Rani Goel	Non- Executive Director	Director	4	Yes	1	-
5.	Smt. Deepa Goyal	Non- Executive Director	Director	4	No.	-	-

* Appointed on 31.07.2002.

There were four Board Meeting held during the year ended 31.03.2003. These were on 30.06.2002 (adjourned to 06.07.2002), 31.07.2002, 31.10.2002 & 31.01.2003.

3. Audit Committee

The Board of Directors of the Company have constituted an Audit Committee in their meeting held on 31st July, 2002. Shri H. C. Gandhi, Brig. P.C. Goyal & Smt. Shashi Rani Goel all non executive directors were nominated by the Board to be the members of the Audit Committee. The Audit Committee in their meeting held on 31st October, 2002 elected Shri H.C. Gandhi as 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 and the meeting were attended by all the members of the Audit Committee.

4. Share Transfer Committee

The Company has a Share Transfer Committee comprising Smt. Shashi Rani Goel (who chairs the committee), Sh. Rajiv Goyal and Smt. Deepa Goyal. Total 13 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

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