

**OVOBEL
FOODS LIMITED**

13TH

ANNUAL REPORT

2004-2005

Report Junction.com

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the members of the Company will be held on Saturday, the 26th November 2005, at 3.30 P.M at the Registered Office of the Company at No.984, 1st Cross, 12 Main, HAL II Stage, Indiranagar, Bangalore 560 008 to transact the following items of business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2005 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To appoint Mr. Vishan Swarup Aggarwal, 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**

A. A. Aggarwal

**SHANTI SWARUP AGGARWAL
MANAGING DIRECTOR**

Date : 22nd October 2005
Place: Bangalore

Registered Office:

No.984, 1st Cross, 12 Main,
HAL II Stage, Indiranagar,
Bangalore 560 008.

For OVOBEL FOODS LIMITED

A. A. Aggarwal
Managing Director

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NOTES:-

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.
- 2) The Register of Members and Transfer books of the Company will remain closed from 22nd November 2005 to 26th November 2005 (both days inclusive).
- 3) Shareholders are requested to lodge the Share Transfer Deeds duly executed and intimate change of addresses, if any, to its Registrars M/s Alpha Systems Private Limited at No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003.

**BY ORDER OF THE BOARD OF DIRECTORS
FOR OVOBEL FOODS LIMITED**

A.A. Aggarwal

**SHANTI SWARUP AGGARWAL
MANAGING DIRECTOR**

Date : 22nd October 2005

Registered Office:
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Bangalore 560 008.

For OVOBEL FOODS LIMITED

A.A. Aggarwal

Managing Director



OVOBEL FOODS LIMITED

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E-mail ovobelfoods@vsnl.com URL : <http://www.ovobelfoods.com>



DIRECTORS' REPORT

Your Directors place the Thirteenth Annual Report on the working of your Company for the financial year ended 31st March 2005.

PERFORMANCE HIGHLIGHTS

Particulars	Current Year Rs. In '000	Previous Year Rs. '000
Total Revenues	2,85,661.50	2,23,828.00
Total Expenditure	2,70,013.00	2,08,304.00
Operating Profit (PBIDT)	15,648.50	15,524.00
Financial Charges	12,297.00	13,952.00
Depreciation	8,494.58	8,473.00
Net Profit after Tax	(5,143.08)	(6,901)

BUSINESS REVIEW & FUTURE PROSPECTS

The Export turnover of the company for the year ended 31.03.2005 is increased to Rs.27.54 crores thereby registering a growth of 24%. In the forthcoming year your company is likely to consolidate this position. It is expected that during 2006 the international market will be firm for egg products in view of shortages in the US and EU.

REFERENCE TO BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The shareholders of the Company at their ninth Annual General Meeting had approved to declare 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). The Company has been declared as a Sick Industrial Company within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 by the Board of Industrial and Financial Reconstruction (BIFR) on 29th October 2003. the revised proposal of OA has been submitted and the matter is under the consideration of the BIFR.

The One time settlement with ICICI Bank Ltd has been completed as per the agreed terms.



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DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry structure and developments.

The Company operates in the domain of egg powder and frozen egg manufacture and exports.

At present there are only 3 companies active in this domain in India. Your company has the largest customer base and product range.

Your Company has built a reputation over the years amongst its customers for quality products

b. Opportunities and Threats.

- Not many companies in the country manufacturing these products
- Entry of new businesses into the country due to liberalization and lesser cost.
- Egg powder producing companies forming cartels overseas and beating the prices down.

The Company can utilize its skills in the industry due to its domain expertise and past experience in this segment.

c. Segment-wise or product-wise performance.

The Company operates only in one pre dominant segment ie manufacture of egg powder and frozen egg.

d. Outlook

Despite working capital shortage and financial crunch, your Directors have endeavored and prioritised vigorous improvement in productivity of its machines and employees and have been successful in keeping its clients happy on the product quality front.

The Company is also negotiating with the secured lenders for relief and concessions.

The Management looks to the future with optimism.



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e. Risks and concerns.

- Increase in per capita egg consumption in India is likely to take up the price of raw material
- Shortage of funds for the Company is a cause of concern for the short term.
- The spread of Avian Influenza is a major risk factor that is likely to affect raw material availability and restrictions for import of egg products to destination countries.
- Rising manpower costs is a major concern the industry is facing

The Company has created a niche by offering customized products at competitive prices. In addition to the rehabilitation scheme being worked out, this strength would be able to counter any situation arising out of the risks stated hereinabove.

f. Internal control systems and their adequacy.

The Company's internal control systems are in place and the management is of the opinion that they are adequate keeping in view the current level of operations of the Company.

g. Discussion on financial performance with respect to operational performance.

The Company's profitability has been under pressure in the financial year under review. The Company is looking at ways and means to increase its bottom line.

h. Material developments in Human Resources / Industrial Relations front, including number of people employed.

The Company has professionals working on production and sales. The employees have been recruited keeping in view the current level of operations and the liquidity problems being faced by the Company. There are no problems between the employees and management.

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 deposit during the year under review.



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PERSONNEL

None of the employees of the Company were drawing remuneration in excess of the limits specified in Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employee Rules), 1975.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Vishan Swarup Aggarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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 & AUDIT REPORT

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 re-appointment and have expressed their willingness to continue as auditors, if re-appointment.

In response to the qualifications of the Auditors in their report, your directors wish to state as follows:



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The Company has incurred huge losses and it had applied to the BIFR for rehabilitation on 28th June 2001. The Company had asked for waiver of penal interest and liquidated damages being levied for non-payment. BIFR, in its order dated 29th October 2003, had asked the company to submit a revised proposal for repayment of loan to the operating agency. The revised proposal submitted by the company is still under consideration. Therefore the company has followed previous year's policy in providing interest on loans.

The Company manufactures egg powder, which has tremendous potential in the overseas market. The Company has incurred huge losses due to market conditions and strong MNC brands in the International markets. Despite these odds the Company has been doing exceptionally well in terms of the turnover. The Company required funds to meet its various fixed expenses including payment of salaries to employees etc. In view of inadequacy of lenders who would lend money to a BIFR Company, the Company had no recourse to any other borrowings in the market.

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. Satyanarayana 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 report on compliances of the corporate governance code is Annexed herewith as Annexure A. Auditors report on the same is also annexed herewith.

PERSONNEL

None of the employees of the Company are drawing remuneration in excess of limits specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.



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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: 22nd October 2005

For OVOBEL FOODS LIMITED

Managing Director

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

(As required by Clause 49 of the Listing Agreement with the stock Exchange)

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 8 (Eight) Directors and it meets the stipulated requirements.

b) Board Meetings 2004-05

No.	Quarter		Date
1	April – June	30 th April 2004	
2	July – September	31 st July 2004	
		12 th August 2004	
		13 th September 2004	
		30 th September 2004	
3	October – December	6 th October 2004	
		30 th October 2004	
4	January – March	31 st January 2005	

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 are in line with the provision of section 292A & the Listing Agreement.