

# OVOBEL FOODS LIMITED

10<sup>TH</sup>

## ANNUAL REPORT

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2001 -2002

For OVOBEL FOODS LIMITED

*A. A. Aggarwal*

Managing Director

## OVOBEL FOODS LIMITED

### Board of Directors

Sri.Vishan Swarup Aggarwal

Sri.Philip Van Bosstratten

Sri.Shanti Swarup Aggarwal, *Managing Director*

Dr.T.S.Sathyanaryana Rao - *Nominee - KSSIDC*

### Auditors

AAGJ & Co.

Chartered Accountants

Bangalore.

### Bankers

Vijaya Bank

Mayo Hall Branch,

M.G.Road,Bangalore-560 001.

### Registered Office

# 984,12<sup>th</sup> Main, I Cross,

H.A.L. II Stage, Indiranagar,

Bangalore-560 008

### Factory

Plot No.30, KIADB Industrial Area,

Malur,Kolar District,

Karnataka

## NOTICE

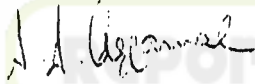
Notice is hereby given that the Tenth Annual General Meeting of the members of the Company will be held on Monday on 30<sup>th</sup> September, 2002 at the Registered Office of the Company at No.984, 1st Cross, 12 Main, HAL II Stage, Bangalore 560 008 at 4.00 p.m. to transact the following items of business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2002 and the Profit and Loss Account of the company for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To appoint Mr. Philip Van Bosstraeten, Director who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

By Order of the Board of Directors

FOR OVOBEL FOODS LIMITED



SHANTI SWARUP AGGARWAL  
MANAGING DIRECTOR

Date: 7<sup>th</sup> August, 2002  
Place: Bangalore

Registered Office:  
No 984, 12<sup>th</sup> Main, 1<sup>st</sup> Cross,  
Hal 2<sup>nd</sup> Stage, Indiranagar,  
Bangalore 560 008

## DIRECTOR'S REPORT

Your Directors present the Tenth Annual Report on the working results of the company for the year ended 31<sup>st</sup> March 2002

### FINANCIAL RESULTS

Particulars	2001-02 Rs in lakhs	2000-01 Rs in lakhs
Gross Income	2082.09	1348.39
Total Expenses	1950.43	1540.84
Profit before interest & Depreciation	131.66	(192.45)
Interest	187.20	193.49
Depreciation	84.03	83.78
Profit/Loss	(139.57)	(467.72)

### PERFORMANCE & FUTURE PROSPECTS

When the company commenced operations in 1996, the major market was seen to be EU and to a smaller extent Japan. The initial sales were directed to these markets with assistance and introductions provided by our collaborator Ovobel N.V of Belgium. However during FY 1997-98 the International market for Egg Products crashed because of over supply from Europe & US. Also at the same time your company along with other Indian Egg Processors were badly hit by the pesticide residue controversy. The Company's sales to Europe and Japan were seriously affected.

The above situation forced the company to explore new markets. Intensive efforts were carried out from 1998-99 to date for developing markets in the non-EU countries and in East Asia. New customers for the Company's products were developed in Poland, Korea, Philippines, Thailand, Indonesia and Saudi Arabia. In the last 3 years the sales to East Asia and South East Asia have increased from 57% to 72% of the total sales. Major benefits because of this shift are higher price realizations and lower expenses on freight.

During this period a big break through has been to develop a strong business channel in Japan which is the largest buyer of egg powders in the world. Indonesian and Philippines markets have been developed by appointing agents and distributors and frequent visits to the end users. In the current year there are plans to appoint such agents for Thailand and Taiwan.

During this year, sales to EU countries are also expected to increase because of sharp increase of egg powder selling prices in the US and Europe. The company has developed a strong business channel with a reputed trading company in Germany so that opportunities can be seized at the right time.

The International market has also undergone a change in terms of product mix. From 1998-2001 there was a strong demand for Egg white powder and price was high. However from beginning of 2002 there has been a drop in demand and price for this product. On the other hand Egg yolk powder demand has increased and so also its price. Considering the difficult situation of balancing orders for egg yolk powder/egg white powder your company has planned to increase sales of whole egg powder. The Company has been successful in getting substantial contracts for whole egg powder from Indonesia and Japan.

The Indian egg processing industry is poised for a rapid growth during the next 3-5 years.

The favourable factors for Indian Egg processing industry in general are as below:

- Opening up of EU markets because of reduced import duties under WTO and removal of import under quota system.
- Indian egg powder will be more competitive in non EU markets because export subsidies to EU processors will have to be reduced under WTO.
- Egg price in EU is bound to rise after full implementation of larger cages legislation under pressure from animal welfare activists. This will push up the price of EU egg powder and Indian egg powders will become more competitive
- Indian egg powders will be more competitive because of weakening of the INR against USD and other currencies. From 1996 the INR has dropped in value from Rs.35 to a \$ compared to Rs.49 currently this is a drop of 40% in 6 years.
- The Japanese buyers have increased their purchases from Indian egg processors in the last 2 years, but their overall imports have not grown. This indicates a specific preference of the Japanese for Indian egg powders over their earlier sources of supply in US and EU. This has happened because the Japanese would like to go away from synthetic and GM ingredients.
- India is the only source of high quality and low cost egg powders in Asia. Other South-East Asian countries like Indonesia, Malaysia, Thailand, Philippines etc., are countries with high per capita consumption of eggs. Also the cost of eggs in all these countries is much higher compared to India. Therefore there is a big potential market in India's proximity which can be tapped to advantage by converting the users of fresh eggs into egg products.
- The Government of India in the recent EXIM Policy for 2002-2007 has announced an assistance for export of poultry products towards the transport costs. The Ocean freight is about 4% of the total sales and even if ¼ of this is given as assistance, the gain to the Indian egg processors will be about 1% to the bottom line.

The Management is confident of a wonderful performance in the forthcoming year.

## REFERENCE TO BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTIONS

The shareholders of the Company at their ninth Annual General Meeting had approved declare to the Company as a Sick Industrial Company within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly the matter has been referred to the Board of Industrial and Financial Reconstruction (BIFR), and the matter is pending with the Board for their consideration

## DIVIDEND

The Board is not recommending any Dividend for the year under review.

## DEPOSITS

In terms of the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits Rules) 1975, the company has not accepted any fixed deposits during the year under review.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company Mr. Philip Van Bosstraeten, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. During the year M/s Kamataka State Industrial Investment & Development Corporation (KSIIDC) withdrew its nominee Director Mr. Amarnath from the Board of the Company.

Mr. Philip Van Bosstraeten, Director has been associated with the Company since 1995 and has wide experience in the egg powder industry, sales and marketing. Hence his presence in the Board will benefit the Company.

## DIRECTORS RESPONSIBILITY STATEMENT:

As per the provisions of Section 217(2AA) of the Companies Act 1956, the Directors hereby submit that

1. The Company has followed all the applicable Accounting standards and there is no material departure from this in the preparation of the annual accounts.
2. The Company had selected the normal accounting policies and applied them consistently and made judgment and estimates that are responsible and prudent so as to give a true and fair view of the affairs of the Company at the end of the financial year and the profit and loss account of the Company for that period.
3. Proper and sufficient care has been taken by the Company for maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for detecting frauds and irregularities.

4. The accounts of the Company are prepared on a 'going concern' concept basis.

## **AUDITORS**

M/s AAGJ & Co, Chartered Accountants, Auditors of the Company hold office as Auditors until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment and have expressed their willingness to continue as auditors if re-appointed.

## **AUDIT COMMITTEE:**

The Board of Directors has constituted an Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 read with clause 49 of the listing Agreement consisting of Mr. T.S.Sathyanarayana Rao, Mr. Philip Van Bosstraeten and Mr. Vishan Swarup Aggarwal, Directors of the Company, under the Chairmanship of Mr. Vishan Swarup Aggarwal.

## **LISTING AGREEMENT REQUIREMENTS**

The Company's shares are listed on Bangalore Stock Exchange Ltd, The Calcutta Stock Exchange Association Ltd., and The Stock Exchange of Mumbai.

## **CORPORATE GOVERNANCE:**

The schedule of implementation of "Corporate Governance" announced by Securities and Exchange Board of India (SEBI) is applicable to the Company from the financial year 2001-02. Your Company is committed to good corporate governance and in this connection, steps has already been taken to implement and to comply with the recommendations of the code of Corporate Governance. The report on compliances of the code is Annexed herewith. Auditors report on the same is also annexed herewith.

## **PERSONNEL**

Information as per Section 217 (2A) of the Companies Act read with the Companies (particulars of employees) Rules, 1975 none of the employees of the Company drawing remuneration in excess of limits specified is enclosed as Annexure A to this report.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information as required under Section 217(1)(c) of the Companies Act, 1956 is enclosed as Annexure B to this report.

## **ACKNOWLEDGEMENTS**

The Board of Directors take this opportunity to express their appreciation to the employees at all levels in the Company for their dedicated service.

Your Directors also thank the Bankers, KSSIDC and the customers for their unstinted support to the Company.

By Order of the Board  
For OVOBEL FOODS LTD



**SHANTI SWARUP AGGARWAL**  
**MANAGING DIRECTOR**

Place: Bangalore  
Date: 7<sup>th</sup> August 2002

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**Annexure 'A' to Directors' Report****CORPORATE GOVERNANCE REPORT**

This Report on Corporate Governance forms part of the Directors' Report. This section besides being in compliance of the mandatory listing agreement requirement gives an insight into the process of functioning of the Company.

**1. BOARD OF DIRECTORS****a) Composition**

The Board of the Company consists of eminent persons with considerable professional experience and expertise in the field in which the Company operates and in related industries.

Presently, Board comprises of 4 (Four) Directors and it meets the stipulated requirements.

**b) Board Meetings 2001-02**

Sl. No.	Quarter	Dates
1.	April - June	30 <sup>th</sup> April 2001
2.	July - September	18 <sup>th</sup> June 2001
		26 <sup>th</sup> June 2001
		30 <sup>th</sup> July 2001
		13 <sup>th</sup> September 2001
3.	October - December	31 <sup>st</sup> October 2001
4.	January - March	18 <sup>th</sup> January 2002

**2. BOARD COMMITTEES :****a) Audit Committee**

The Board of Directors had constituted an Audit Committee in terms of the provisions of Section 292A of the Companies Act, 1956, The composition, powers and functions of the Audit Committee is in line with the provision of section 292A & the Listing Agreement.

The Company has constituted the Audit Committee with Mr. Philip Van Bosstraeten, Mr. T.S. Satyanarayana Rao and Mr. Vishan Swarup Aggarwal, Members of the Committee under the Chairmanship of Mr. Vishan Swarup Aggarwal. The Audit committee met three times during the financial year 2001-02.

**Main Terms of reference of the committee are:**

- Discussion with statutory Auditors & internal auditors of the Company about:
  - Internal Control System
  - Scope of Audit
  - Observation of the auditors
- Reviewing half yearly and annual financial statements before submitting to Board.
- Ensure Compliance of internal control system
- Investigate any activity within its terms of reference
- Seek information from any employee
- Obtain outside legal or other professional advise
- Laying systems for accounting and audit
- Advising Internal Auditors on the scope of their audit and review of their report.
- Reviewing any significant audit issues that may arise during the course of internal and statutory audit of the Company.

**b) Share Transfer and investor Grievance Committee**

Main function of the Share Transfer and investor Grievance Committee is to supervise and ensure efficient transfer of shares and proper and timely attendance of investors' complaints.

The Committee comprises of 2 (Two) Directors of the Company viz. Mr. Vishan Swarup Aggarwal and Mr. Shanti Swarup Aggarwal Directors of the Company. Committee meets generally twice in a month to review and monitoring the share transfer, transmission, issue of duplicate share certificate, redressing of shareholder and investors complaints like transfer of shares, etc.

**3. DISCLOSURES**

There were no material significant transactions with the directors or the management, their subsidiaries or relatives that have any potential conflict with interest of the Company at large.

There were no case of non-compliance by the Company, nor any cases of penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

**4. MEANS OF COMMUNICATION:**

The Company has always promptly reported all material information including quarterly financial results, press releases issued by the Company, etc. to all Stock Exchanges where the securities of the Company are listed. The quarterly results and other information were