

MAHAAN FOODS LIMITED

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20TH
ANNUAL REPORT
2006-2007



MAHAN FOODS LIMITED

BOARD OF DIRECTORS

Shri Rajiv Goyal	Managing Director
Shri H. C. Gandhi	Director
Brig. P. C. Goel	Director
Shri Suresh Garg	Director

REGD. OFFICE & WORKS

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

CORPORATE & HEAD OFFICE

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

AUDITORS

Dawar Mathur & Goel
Chartered Accountants
51, Front Block, 2nd Floor,
Rama Road,
Najafgarh Road, Industrial Area
Delhi-110 015

COMPANY SECRETARY

Mr. Anup Kumar Jain

BANKERS

State Bank of Patiala

CONTENTS	PAGE NO.
Notice.....	2
Directors' Report.....	8
Report on Corporate Governance.....	13
Auditors' Report.....	21
Balance Sheet.....	26
Profit & Loss Account.....	27
Cash Flow Statement.....	28
Schedules.....	29
Notes on Accounts.....	34
Balance Sheet Abstract.....	40



MAHAN FOODS LIMITED

NOTICE

Notice is hereby given that the **Twentieth Annual General Meeting** of the members of Mahaan Foods Limited will be held on Saturday, 29th September, 2007, at 2.00 P.M. at Registered Office: Rampur Road, Village Kunja, Paonta Sahib-173025, Himachal Pradesh, to transact the following business:-

ORDINARY BUSINESS:-

1. To consider and adopt the audited Balance Sheet of the Company as on 31st day of March, 2007 and the Profit & Loss Account for the Financial Year ended as on that date together with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri H. C Gandhi 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.

SPECIAL BUSINESS:-

4. To consider and, if thought fit, to pass with or without modification (s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956 and Article of Association of the Company and other applicable provisions, if any, of the Companies Act, 1956, Shri Suresh Garg, who was appointed as additional director of the Company w. e. f. September 05, 2007 and whose term of the office is liable to cease in the ensuing annual general meeting of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider, and If through fit, to pass the following resolution as a Special Resolution.

"RESOLVED THAT in partial modification of the Resolution passed at the Eighteenth Annual General Meeting of the Company held on September 30, 2005 and in accordance with the provisions of Sections 198, 309, 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and rules and regulations made there under (including any statutory modification or re-enactment thereof for the time being in force) the consent of the members, be and is hereby accorded for the revision in the remuneration payable to Mr. Rajiv Goyal, Managing Director of the Company on the terms and conditions and payment of remuneration, as set out in the explanatory statement annexed herein below.

RESOLVED FURTHER THAT in the event(s) of any statutory amendment(s), modification(s) in Schedule XIII or terms or conditions which may be stipulated by the Central Government while granting its approval, the Board of Directors and Committee thereof for the time being exercising the powers conferred on the Board by this resolution, be and is hereby authorized to vary and/ increase, the terms & conditions of aforesaid re-appointment and/or remuneration including salary, commission, perquisites, allowance, benefits and amenities etc., within such prescribed limits or ceiling and terms and conditions of aforesaid re-appointment be suitably amended to give effect to such amendment(s), modification(s) in Schedule XIII or in remuneration or in terms or conditions as the Central Government may stipulate while granting its approval without any further reference to the members in general meeting.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any year during the tenure of his office, the remuneration including salary, commission, perquisites, allowance, benefits and amenities etc as set out in explanatory statement annexed herein below shall nevertheless be paid and allowed to Mr. Rajiv Goyal, Managing Director as minimum remuneration but the same shall not in any case exceed the ceiling limit and maximum period laid down in this behalf in Schedule XIII of the Companies Act, 1956"

By Order of the Board of Directors
For Mahaan Foods Limited

Place: New Delhi
Date: September 05, 2007

Anup Kumar Jain
Company Secretary



MAHAN FOODS LIMITED

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 2007 to 29th Day of September, 2007 (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@lankit.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.
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 H. C Gandhi 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 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



MAHAN FOODS LIMITED

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.4:

Shri Suresh Garg was appointed as an Additional Director with effect from September 05, 2007 and holds office upto the date of this Annual General Meeting. Pursuant to section 257 of the Companies Act, 1956 the Company has received notice in writing from a member along with a deposit of Rs.500 proposing the Candidature of Shri Suresh Garg for the office of Director.

Your Directors, therefore, recommend this resolution as set out in notice of the Company for your approval.

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

Item No.5:

The Board of directors in their meeting held on July 30, 2005 had approved re-appointment of Mr. Rajiv Goyal as Managing Director for a further period of five years w. e. f. January 01, 2006 to December 31, 2010, which was also approved by the Shareholders in their Eighteenth Annual General Meeting, held on September 30, 2005. All the terms and condition of re appointment are unchanged except increase in remuneration as per the provision of the Section 310 read with Schedule XIII of the Companies Act, 1956, as set out here under. The approval of the Shareholder of the Company is required to be sought for the revision in the terms of the remuneration payable to Mr. Rajiv Goyal, Managing Director of the Company.

Additional Information required to be given as per Schedule XIII of the Companies Act, 1956

I. General Information:

- Nature of industry: Dairy Products, Starch Powder and Contract Manufacturing.
- Date of commencement of commercial production: November 01, 1989
- Financial performance:

(Rs. In lacs)

Particulars	Year Ended 31.03.2007	Year Ended 31.03.2006
Net Sales/ Income from Operations	6794	5702
Other Income	8	6
Total Income	6802	5708
Earning Before Depreciation, Interest & Tax	241	200
Profit / (Loss) before Taxation	74	59
Provision for Taxation	18	8
Profit / (Loss) after Taxation	56	51

- Foreign investment and Collaborators: Presently there is no foreign collaboration.

II. Information about the appointee:

a) Back Ground & Remuneration Proposed:

Shri Rajiv Goyal, aged 42 years, is a Commerce Graduate from Shri Ram College of Commerce, Delhi University and MBA with specialization in Marketing and Finance from the University of San Francisco, USA. After his MBA, Shri Rajiv Goyal joined family business as Promoter of 'MAHAAN FOODS LIMITED' and is presently the Managing Director of the Company. He has been actively involved with the setting up of the aforesaid Unit, as well as in



MAHAN FOODS LIMITED

operational phase - planning, coordinating and monitoring the operations of the Company. Shri Rajiv Goyal has adequate experience in the Dairy Industry.

The Board of Directors in its meeting held on September 05, 2007 has approved following remuneration package. The same is proposed for the approval of the members of the Company:

1. Salary: Rs. 60,000/- to RS 250,000/- per month with the authority to the board to fix the remuneration within the limit and taking into account the Company's performance. Salary proposed for payment with effect from October 01, 2007 is Rs.150,000/- per month.
2. Personal Performance Allowance: To be paid at the discretion of the Board annually based on performance criteria.
3. Perquisites: Following Perquisites shall be allowed in addition to the salary.
 - Housing: The Company shall provide free of cost, suitable furnished/ unfurnished residential accommodation with all facilities & amenities to Mr. Rajiv Goyal and his family. In case Mr. Rajiv Goyal does not opt for company provided accommodation at any time he shall be paid house rent allowance of a sum not exceeding 60% of his salary.
 - Gas, Electricity, Water & Furnishings: The expenditure incurred by the Company on gas, electricity, water, and furnishings shall be valued as per Income Tax Act, 1962.
 - Medical Reimbursement: Reimbursement of actual expenses incurred by Mr. Rajiv Goyal and his family.
 - Leave Travel Concession: Leave Travel Concession incurred for self and family once in a year in accordance with rules of the Company.
 - Club Fees: Fees of clubs subject to a maximum of two Clubs. No admission or life membership fee shall be paid.
 - Personal Accident Insurance: Personal Accident Insurance, the premium whereof shall not exceed Rs. 10,000 per annum.
 - Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on the perquisites to the extent all these, either singly or put together, are not taxable under the Income Tax Act, 1962.
 - Gratuity payable shall not exceed half a month salary for each completed year of services.
 - Earned Leave: Leave on full pay and allowances as per the rules of the Company.
 - Car & Telephone: Provision of car for use on Company's business and telephone, telefax, internet and other communication facilities at residence will not be considered as perquisites. Personal long distance telephone calls and use of car for private purpose shall be billed by the Company.
4. For the purpose of perquisites stated herein above, "Family" means spouse, dependent children and parents of Mr. Rajiv Goyal.
5. Mr. Rajiv Goyal shall be entitled to reimbursement of all actual expenses or charges including travel entertainment or other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects.
6. In the event of loss or inadequacy of profits in any year during the tenure of his office, Mr. Rajiv Goyal shall be entitled to the remuneration by way of salary, perquisites & benefits as minimum remuneration, as per Schedule XIII of the Companies Act, 1956.



MAHAN FOODS LIMITED

b) Suitability & Comparative remuneration profile:

Mr. Rajiv Goyal is a promoter director of the Company. He is associated with the Company for more than 17 years, before reappointing Mr. Rajiv Goyal has successfully completed five years tenure in the Company as Managing Director. His vast experience and deep knowledge of the dairy industry makes him suitable for the post.

Looking at the size of the company and the position and experience of Mr. Rajiv Goyal the comparative remuneration proposed to be paid is commensurate with the remuneration packages paid to the similar senior level appointees in other companies.

c) Past Remuneration:

The Board has, in its meeting held on July 30, 2005, re-appointed Shri Rajiv Goyal as Managing Director of the Company for a period of Five years w e f. January 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 traveling 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.



MAHAN FOODS LIMITED

Other Information:

a) Reasons of Loss or inadequacy of profits and Steps taken or proposed to be taken for improvement:

The Company is in the business of dairy products which has become very competitive due to increase in raw material prices caused by surging demand for dairy products in the international market. This has put a pressure on the operating margins. The Company has also diversified into the manufacture of starch powder in the last financial year and it being the first year the business will take time to stabilize.

The Company is taking measures for increase in operational efficiencies through a better product-mix and cost cutting measures. The new activities commenced by the Company will also contribute to the margin of the Company and the profitability is expected to improve in the coming years.

b) The particulars set out in the resolution(s) referred above together with the explanatory statement may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board recommends the resolution for the approval by members.

Mr. Rajiv Goyal, Managing Director of the Company be considered as interested in the proposed resolution.

By Order of the Board of Directors
For Mahaan Foods Limited

Place: New Delhi

Date: September 05, 2007

Anup Kumar Jain
Company Secretary

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**MAHAN FOODS LIMITED****MAHAAN FOODS LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 20th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2007 and Auditors' Report thereof.

Financial Results	2006-07 (Rs. in Lacs)	2005-06 (Rs. in Lacs)
Sales Turnover & Other Income	6802.39	5707.70
Operating Profit	240.26	200.34
Interest	127.85	106.17
Depreciation	39.35	34.76
Profit before tax	73.06	59.42
Provision for tax including for :-		
- Current year	9.45	4.60
- Earlier years	0.40	-
- Deferred tax	4.46	(1.50)
- Fringe Benefit Tax	3.55	5.25
Net Profit after tax	55.20	51.07
Appropriations:		
Proposed Dividend	-	-
Transfer to General Reserve	55.20	51.07

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 2007 on a going concern basis.

OPERATIONS

During the year under review, Sales and other Income of the Company at Rs. 6802.39 Lacs are higher by 19% as compared with Rs. 5707.70 Lacs in the previous year. The Operating Profits of the Company show upward trend registering an increase over 20% to Rs. 240.26 Lacs and Profit after Tax at Rs. 55.20 Lacs, registered a



MAHAN FOODS LIMITED

growth of approximately 8%. 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 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 % 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 milch 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

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