



SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Regd. Office : 180, Gandhiji Road, Erode - 638 001.

SIXTH ANNUAL REPORT 2000 - 2001

EXCELLENCE - OUR GOAL
SERVICE - OUR MOTTO
QUALITY - OUR OBSESSION

Transforming the Egg into a symbol of Indian Excellence abroad

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

180, Gandhiji Road, Erode - 638 001

BOARD OF DIRECTORS	:	Shri. SKM. MAELANANDHAN Chairman and Managing Director
	:	Shri. S.K.M. SHREE SHIVKUMAR Executive Director
	:	Dr. M. CHANDRASEKAR
	:	Shri. P. SHANMUGASUNDARAM (TIDCO Nominee)
	:	Smt. SARADA N. MENON (IFCI Nominee)
	:	Shri. S.M. VENKATACHALAPATHY
	:	Dr. L.M. RAMAKRISHNAN
	:	Shri. M. CHINNAYAN
	:	Shri. P. KUMARASAMY
COMPANY SECRETARY	:	Shri. G.N. VARADARAJAN B.Com., F.C.S.,
MANAGEMENT EXECUTIVES		
GENERAL MANAGER - FINANCE	:	Shri. R. MURALIDHARAN B.Com., F.C.A.,
GENERAL MANAGER - OPERATIONS	:	Shri. S. HARIHARAN B.Sc., B.Tech., (Food Tech.,)
AUDITORS	:	N.C. RAJAGOPAL & CO., Chartered Accountants, 199, Agraharam Street, ERODE - 638 001.
BANKERS	:	STATE BANK OF INDIA Commercial Branch, ERODE - 638 003.
REGISTERED OFFICE	:	180, Gandhiji Road, Erode - 638 001. ERODE DISTRICT.
FACTORY	:	Erode to Karur Main Road, Solangapalayam, Punjai Kilambadi Village, ERODE DISTRICT - 638 154.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**

180, Gandhiji Road, Erode - 638 001

NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held on Thursday, the 27th September 2001 at 4.00 p.m. at Kongu Kalaiaragam, E.V.K.Sampath Nagar, Erode - 638 011 to transact the following business :

ORDINARY BUSINESS :**1. Consideration of Accounts :**

To consider and pass the following resolution as an ordinary resolution :

"RESOLVED that the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended 31st March, 2001, together with the Reports of Directors and Auditors thereon be and are hereby approved".

2. Appointment of Director in the place of a retiring Director :

To consider and pass the following resolution as an ordinary resolution :

"RESOLVED that Dr. M. Chandrasekar, a director retiring at this meeting be and is hereby appointed as a Director of the Company".

3. Appointment of Director in the place of a retiring Director :

To consider and pass the following resolution as an ordinary resolution :

"RESOLVED that Shri. S.M. Venkatachalapathy, a director retiring at this meeting be and is hereby appointed as a Director of the Company".

4. Appointment of Auditors and fixing of their remuneration :

To consider and pass the following resolution as a special resolution :

"RESOLVED that M/s. N.C. Rajagopal & Co., Erode, the retiring auditors be and are hereby appointed as auditors for the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration to be fixed by the Board of Directors of the Company, plus reimbursement of out-of-pocket expenses".

SPECIAL BUSINESS :**5. To consider and if thought fit to pass the following resolution with or without modification as an ordinary resolution:**

"RESOLVED that pursuant to the provisions of Sections 198,309,310,311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, as amended from time to time, the

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

reappointment of Shri. SKM. Maeilanandhan as Managing Director of the Company for a Period of five years from 26th June 2001 to 25th June 2006 be and is hereby approved on the following terms and conditions.

1. Salary : Rs. 45,000/- per month in the scale of Rs.45,000-5,000-65,000/-.
2. House Rent Allowance: 50% of the salary
3. Other perquisites :
 - (a) The expenditure incurred by the Managing Director on gas, electricity, water and furnishings shall be reimbursed by the Company, subject to a maximum of 10% of the Salary.
 - (b) All medical expenses, incurred by the Managing Director for self and his family shall be reimbursed.
 - (c) Leave Travel Concession for the Managing Director and his family will be allowed as per the rules of the Company.
 - (d) Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fees.
 - (e) Personal Accident Insurance, the premium of which shall not exceed Rs.10,000/- per annum.
 - (f) Contribution to Provident Fund, Superannuation Fund as per the rules of the Company.
 - (g) Gratuity as per the provisions of the payment of Gratuity Act or as per the Gratuity Scheme of the Company whichever is higher.
 - (h) Provision of car with driver for use in Company's business and telephone at the residence.
 - (i) Leave unavailed will be allowed to be encashed as per the rules of the Company.

Minimum Remuneration :

The above appointee shall be paid the same remuneration as stated above as minimum remuneration, in the event of absence or inadequacy of profit subject to the ceiling on minimum remuneration as stated in Section II, Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time.

6. To consider and if though fit to pass the following resolution with or without modification as an ordinary resolution:

"RESOLVED that pursuant to the provisions of Sections 198,309,310,311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, as amended from time to time, the reappointment of Shri. S.K.M. Shree Shivkumar as Executive Director of the Company for a Period of five years from 26th June 2001 to 25th June 2006 be and is hereby approved on the following terms and conditions.

1. Salary : Rs. 40,000/- per month in the scale of Rs.40,000-4,000-56,000/-.
2. House Rent Allowance: 50% of the salary
3. Other perquisites:
 - (a) The expenditure incurred by the Executive Director on gas, electricity, water and furnishings shall be reimbursed by the Company, subject to a maximum of 10% of the Salary.
 - (b) All medical expenses, incurred by the Executive Director for self and his family shall be reimbursed.
 - (c) Leave Travel Concession for the Executive Director and his family will be allowed as per the rules of the Company.
 - (d) Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fees.

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- (e) Personal Accident Insurance, the premium of which shall not exceed Rs.10,000/- per annum.
- (f) Contribution to Provident Fund, Superannuation Fund as per the rules of the Company.
- (g) Gratuity as per the provisions of the payment of Gratuity Act or as per the Gratuity Scheme of the Company whichever is higher.
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- (i) Leave unavailed will be allowed to be encashed as per the rules of the Company.

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7. To consider and if thought fit to pass the following resolution with or without modification as a special resolution :

"RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors pursuant to provision of Section 81 (1A) and other applicable provisions in the Companies Act, 1956, to issue 73,67,500 further equity shares of Rs.10/- each of the Company, to such persons other than and including existing shareholders of the Company".

"FURTHER RESOLVED that the equity shares of Rs.10/- each to be issued by the Company as above shall be issued as fully paid-up shares and allotted at Rs.10/- per share or at the price to be determined as per SEBI guidelines for preferential allotment, whichever is higher.

"FURTHER RESOLVED that the equity shares as above shall be allotted by the directors in one or more tranches subject however that the allotment of these shares shall be completed within a period of 3 months from the date of this Annual General Meeting".

"FURTHER RESOLVED that the shares to be issued as above shall rank pari passu with the existing equity shares of the Company in all respect".

By Order of the Board of Directors

Place : Erode
Date : 31.07.2001

G.N.VARADARAJAN
Company Secretary

NOTES :

1. A member entitled to attend and vote, is entitled to appoint one or more proxies to attend and vote instead of himself, and proxy need not be a member.
2. Proxies, in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
3. The Register of Members and Share Transfer Registers will remain closed from 25th September 2001 to 27th September 2001 both days inclusive.
4. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, in respect of Special Business in annexed.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**EXPLANATORY STATEMENT UNDER SEC. 173(2)
OF THE COMPANIES ACT, 1956****Item No. 4 :**

In terms of Sec.224A of the Companies Act, 1956 Auditors, appointment requires a special resolution if holding of shares by public financial institutions is in excess of 25% of the subscribed share capital of the Company. Presently, about 11% of the shares of the Company are held by a public financial institution. As the Company's shares have been dematerialised, the Company will not have information before-hand regarding combined shareholding of the public financial institutions as on the date of AGM. Therefore, as a matter of caution, a special resolution is proposed for appointment of auditors.

Item No. 5 :

The period of appointment of Shri. SKM. Maeilanandhan as Managing Director as approved by the shareholders at the Extra-ordinary General Meeting held on 26.06.1996 expired on the close of 25th June 2001. The Board of Directors at its meeting held on 31st July 2001 reappointed Shri. SKM. Maeilanandhan as the Managing Director of the Company for a fresh term of 5 years with effect from 26th June 2001 on the terms indicated in the resolution. The Company had achieved reasonable growth over the years, despite adverse market conditions due to proper guidance and various initiatives taken as per suggestions made by the Managing Director. In order that the level of growth is sustained and improved upon, it will be in the interest of the Company that Shri. SKM. Maeilanandhan is reappointed as Managing Director for a further period of 5 years. The Board of Directors recommend the resolution to shareholders for approval.

This explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Shri. SKM. Maeilanandhan, pursuant to Sec. 302 of the Companies Act, 1956.

Shri. SKM. Maeilanandhan, is interested in this resolution as it concerns his reappointment. Shri S.K.M. Shree Shivkumar and Dr. M. Chandrasekar are interested in this resolution as relatives of the appointee.

The Shareholders may please note that Shri. SKM. Maeilanandhan has not drawn any remuneration from the Company since the day of his appointment (i.e. from 26.06.1996).

Item No.6 :

The period of appointment of Shri. S.K.M. Shree Shivkumar, Executive Director as approved by the shareholders at the Extra-ordinary General Meeting held on 26/06/1996 expired on the close of 25/6/2001. The Board of Directors at its meeting held on 31st July 2001 reappointed Shri. S.K.M. Shree Shivkumar as Executive Director of the Company for a fresh term of 5 years with effect from 26th June 2001 on the terms indicated in the resolution.

The Company has registered good growth over the years, although the industry was experiencing a difficult period, for which the Executive Director has put strenuous efforts. He has taken pains to ensure that the Company's performance does not suffer despite unfavourable conditions prevailed in the egg powder industry over a considerably long period of 3 years. In order that the growth is maintained at higher levels, it is essential that Shri. S.K.M. Shree Shivkumar is reappointed as Executive Director for a further period of 5 years. The Board of Directors recommends the resolution to shareholders for approval.

The shareholders may please note that as per schedule XIII of the Companies Act, 1956, the appointee is entitled to be paid a gross monthly remuneration of Rs.1.50 lacs and the remuneration fixed by Board is only reasonable.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

The explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Shri. S.K.M. Shree Shivkumar, pursuant to Sec. 302 of the Companies Act, 1956.

Shri. S.K.M. Shree Shivkumar is interested in this resolution as it concerns his reappointment. Shri. SKM. Maeilanandhan and Dr. M. Chandrasekar are interested in this resolution as relatives of the appointee.

Item No.7 :

As the shareholders are aware, the Company has entered into an OTS agreement with IFCI Limited with 25% of the loan amount being down payment. To meet this requirement and payment of first quarterly instalment due on 15th July, 2001, the Company has raised funds by accepting share application money from the promoters of the Company aggregating Rs. 754.75 Lacs. Against this share application money it is proposed to allot shares for Rs. 736.75 lacs on preferential basis as per the SEBI guidelines to the applicants. The shareholding pattern of the allottees will be as given below after allotment of these shares and the allotment will not result in any change in management.

Name of the Applicant	Appln. Amount (Rs. in Lacs)	Proposed allotment (Rs. in Lacs)	% of Shares held at present	% of Shares (approximate) after allotment as above
1. SKM Animal Feeds and Foods (India) Ltd.	660.00	642.00	22.75	41.11
2. Shri. SKM. Maeilanandhan	90.00	90.00	8.06	9.24
3. Smt. M. Kuttilakshimi	4.75	4.75	1.01	0.96
TOTAL	754.75	736.75		

As per SEBI guidelines, the shares that are to be issued and allotted to these applicants shall be treated as Preferential Allotment and shall be priced at not less than the average of weekly high/low of closing prices quoted on the Stock Exchange where the shares of the Company are most frequently traded during the last 6 months or 2 weeks preceding the relevant date, whichever is higher.

Approval of shareholders is required by a Special Resolution under section 81(1A) of the Companies Act, 1956 for issue/allotment of these shares to the above applicants. The directors recommend the resolution for adoption.

Shri. SKM. Maeilanandhan, Chairman and Managing Director is interested to the extent of the shares to be allotted to him, to his wife, and as Managing Director of M/s. SKM. Animal Feeds and Foods (India) Limited. Shri. S.K.M. Shree Shivkumar, Executive Director and Dr. M. Chandrasekar, Director are interested as relatives of Shri. SKM. Maeilanandhan and Smt. M. Kuttilakshimi and as directors of SKM Animal Feeds and Foods (India) Limited.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**DIRECTORS' REPORT**

The Directors have pleasure in presenting the Sixth Annual Report of the company together with the audited Accounts of your company for the year ended 31st March 2001.

OPERATIONS :

During the year, the company produced 2080 Tonnes and exported 1840 Tonnes of egg powder valued about Rs. 27.32 Crores, representing an increase of 131% in volume and 138% in value, compared with previous year's turnover.

The Egg powder market has started to pick-up and the international price for the product is increasing steadily. The future prospects for our product is expected to be good considering the difference in cost of production of eggs which is cheaper in India compared to that of our competing countries mainly European Union and USA. The competitiveness will further enhance as the subsidy / farm support will be phased out gradually in these countries under the WTO recommendations. As the Company has already established a name as quality suppliers of egg products in the global market and as good opportunities are ahead, the sales for the year is expected to substantially increase. During the first quarter of the current year, the Company has achieved an export turnover of about 595 MTs, valued at Rs. 9.38 Crores.

FINANCIAL RESULTS :

Financial results of the company for the year ended 31st March 2001 are given below:

Particulars	2000 - 2001	1999 - 2000
Total Income	2749.93	1157.36
Total Expenditure	2464.78	1048.56
Gross Profit/(Loss)	285.15	108.80
Interest	67.20	445.22
Depreciation	167.85	164.44
Preliminary Expenses	5.12	4.12
Net Profit / (Loss)	44.98	(504.98)
Excess Provision written back (Interest on IFCI Loans)	782.34	23.06
Profit / Loss Carried forward	827.32	(481.92)
Accumulated Loss	527.94	1355.26

FINANCE :

Although the Company was earning profits on its operations, due to heavy interest burden the working results ended with net losses. In order to reduce the interest burden and improve the working results, the Company negotiated with IFCI Ltd., for a One-Time Settlement of their loans and waiver of interest, past