

MAHARAN
FOODS
LIMITED

18TH
ANNUAL REPORT

ReportJunction.com 2004-2005

**MAHAAN FOODS LIMITED,****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) - 22313
Fax No.: (01704) - 22630

CORPORATE & HEAD OFFICE

78/3, Janpath
New Delhi - 110 001 (INDIA)
Phone : (011) 23353191-94
Fax No. : (011) 23718056

AUDITORS

M/s Dawar Mathur & Goel
Chartered Accountants
C-408, Defence Colony,
New Delhi

BANKERS

State Bank of Patiala

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MAHAAN FOODS LIMITED

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Mahaan Foods Limited will be held on Friday, the 30th September, 2005 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, 2005 and the report of the Directors and Auditors' thereon.
2. To appoint a Director in place of Sh. H.C. Gandhi, who retires by rotation and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Smt. Deepa Goyal, who retires by rotation and being eligible, offer herself 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 resolution as a Ordinary Resolution :-
"RESOLVED THAT pursuant to Section 198,269,309,310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of members of the Company be and is hereby accorded to the re-appointment of Sh. Rajiv Goyal as Managing Director of the Company for a period of Five years wef. 01.01.2006 on a remuneration as set out in the Explanatory Statement attached hereto".

By order of the Board
MAHAAN FOODS LIMITED

Place : New Delhi
Date : 30.07.2005

RAJIV GOYAL
MANAGING DIRECTOR

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 23.09.2005 to 30.09.2005 (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. Deepa Goyal and Sh. H. C. Gandhi 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. 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.
 - b. Sh. H.C. Gandhi is an Engineer and retired after a long career with Public Sector enterprises and Government of India. He is also Chairman of the Audit Committee of the Company. He is on the Board of :

Company	Position	Committee Membership
Texmaco Limited	Director	--
Interstate Finance Limited	Director	Chairman of Audit Committee



MAHAAN FOODS LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 SPECIAL BUSINESS ITEM NO. 5

Sh. Rajiv Goyal, Managing Director of the Company, who has been exclusively associated with the Company for a period of more than 17 years and has been contributing to the growth of the Company.

The Board has, in its meeting held on 30th July, 2005, re-appointed Sh. Rajiv Goyal as Managing Director of the Company for a period of Five years wef. 01.01.2006 on the following terms and conditions

- a. Salary : Rs.60,000/- per month (Rupees Sixty Thousand Only) with an increment on 1st January each year @ 15% of salary for the month immediately preceding.
- b. Commission : On net profits of the Company determined in accordance with relevant provisions of the Companies Act, 1956 at a rate to be determined by the Board of Directors from time to time.
- c. Perquisites : Within the overall limits as mentioned in Schedule XIII of the Companies Act, 1956, Sh. Rajiv Goyal, Managing Director shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, expenditure on gas, electricity, water and furnishings for the accommodation including maintenance and repairs thereof, reimbursement of medical benefits for self and family, leave travel allowance for the self and family, club fees, personal accident insurance etc. For the purpose of calculating the above, perquisites shall be evaluated as per Income Tax Rules, wherever applicable.
- d. The Salary and perquisites mentioned hereinabove shall be exclusive of the following and shall not be included in the computation of the ceiling on remuneration:
 - i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - ii. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- e. The Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.

The Company shall provide a car with driver and telephone facility at the residence of the Director, Provision of a car with driver for the use on Company's business and telephone facility at his residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director.

- f. MINIMUM REMUNERATION Notwithstanding anything hereinabove stated, where in any financial year, during the currency of tenure of Sh. Rajiv Goyal, Managing Director, the Company has no profits or its profits are inadequate, he may be paid remuneration by way of salary, allowance and perquisites upto Rs.72,000/- per month. He shall also be eligible to the other perquisites, which shall not be included in the computation of the said ceiling on remuneration of Rs. 72,000/- per month and within limits, prescribed under schedule XIII of the Companies Act, 1956, the same currently being those stated in Category 'd' above.

The said re-appointment is to be approved by the Shareholders in General Meeting and, accordingly, this ordinary resolution is being placed for approval of the members.

Sh. Rajiv Goyal, Managing Director, may be deemed to be concerned or interested in the resolution as recipient of the remuneration, Smt. Shashi Rani Goel and Smt. Deepa Goyal, Directors being relatives of Sh. Rajiv Goyal may also be deemed to be concerned or interested in the resolution.

By order of the Board
MAHAAN FOODS LIMITED

Place : New Delhi
Date : 30.07.2005

RAJIV GOYAL
MANAGING DIRECTOR



MAHAAN FOODS LIMITED

DIRECTOR'S REPORT

Your Directors have pleasure in presenting the 18th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005 and Auditors' Report thereof.

FINANCIAL RESULTS

	2004-2005 (Rs. / Lacs)	2003-2004 (Rs. / Lacs)
Sales Turnover & Other Income	7610.32	6529.85
Operating Profit	176.50	134.39
Interest	100.70	74.78
Depreciation	34.29	28.48
Profit before tax	41.51	31.13
Provision for tax including for :		
- Current year	3.30	3.15
- Earlier years	0.99	(1.62)
- Deferred tax	0.61	0.26
Net Profit after tax	37.83	29.34

Appropriations :

Proposed Dividend	-	-
Transfer to General Reserve	37.83	29.34

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, 2005 on a going concern basis.

OPERATIONS

During the year under review, sales and other income of the company increased by over 16% to Rs.7610 Lacs. Operating profit increased by over 31% to Rs.176.50 Lacs and profit after tax at Rs.37.83 Lacs registered a growth of 29%. The improvement in performance specially in the operating profit is mainly attributed to the additional contribution from the new facilities set up under the name of "Mahaan Nutrition" to manufacture Glucon-D on behalf of Heinz India Pvt. Ltd.. Simultaneously, the company continues to explore further opportunities in this area with the grant of excise exemption in Himachal Pradesh. Cost control measures will enable the company to improve its performance in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Outlook for the Industry

The Dairy Industry in India has shown remarkable development in the past decade and India is the largest producer of milk in the world with production growing at over 5% per annum as compared to the world average of around 2 - 3%. This is evident from the fact that India's share in milk production has increased from 10 % in 1990 to 15% in 2004. India also continues to be among the lowest cost milk / milk product manufacturer in the world. With the gradual reduction of subsidies in the European Union, Indian Dairy Companies are poised to increase their share in the world trade of dairy products.

2. Future Prospects

The Company enjoys a strong brand equity and has been able to develop an extensive marketing and distribution network for selling its FMCG products under the 'Mahaan' brand consisting of 800 distributors and 1lac retailers spread over 15 states.


MAHAAN FOODS LIMITED

The Company has already implemented a project for contract manufacturing of nutraceutical products and is looking for further opportunities in this area arising out of the excise exemption granted to units being set in Himachal Pradesh.

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 practices. The operating margins may be under pressure due to increase in raw material price and other input cost if the sales realization does not increase by a corresponding amount.

4. Internal control systems

Mahaan Foods Limited has a proper and adequate system of internal controls commensurate with its size to ensure that transactions are authorized, recorded and reported correctly. The Company has laid down policies, guidelines and procedures, which form part of its internal control system. The internal control system is designed to ensure that all financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

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 this segment during the last the last few years. The financial performance / results are not commensurate with the high quality standards of the Company's products. However with cost control measures and launch of new products will enable the company 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 the real strength and their contribution always remains the main engine for growth. Towards one of the organization's strategic intents to form the best team in the industry, initiatives were taken to become a performance driven organization. Current efforts also include building skills, attracting and retaining talent and nurturing and developing leadership potential.

Industrial relations continued to remain harmonious at all the manufacturing units during the year. The number of persons employed in the Company is 172 as on 31st March, 2005.

DIRECTORS

Smt. Deepa Goyal & Sh. H.C. Gandhi - 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. Goel.

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, 2005, 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 of Directors

Place : New Delhi

Date : 30.07.2005

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)	19.62	15.56
Total Amount (Rs. in Lacs)	59.68	41.84
Rate / Unit (Rs.)	3.04	2.69
b. Own Generation		
i. Own Generation		
Through diesel generator		
Units (in Lacs)	0.65	1.80
Units per ltr. Of Diesel Oil	3.52	3.49
Cost / Unit (Rs.)	6.25	5.85
ii. Fuel used in Boiler		
Quantity (in Tonnes)	3458.59	12616
Total cost (Rs. in Lacs)	164.61	146.60
Average Rate (Rs./Tonnes)	1223.09	1162.02
II. Consumption per unit of production		
Production (Milk Products / Tonnes)	6957	5499
Electricity / Tonnes (KWH)	291	316
Fuel / Tonnes	1.93	2.29
b. Others (Contract Manufacturing Activities) :		
I. Electricity		
a. Purchased		
Total units (Lacs)	1.26	0.46
Total Amount (Rs. in Lacs)	4.03	1.20
Rate / Unit (Rs.)	3.20	2.61
b. Own Generation		
Through diesel generator		
Units (in Lacs)	1.15	0.61
Units per ltr. Of Diesel Oil	3.52	3.49
Cost / Unit (Rs.)	6.25	5.85
II. Consumption per unit of production		
Products (Glucon-D / Tonnes)	4181	1802
Electricity / Tonnes (KWH)	58	59

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. 13 F&G of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 30.07.2005

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. 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. Goel	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	No	-	-

There were four Board Meeting held during the year ended 31.03.2005. These were on 30.06.2004 (Adjourned to 07.07.2004), 31.07.2004, 29.10.2004 and 28.01.2005.

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 07.07.2004, 29.10.2004 & 28.01.2005 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	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. 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 23 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) is compliance officer.



MAHAAN FOODS LIMITED

During the year ended March 31, 2005, Complaints were received from the shareholders. All complaints were replied / resolved to the satisfaction to the shareholders.

6. General Body Meetings

The last three AGMs were held on/at: :

Year	AGM	Location	Date	Time	No. of Special Resolutions
2001-2002	15th AGM	Village Kunja Rampur Road, Paonta Sahib, Distt : Sirmour Himachal Pradesh (INDIA)	30.09.2002	2.00 p.m.	NIL
2002-2003	16th AGM	- DO -	30.09.2003	2:00 p.m.	I
2003-2004	17th AGM	- DO -	30.09.2004	2:00 p.m.	I

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 are 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 form part of the Directors' Report.

9. Shareholder information

- Annual General Meeting :

Date	: 30th September, 2005
Time	: 2.00 p.m.
Venue	: Village Kunja, Rampur Road, Paonta Sahib, Distt.Sirmour(Himachal Pradesh)
- Financial Calendar :

Adoption of Quarterly / Half Yearly results	
June 30, 2005	Jul., 2005
September 30, 2005	Oct., 2005
December, 31, 2005	Jan., 2006
March 31, 2006 (Audited)	Jun., 2006
- Book Closure Date : 23rd Sep., 2005 to 30th Sep., 2005 (both days inclusive)
- Dividend Payment : The Directors have not recommended Dividend for the financial year ended 31st March, 2005
- 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 Calcutta Stock Exchange Association Ltd.

Annual Listing fee for the year 2004-2005 were paid to The Stock Exchange, Mumbai.

The Stock code of the Company at BSE is 519612.