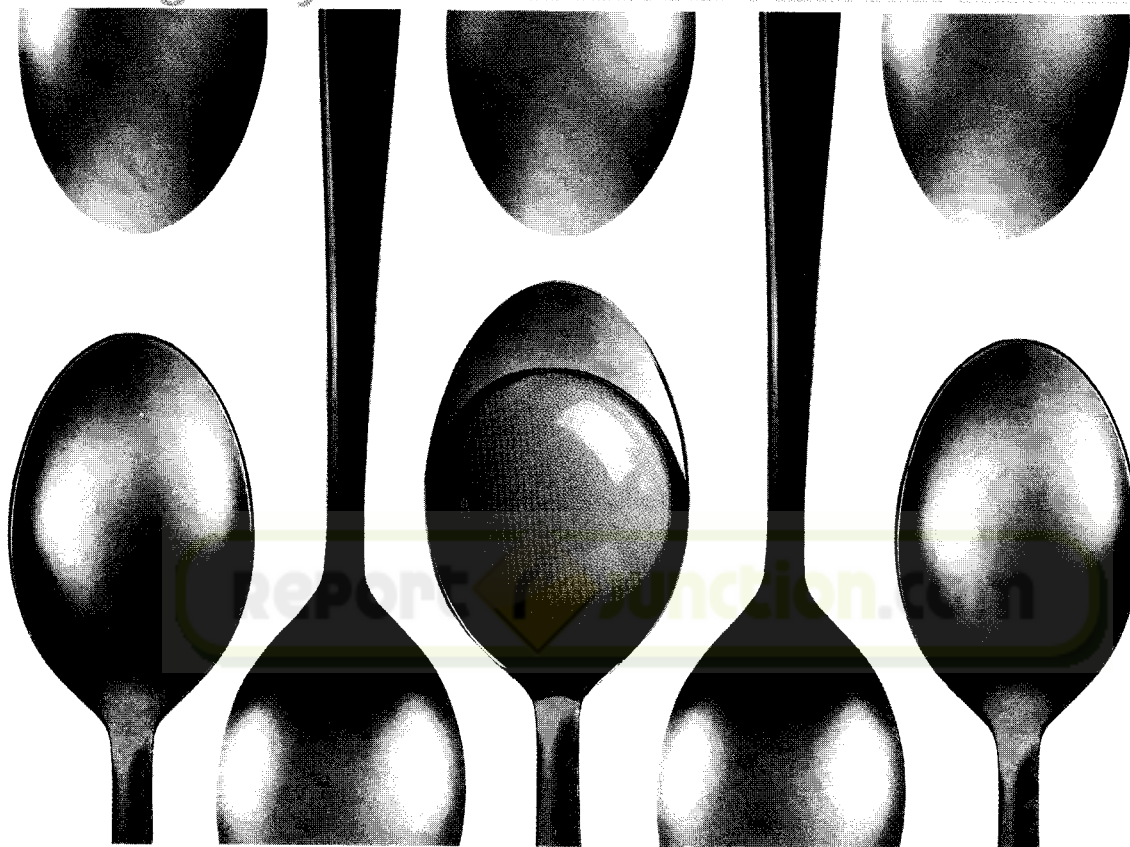


Thinking beyond



ELEVENTH ANNUAL REPORT
2005 - 2006

- ☐ Excellence - Our Goal
- ☐ Service - Our Motto
- ☐ Quality - Our Obsession



SKM EGG PRODUCTS
THINKING OUT OF THE SHELL

Tel: +91 424 23 51 532-34
Fax: +91 424 23 51 530-31
E-mail: finance@skmegg.com

156, Gandhiji Road, Erode
Tamilnadu, India. Pin: 638001
Website: www.skmegg.com

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

Silver Trophy Award from
APEDA for the year 2004 - 2005
for quality and export promotion.



SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

156, Gandhiji Road, Erode - 638 001

BOARD OF DIRECTORS	:	Shri. SKM. MAEILANANDHAN Executive Chairman
	:	Shri. SKM. SHREE SHIVKUMAR Managing Director
	:	Dr. M. CHANDRASEKAR
	:	Shri. B. RAMAKRISHNAN (TIDCO Nominee)
	:	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.
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BANKERS	:	STATE BANK OF INDIA Commercial Branch, ERODE - 638 003.
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REGISTERED OFFICE	:	156, Gandhiji Road, Erode - 638 001. ERODE DISTRICT.
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FACTORY	:	Erode to Karur Main Road, Cholangapalayam, Punjai Kilambadi Village, ERODE DISTRICT - 638 154.
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SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

156, Gandhiji Road, Erode - 638 001

NOTICE TO MEMBERS

Notice is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held on Saturday the 16th day of September, 2006 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 2006.
 - b. The audited Balance Sheet as at 31st March, 2006.
 - c. The Directors' and Auditors' Report thereon.
2. To declare a dividend for the year 2005-2006.
3. To appoint a Director in the place of Shri. SKM. Shree Shivkumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri. P. Kumarasamy, 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 consider and if thought fit to pass the following resolution with or without modification(s) as an ordinary resolution:

“RESOLVED THAT pursuant to Section 309 read with Section 198 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the payment of remuneration, perquisites and benefits as detailed below to Shri. SKM. Shree Shivkumar, Executive Director, with effect from 1st April, 2006.

- i. Basic Pay Rs.1,30,000/- per month.
- ii. House Rent Allowance at 20% of the Basic Pay.
- iii. Reimbursement of Medical Expenses for self and family.
- iv. Reimbursement of expenditure incurred towards (not exceeding 10% of the Basic Pay) gas, electricity, water and furnishing.
- v. Payment of club fees, other than admission and life membership fees, subject to a maximum of two clubs.
- vi. Personal Accident Insurance Premium up to Rs. 10,000/- per annum.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

- vii. Leave Travel Concession for self and family members according to the rules of the Company.
- viii. Shri. SKM. Shree Shivkumar shall be eligible to the following perquisites, which shall not be included in the computation of remuneration specified above.
 - a. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - c. Encashment of Leave at the end of the tenure.
- ix. The Company shall provide a car for official use on Company's business and telephone at the residence of Shri. SKM. Shree Shivkumar.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year, the above remuneration, perquisites and benefits be paid to Shri. SKM. Shree Shivkumar as minimum remuneration subject to the provisions of Section II(A) of Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

7. To consider and if thought fit to pass the following resolution with or without modification(s) as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, the appointment of Shri SKM. Maeilanandhan as Wholtime Chairman designated as Executive Chairman for a period of five years from 25th June, 2006 to 24th June, 2011 be and is hereby approved."

"RESOLVED FURTHER THAT pursuant to Section 309 read with Section 198 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the payment of remuneration, perquisites and benefits as detailed below to Shri. SKM. Maeilanandhan as Wholtime Chairman designated as Executive Chairman, with liberty and powers to the Board of Directors (including its committee appointed for the purpose) to grant increments and to alter and vary from time to time the amount and type of perquisites payable to Shri. SKM. Maeilanandhan within the limit specified in Schedule XIII of the Companies Act, 1956 as in force in each year."

- i. Basic Pay Rs. 1,50,000/- per month.
- ii. House Rent Allowance at 20% of the Basic Pay.
- iii. Reimbursement of Medical Expenses for self and family.
- iv. Reimbursement of expenditure incurred towards (not exceeding 10% of the Basic Pay) gas, electricity, water and furnishing.
- v. Payment of club fees, other than admission and life membership fees, subject to a maximum of two clubs.
- vi. Personal Accident Insurance Premium up to Rs. 10,000/- per annum.
- vii. Leave Travel Concession for self and family members according to the rules of the Company.
- viii. Shri SKM. Maeilanandhan shall be eligible to the following perquisites, which shall not be included in the computation of remuneration specified above.
 - a. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c. Encashment of Leave at the end of the tenure.
- ix. The Company shall provide a car for official use on Company's business and telephone at the residence of Shri SKM. Maeilanandhan.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year, the above remuneration, perquisites and benefits be paid to Shri. SKM. Maeilanandhan as minimum remuneration subject to the provisions of Section II(A) of Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. To consider and if thought fit to pass the following resolution with or without modification(s) as an ordinary resolution:

RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, the appointment of Shri. SKM. Shree Shivkumar as Managing Director of the company for a period of five years from 25th June, 2006 to 24th June, 2011 be and is hereby approved."

"RESOLVED FURTHER THAT pursuant to Section 309 read with Section 198 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the payment of remuneration, perquisites and benefits as detailed below to Shri. SKM. Shree Shivkumar as Managing Director, with liberty and powers to the Board of Directors (including its committee appointed for the purpose) to grant increments and to alter and vary from time to time the amount and type of perquisites payable to Shri. SKM. Shree Shivkumar within the limit specified in Schedule XIII of the Companies Act, 1956 as in force in each year."

- i. Basic Pay Rs. 1,30,000/- per month.
- ii. House Rent Allowance at 20% of the Basic pay.
- iii. Reimbursement of Medical Expenses for self and family.
- iv. Reimbursement of expenditure incurred towards (not exceeding 10% of the Basic Pay) gas, electricity, water and furnishing.
- v. Payment of club fees, other than admission and life membership fees, subject to a maximum of two clubs.
- vi. Personal Accident Insurance Premium up to Rs. 10,000/- per annum.
- vii. Leave Travel Concession for self and family members according to the rules of the Company.
- viii. Shri. SKM Shree Shivkumar shall be eligible to the following perquisites, which shall not be included in the computation of remuneration specified above.
 - a. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - c. Encashment of Leave at the end of the tenure.
- ix. The Company shall provide a car for official use on Company's business and telephone at the residence of Shri. SKM. Shree Shivkumar.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

“RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year, the above remuneration, perquisites and benefits be paid to Shri. SKM. Shree Shivkumar as minimum remuneration subject to the provisions of Section II(A) of Part II of Schedule XIII to the Companies Act, 1956.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a

SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956 and all applicable provisions of the Securities Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company or as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may be agreed by the Board of Directors of the Company in its sole discretion, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to delist the Equity Shares of the Company from Madras Stock Exchange Ltd and Coimbatore Stock Exchange Ltd (hereinafter referred to as the Delisting Stock Exchanges) on such terms and conditions and in such manner as may be considered desirable and expedient by the Board of Directors of the Company in its absolute discretion”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, including filling of applications and other documents with the delisting Stock Exchanges, as it may in its absolute discretion deem necessary, expedient, usual or proper or desirable and to settle all questions, difficulties or doubts whatsoever that may arise in regard to the aforesaid voluntary delisting of the Equity Shares of the Company, as it may in its absolute discretion deem fit without being required to seek any further approvals of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by authority of this resolution”.

“RESOLVED FURTHER THAT the Board of Director of the Company be and is hereby authorised to delegate all or any of its power which may be so delegated by law, to any of its Committee or any Director or Officer of the Company, to give effect to the aforesaid resolution”.

By order of the Board

Place: Erode

Date : 31.07.2006

V. JAGADEESAN.
GENERAL MANAGER - FINANCE
& COMPANY SECRETARY

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. The instrument appointing the proxy duly completed shall be deposited at the Registered Office at 156, Gandhiji Road, Erode - 638001 not later than 48 hours before the scheduled time of the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business as set out above is annexed hereto.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

3. The Register of Members and Share Transfer Books will remain closed from 12.09.2006. to 16.09.2006. (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
4. Consequent upon introduction of Sec 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them. Shareholders desirous of making nominations are requested to send their request in FORM 2B to the Registrar and Transfer Agents, M/s S.K.D.C Consultants Ltd., P.B.NO: 2979, No.11, Seth Narayandoss Layout, Street No.1, (West Power House Road), Tatabad, Coimbatore-641012.
5. 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.
6. All documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company on all working days between 11.00 a.m and 2.00 p.m up to the date of the Annual General Meeting.
7. Pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, as amended, any dividend which remains unpaid/unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not yet encashed dividend warrant(s) so far for the financial year ended 31st March 2004 and 31st March, 2005 are requested to approach the company for obtaining payments thereof.
8. Members are requested to notify any change in their address, mandate etc to:
 - (i) the Company's Registrar and Transfer Agents, M/s S.K.D.C Consultants Ltd., P.B.No:2979, No.11, Seth Narayandoss Layout, Street No.1, (West Power House Road), Tatabad, Coimbatore-641012 in respect of shares held in physical form.
 - (ii) their Depository Participants (DPs) in respect of shares held in dematerialized form.
9. Brief particulars of Directors proposed for appointment / reappointment as Executive Chairman, Managing Director and Directors are given in **REPORT ON CORPORATE GOVERNANCE**.

By order of the Board

Place: Erode
Date : 31.07.2006

V. JAGADEESAN.
GENERAL MANAGER - FINANCE
& COMPANY SECRETARY

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

In the Ninth Annual General Meeting of the company held on 3rd September 2004, shareholders approved revision of salary, allowances and other perquisites payable to Shri. SKM Shree Shivkumar, Executive Director, from the existing pay scale of Rs 40,000-4,000-56,000/- plus HRA (50% of salary) with other benefits to Rs.1,00,000 plus HRA (20% of salary) with other usual allowances and benefits. Considering the valuable contribution made by Shri. SKM. Shree Shivkumar to the growth and development of the Company and after taking into account the fact that the company had, during his tenure as Executive Director, achieved tremendous growth in every area of its operation, the Remuneration Committee in its meeting held on 28th April, 2006 recommended for the revision of salary, allowances and other perquisites payable to Shri. SKM. Shree Shivkumar with effect from 01-04-2006. The Board of Directors in their meeting held on 28th April, 2006, after duly considering the nature of work and responsibilities attached to the office of the Executive Director and after analysing the performance of the company during his tenure as Executive Director, accepted the recommendation of the Remuneration committee and accordingly decided (subject to approval of the members in the ensuing Annual General Meeting) to revise the salary and allowances payable to Shri SKM. Shree Shivkumar to Rs. 1,30,000 per month plus HRA at the rate of 20% of the salary and other allowances and perquisites as per the proposed resolution with effect from 01.04.2006. In view of his vast experience in this industry and adroit management of the company by Shri. SKM. Shree Shivkumar, the members are requested to approve this proposal of revision of salary to Shri. SKM. Shree Shivkumar with effect from 01.04.2006.

This proposal of revision of pay to Shri. SKM. Shree Shivkumar is in conformity with the requirement of Schedule XIII of the Companies Act, 1956.

Memorandum of Interest of Directors.

Shri. SKM. Shree Shivkumar is interested in this resolution. Shri. SKM. Maeilanandhan and Dr. M. Chandrasekar, who are the relative of Shri. SKM. Shree Shivkumar are deemed interested in this resolution.

Item No:7

As informed by the Directors in the Tenth Annual Report, your company established its own marketing network and for this purpose a subsidiary company SKM Europe BV was incorporated in The Netherlands under joint venture arrangements. In view of this, there is substantial changes in the business process and responsibilities attached to offices in the helm of the company. The Board of Directors, after making full analysis of the factors having a direct bearing in the functional level of the company, decided to evenly distribute the work and responsibilities in the top management of the company. Accordingly the Board of directors, in the meeting held on 28th April, 2006 unanimously decided to create a new office namely "Executive Chairman". In the said Board Meeting, the Board of Directors, after duly considering the experience of Shri. SKM. Maeilanandhan, Managing Director which spread over more than 25 years in poultry business its related and value-added industries and the valuable contribution made by him to the success of the company and in particular when the company was in doldrums unanimously agreed, subject to the approval of the members in the ensuing Annual General Meeting of the Company, to appoint him in the newly created office of the "Executive Chairman" for a period of 5 years from 25th June, 2006 to 24th June, 2011 on the terms and conditions as set out in the resolution. Shri. SKM. Maeilanandhan was appointed as the Managing Director of the Company by the members at the Extra-Ordinary General Meeting of the Company held on 26th June, 1996 for a period of five years from 26.06.1996 to 25.06.2001 and after the expiry of his office he was re-appointed as the Managing Director by the members in the Sixth Annual General Meeting of the Company held on 27th September 2001 for an another period of five years from 26.06.2001 to 25.06.2006. Shri SKM. Maeilanandhan is having in

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

depth knowledge and experience in the line of industry in which the company is engaged. As the Managing Director of the company Shri. SKM. Maeilanandhan took various initiatives and corrective actions which enabled the company to accelerate its growth rate over the years and hence in the interest of the company Shri. SKM. Maeilanandhan was appointed as the Executive Chairman of the company for a period of five years. The Board of Directors recommends the resolution to members for approval.

The Remuneration Committee determined the remuneration payable to Shri SKM. Maeilanandhan to which the Board of Directors have, subject to the approval of the members in this Annual General Meeting, given their consent in their meeting held on 28th April 2006. The remuneration fixed by the Remuneration Committee is in accordance with Schedule XIII of the Companies Act, 1956. 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 Section 302 of the Companies Act, 1956.

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

Memorandum of Interest of Director.

Shri. SKM. Maeilanandhan is interested in this resolution. Shri. SKM. Shree Shivkumar and Dr. M. Chandrasekar, who are the relative of Shri. SKM. Maeilanandhan are deemed interested in this resolution.

Item No: 8

Consequent to the proposal of appointment of the Managing Director Shri. SKM. Maeilanandhan to the office of the Executive Chairman, there arise a vacancy in the office of the Managing Director of the Company. The Board of Directors in their meeting held on 28th April, 2006 unanimously agreed, subject to the approval of the members in this Annual General Meeting, to elevate the Executive Director Shri. SKM. Shree Shivkumar to the office of the Managing Director. Shri. SKM. Shree Shivkumar was appointed as the Executive Director of the company by the members in the Extra-ordinary General Meeting held on 26th June, 1996 for a period of 5 years from 26.06.1996 to 25.06.2001 and after the expiry of this period the members in the Sixth Annual General Meeting of the Company held on 27th September 2001 re-appointed Shri. SKM. Shree Shivkumar as the Executive Director for an another period of five years from 26.06.2001 to 25.06.2006. The marketing strategy adopted by Shri. SKM. Shree Shivkumar coupled with formulation of plans and its effective implementation make the company to withstand the stiff competition in the international market. The Company's performance did not suffer during the period of unfavourable conditions also due to the strenuous efforts taken by Shri. SKM. Shree Shivkumar. In order to keep pace the momentum in the administration of the company Shri. SKM. Shree Shivkumar was elevated and appointed as the Managing Director of the company for a period of five years from 25.06.2006 to 24.06.2011. The Board of Directors recommends the resolution to the members for approval.

The Remuneration Committee of the Board of Directors determined the remuneration payable to Shri. SKM. Shree Shivkumar and the same was, subject to the approval of members in this Annual General Meeting, consented by the Board of Directors in their meeting held on 28th April, 2006. The remuneration determined by the Remuneration Committee for which the members approval is requested, is in conformity with Schedule XIII of the Companies Act, 1956. The explanatory statement together with the accompanying notice may be treated as an abstract of the terms of remuneration payable to Shri. SKM. Shree Shivkumar, pursuant to Section 302 of the Companies Act, 1956.

Memorandum of Interest of Director.

Shri. SKM. Shree Shivkumar is interested in this resolution. Shri. SKM. Maeilanandhan and Dr. M. Chandrasekar, who are the relative of Shri SKM. Shree Shivkumar are deemed interested in this resolution.