

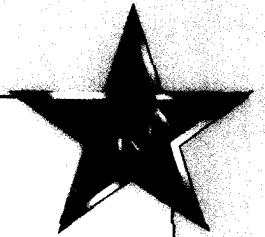
TENTH ANNUAL REPORT
2004 - 2005

Eggs for your convenience

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

Regd. Office: 156, Gandhiji Road, Erode - 638 001.

- ☐ Excellence - Our Goal
- ☐ Service - Our Motto
- ☐ Quality - Our Obsession
- ☐ Integrity - Our Life Line



Silver Trophy Award from
APEDA for the year 2001 - 2002
for quality and export promotion.



Silver Trophy Award from
APEDA for the year 2002 - 2003
for quality and export promotion.

Excellence Award
from Institute of Economic Studies
for productivity, quality, innovation
and management



SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

156, 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) (upto 24.07.2005)
	:	Shri. B. RAMAKRISHNAN (TIDCO Nominee) (from 25.07.2005)
	:	Shri. S.M. VENKATACHALAPATHY
	:	Dr. L.M.RAMAKRISHNAN
	:	Shri. M. CHINNAYAN
	:	Shri. P.KUMARASAMY

MANAGEMENT EXECUTIVES

GENERAL MANAGER - FINANCE & COMPANY SECRETARY : **Shri. V. JAGADEESAN**, B.Sc., A.C.A., A.I.C.W.A., A.C.S.

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 : 156, Gandhiji Road,
Erode - 638 001.
ERODE DISTRICT.

FACTORY : Erode to Karur Main Road,
Cholangapalayam,
Punjai Kilambadi Village,
ERODE DISTRICT - 638 154.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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156, Gandhiji Road, Erode - 638 001

NOTICE TO MEMBERS

Notice is hereby given that the Tenth Annual General Meeting of the Members of the Company will be held on Monday, the 12th day of September 2005 at 4.00 p.m at Kongu Kalaiaramam, E.V.K.Sampath Nagar, Erode – 638011 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt :
 - a. The audited Profit and Loss Account for the year ended 31st March 2005.
 - b. The audited Balance Sheet as at 31st March, 2005.
 - c. The Directors' and Auditors' Report thereon.
2. To declare a dividend for the year 2004-2005.
3. To appoint a Director in the place of Dr L.M.Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri M.Chinnayan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s N.C.Rajagopal & Co., Chartered Accountants are eligible for re-appointment and confirmed their willingness to accept the office, if re-appointed.

SPECIAL BUSINESS:

6. To appoint Shri B. Ramakrishnan, nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO) as Director of the Company representing TIDCO in the place of Shri Shri P. Shanmugasundaram.

By order of the Board

V. JAGADEESAN
GENERAL MANAGER - FINANCE
& COMPANY SECRETARY

Place : Erode

Date : 25.07.2005

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

1. A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. The proxy in order to be valid should be duly completed, stamped and signed and must be deposited at the Registered office of the Company at 156, Gandhiji Road, Erode – 638 001 not later than 48 hours before the time for holding the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 8th September, 2005 to 12th September, 2005 (both days inclusive).
4. In terms of Section 109A of the Companies Act, 1956 Shareholders are entitled to make nomination in respect of shares held by them. Members are requested to write to the Registered Office of the Company or to the Registrar and Share Transfer Agent M/s S.K.D.C. Consultants Limited P.B.No.2979, No.11, Seth Narayanadoss Layout, Street No.1, (West Power House Road), Tatabad, Coimbatore – 641012 for more information, if any, needed on Nomination facilities.
5. The Company's Equity Shares have been included in the list in which trading is compulsory for all the investors in dematerialized form, along with other scrips, from 29th January, 2001. So far, 37.25% of the total number of shares, in the Equity Capital of the Company, have been dematerialized. In view of the advantages of the Dematerialized System and for early trading of shares, shareholders are requested to opt for dematerialization of the shares of the Company, through any Depository Participants.
6. Members holding shares in DEMAT form are requested to incorporate Client ID Number and DPID Number in the attendance slip /proxy form, for easy identification of attendance at the meeting.
7. Members holding shares under more than one folio may approach the Company or its Registrar and Transfer Agents for consolidation.
8. Members are requested to intimate immediately change of address, if any, to the Company or Registrar and Share Transfer Agents quoting their Folio Number.
9. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 any dividend which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, no claim shall lie against the Fund or the Company. In view of this all shareholders are requested to encash dividends warrants early.
10. Particulars about the directors for re-appointment as per clause 49(VI)(A) of the Listing Agreement are given below:

Name and Qualification	Experience	Other directorships in public limited company and members in committees
Dr. L.M.Ramakrishnan, M.B.B.S.	Correspondent of Bharathi Vidhya Bhavan	Chairman - Remuneration Committee
Shri. M. Chinnayan, B.Com., F.C.A.	Chartered Accountant	Chairman - Audit Committee

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No 6:**

The Articles of Association of the Company authorizes Tamilnadu Industrial Development Corporation Limited (TIDCO), one of the promoters of the Company to have representation by nomination of one Director on the Board of Directors of the Company. In accordance with the above, TIDCO nominated Shri P. Shanmugasundaram as a Director representing TIDCO. The Director nominated by TIDCO is not liable to retire by rotation and hold office during the pleasure of TIDCO and may be removed or substituted by an order of TIDCO. Now TIDCO vide its Lr.No. 275(01)/Sec/2005 dated 23rd July, 2005 nominated Shri B. Ramakrishnan, Technical Officer of TIDCO as Director in the place of Shri P. Shanmugasundaram, Joint General Manager of TIDCO. The Board of Directors in the meeting held on 25th July'2005 passed resolution recommending to shareholders for the appointment of, in the ensuing Annual General Meeting, Shri Ramakrishnan, as Director of the Company to represent TIDCO. The shareholders may appoint Shri B. Ramakrishnan, nominee TIDCO, as a Director by passing the following resolution as an Ordinary Resolution with or without modification.

"RESOLVED THAT pursuant to the provisions of Section 255 and other applicable provisions, if any, of the Companies Act, 1956 Shri B. Ramakrishnan nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO) be and is hereby appointed as Director of the Company and that nominee director Shri B. Ramakrishnan is not liable to retire by rotation."

None of the Directors of the Company is interested or concerned in the above Resolution.

By order of the Board

V. JAGADEESAN
GENERAL MANAGER - FINANCE
& COMPANY SECRETARY

Place : Erode

Date : 25.07.2005

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

Your directors are pleased to present the TENTH ANNUAL REPORT on the business and operations of your company for the year ended 31st March 2005.

FINANCIAL HIGHLIGHTS :

Rs. in lacs

DESCRIPTION	2004-2005	2003-2004
Net Sales	6,600.90	5,117.48
Profit Before Interest and Depreciation	946.26	801.74
Less : Interest	170.36	238.24
Depreciation	210.64	175.96
Profit before tax	565.26	387.53
Less : Provision for Taxation	0.40	6.00
Profit after tax and available for appropriation	564.86	381.53
LESS : APPROPRIATIONS		
Proposed dividend	184.31	184.31
Corporate dividend tax	25.84	24.08
Balance carried to Balance Sheet	354.71	173.15

DIVIDEND :

The Board of Directors recommended dividend of 7% amounting to Rs 210.16 lakhs (including dividend distribution tax) for the accounting year 2004-05.

FINANCE :

In view of increased capacity utilization and favorable market condition for the product, the financial position of your company was comfortable throughout the financial year under review.

During the year under review, your company has borrowed from State Bank of India Commercial Branch, Erode, corporate loan to the tune of Rs 591 lakhs to finance capital expenditures viz, Wood fired boiler, Finished Goods Godown, Construction of Lab Buildings, Lab equipments etc. Your company started reaping benefits out of this Capital Expenditures in the form of reduction in steam generation cost, improved quality control in production process and increase in production capacity by removing production bottleneck in some areas.

INDUSTRY STRUCTURE AND DEVELOPMENT :

India's economy is enjoying study and upward growth. India's merchandise export in the year 2004-05 is US\$ 79.59 billion as against US\$ 63.98 billion in the previous year. There is higher supply of foreign exchange compared to demand and this is arising out of foreign portfolio investment and trade remittances. Because of the higher supply of foreign exchange, the rupee appreciated against US dollar from July'2004. In view of this the price of products of the company in the international market is under severe pressure. The drivers for success of the company in the international markets are quality consciousness and integration of production facilities.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

OUTLOOK :

The competition in the international market for the products of the company is stiff. In spite of the stiff competition in the international market the company is able to procure orders by following price strategies in tune with the strategies adopted by the competitors. Because of the aggressive price strategies adopted by the company, the order received is comfortable throughout the next financial year.

The company decided to make substantial investment in poultry farm for captive consumption purpose which is backward integration of production facilities. After the implementation of this project, the cost production is estimated to fall sharply as cost of eggs is significant in the total cost of production of Egg Products.

OPPORTUNITIES, CHALLENGES, RISKS AND CONCERNS :

The egg powder produced by your company meets all stringent quality requirement of foreign countries. In the international market your company's brand SKM is synonymous with high quality and is preferred supplier for some of the most distinguished buyers. The company made successive investments in quality control laboratories which enable the company to control the production process in such a way to produce egg products which meet any type of quality control requirements of international markets.

The company intends to achieve leadership in the industry and to attain a steady pace of growth. Attaining this twin objective is a challenge for the company in the present international market competition and frequent exchange fluctuations. The global economy is not homogenous and adopting different strategies for marketing the product of the company is a challenging tasks.

There is a direct correlation between the performance of the company and the global economy. Any unsupportive macroeconomic policies and adverse international financial market condition will affect the growth rate of the company.

The world economy is not showing balanced growth. Even though the world trade is expected to increase, there is a concern that the current account imbalances have widened further over the past years and that may lead to abrupt movements in the exchange rate.

WITHDRAWAL OF BELOVO AGREEMENT :

The Company had entered into Technology and Know-how as well as Marketing Tie-up Agreement on 22.12.1995 with M/s. BELOVO ENGINEERING S.C., Belgium. According to the terms and conditions of the said agreement, the Company has right to withdraw itself from the agreement at the end of 10th year i.e., on 21-12-2005. Now, in the interest of the Company, it has been decided to have a different kind of marketing network. viz., appointment of new sales agent and setting up of our own marketing offices in foreign countries. In view of the above and in the long term interest of the Company, notice of withdrawal of agreement was served on Belovo Engineering S.C., on 07-07-2005.

ESTABLISHING OFFICE IN FOREIGN COUNTRIES :

In the long term interest of the Company, it has been decided to establish our own marketing networks in foreign countries. In view of this, the management is planning to establish own marketing / sales offices, in foreign countries for promoting sales. The management feels that there is a possibility of entering into new markets thereby the volume of sales is expected to increase. It is also likely that the marketing expenses being incurred now, will be reduced significantly.

HUMAN RESOURCES :

Your company always considers its human resources as its most valuable asset. Imparting adequate and specialized training to its employees is an ongoing exercise in the company. The relationship with the Employees and Labour continues to be cordial.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

DIRECTORS :

The directors Dr L.M.Ramakrishnan and Shri Chinnayan retire by rotation at this Annual General Meeting. They, being eligible, offer themselves for re-appointment.

Tamilnadu Industrial Development Corporation Limited (TIDCO) nominated Shri. B. Ramakrishnan, Technical Officer of TIDCO as Director of the Company in the place of Shri. P. Shanmugasundaram, Joint General Manager of TIDCO. The Board of Directors place on record the valuable contribution made by Shri. P. Shanmugasundaram during his tenure as Director towards development and growth of the Company.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY :

The internal control systems are adequate and are routinely reviewed by the Statutory Auditors as well as by the Audit Committee. The ISO 9001 : 2000 Audit System assist the company to improve documentation and monitoring systems. In order to ensure further control, your company is in the process of implementing ERP system.

AWARDS :

Certificate of Excellence in Productivity, Quality, Innovation and Management was awarded to your company by the Institute of Economic Studies, New Delhi. Your Directors are pleased to inform that your company got second prize under "State safety Prize Plan 2001" for the minimum number of accidents in our Factory.

AUDITORS :

The auditors, M/s N.C.Rajagopal & Co, Chartered Accountants, Erode retire at the conclusion of the ensuing Tenth Annual General Meeting. They have confirmed their eligibility under Sec 224(1B) of the Companies Act, 1956 and signified their willingness to accept office, if reappointed.

REPORT ON CORPORATE GOVERNANCE :

The company continues to comply with the requirements of Listing Agreement entered with Stock Exchanges where the company's shares are listed. The certificate of the Company's Statutory Auditors confirming compliance of Corporate Governance is Annexed to this report.

STATUTORY INFORMATION :

A detailed report on Corporate Governance and the information required under the Companies Act 1956 are given as Annexure to this report.

ACKNOWLEDGEMENT :

Your Directors thanks State Bank Of India, Commercial Branch, Erode, the company's Banker, for extending valuable support, also thanks to the customers for their patronage, suppliers for their timely and quality supply and employees at all levels for their dedicated service.

The Directors record with pleasure their appreciation for the confidence reposed by the Shareholders on the Company. Your Directors place on record their appreciation for the guidance, assistance and co-operation provided by the Collaborator, M/s BELOVO S.A., Belgium.

By Order of the Board

Place : Erode

Date : 25.07.2005

SKM. MAEILANANDHAN
CHAIRMAN AND MANAGING DIRECTOR

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**ANNEXURES TO DIRECTORS' REPORT****ANNEXURE – I : STATUTORY INFORMATION :****FIXED DEPOSITS :**

The Company has not accepted deposits from the public during the year under review.

LISTING :

The Equity Shares of the Company are listed on the Stock Exchanges at Coimbatore, Chennai, Mumbai and National Stock Exchanges. Annual Listing fees has been paid to all Stock Exchanges for the year 2004-2005 and there are no arrears.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirements u/s 217(2AA) of the Companies Act, 1956, your Directors confirm that

1. In the preparation of Annual Accounts the applicable Accounting Standards (except AS 22, for which Writ Petition has been filed by the Company and an interim stay from operation of AS 22 has been granted by the Honorable High Court of Madras), has been followed and that there were no material departures;
2. The Accounting policies selected are being applied consistently and judgements and estimates made are reasonable and prudent and gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. Proper and sufficient care had been taken for the maintenance of adequate Accounting Records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts had been prepared on a going concern basis;

CONSERVATION OF ENERGY :

The Company is monitoring energy consumption on monthly basis and exploring the possibility of improvement in process conditions so as to reduce power consumption per M.T of egg powder produced. Energy audits are being carried out on regular basis and steps are being taken for reduction of energy consumption. During the year under review the company installed Wood Fire Boiler which will achieve significant reduction consumption in the ensuing years. Particulars relating to energy consumption is annexed in Form – A.

TECHNOLOGY ABSORPTION :

The Collaborator and Machinery suppliers are giving training to Company's Employees in the process techniques and operation and maintenance of plant and machineries.

RESEARCH AND DEVELOPMENT :

Research and Development activities are being carried out on an on going basis for improving production process and for improving the quality of Egg Powder products. During this year the company has incurred a Capital Expenditure of Rs. 25.23 lacs in Laboratories for improvement of product quality.