

Thinking beyond



FOURTEENTH ANNUAL REPORT
2008-2009

- ☐ 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

185, Chennimalai Road, Erode.
Tamilnadu, India. Pin: 638001
Website: www.skmegg.com

Gold Award from Forst & Sullivan

The award acknowledge the best facilities in India that have achieved and sustained manufacturing excellence



Silver Trophy Award from APEDA
for the year 2006-2007
for quality and export promotion.

Silver Award from Frost & Sullivan
The award acknowledge the best facilities in India that have achieved and sustained manufacturing excellence



SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

REGD OFFICE : 185, Chennimalai Road, Erode - 638 001

| | | |
|---------------------------|---|---|
| BOARD OF DIRECTORS | : | Shri. SKM. MAEILANANDHAN |
| | : | Shri. SKM. SHREE SHIVKUMAR |
| | : | Shri. B. RAMAKRISHNAN (TIDCO Nominee) |
| | : | Shri. S.M. VENKATACHALAPATHY |
| | : | Dr. L.M.RAMAKRISHNAN |
| | : | Shri. M. CHINNAYAN |
| | : | Shri. P.KUMARASAMY |
| EXECUTIVE CHAIRMAN | : | Shri. SKM. MAEILANANDHAN |
| MANAGING DIRECTOR | : | Shri. SKM. SHREE SHIVKUMAR |
| 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 | : | 185, Chennimalai 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

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

REGD OFFICE : 185, Chennimalai Road, Erode - 638 001

NOTICE TO MEMBERS

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held on Friday the 25th, September, 2009 at 4.00 p.m at Kongu Kalaiaragam, E.V.K.Samath Nagar, Erode – 638011 to transact the following business:

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt :
 - a. The audited Profit and Loss Account for the year ended 31st March 2009.
 - b. The audited Balance Sheet as at 31st March, 2009.
 - c. The Director's and Auditor's Report thereon.
2. To appoint a Director in the place of **Sri P Kumarasamy**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of **Sri S M Venkatachalapathy**, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

Place : Erode

Date : 30.07.2009

By order of the Board

SKM. SHREE SHIVKUMAR
Managing Director

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. The instrument appointing the proxy duly completed shall be deposited at the Registered Office at 185 – Chennimalai Road, Erode – 638 001 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.
3. The Register of Members, Share Transfer Books will remain closed from **18.09.2009 to 25.09.2009** (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. Consultant Ltd., P.B.No.2979, No.7 (Old No.11), Seth Narayandoss Layout, Street No.1, (West Power House Road), Tatabad, Coimbatore – 641 012.
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 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed dividend warrant(s) so far for the financial year ended 31st March 2005, 31st March 2006, 31st March, 2007 and 31st March, 2008 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.7 (Old No.11), Seth Narayandoss Layout, Street No.1, (West Power House Road), Tatabad, Coimbatore – 641 012 in respect of shares held in physical form.
 - ii. Their depository Participants (DPs) in respect of shares hold in dematerialized form.
9. Brief particulars of Directors proposed for re-appointment of Directors are given in **Report on Corporate Governance**.

By order of the Board

SKM. SHREE SHIVKUMAR
Managing Director

Place : Erode

Date : 30.07.2009

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**SHAREHOLDERS' INFORMATION****Date and Venue of Annual General Meeting**

On 25th September 2009 at Kongu Kalaiarangam, E.V.K.Sampath Nagar, Erode - 638 011

Tentative Financial Calender :

| | |
|---|----------------------------------|
| Fourth quarter and unaudited results 2008-2009 | : April 29 2009. |
| First quarter results for 2009-10 and audited Results for 2008-2009 | : 30.07.2009. |
| Fourteenth Annual General Meeting | : 25.09.2009 |
| Second quarter results for 2009-2010 | : On or before October 31, 2009. |
| Third quarter results for 2009-2010 | : On or before January 31, 2010. |
| Date of book closure | : 18.09.2009 to 25.09.2009 |

Listing on Company's Equity Shares

The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street

Mumbai – 400 001

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Bandra – Kurla Complex
Bandra (E)

Mumbai – 400 051.

In the Eleventh Annual General Meeting of the company, special resolution was passed for delisting the shares of the company from Madras and Coimbatore Stock Exchanges. The company informed the decision of the shareholders to the above two stock exchanges and the stock exchanges are yet to inform the company about their formalities for delisting.

Annual listing fees has been paid to all Stock Exchanges for the year 2009-10 except to Coimbatore Stock Exchange and Madras Stock Exchange in view of the decision of the share holders to delist shares of the company.

Share Price Movements

The high and low prices of the Company's share on the Bombay Stock Exchange Limited and the National Stock Exchange between **April, 2008 and March, 2009** are as under:

| Month | Bombay Stock Exchange Limited | | | National Stock Exchange Limited | | |
|----------|-------------------------------|--------|----------|---------------------------------|-------|----------|
| | High | Low | Quantity | High | Low | Quantity |
| Apr-2008 | 21.40 | 13.75 | 129914 | 21.50 | 14.60 | 333132 |
| May-2008 | 21.50 | 15.20 | 161745 | 21.50 | 17.00 | 224154 |
| Jun-2008 | 17.90. | 14.90. | 85717 | 18.00 | 14.10 | 135588 |
| Jul-2008 | 18.75 | 13.55 | 85407 | 18.70 | 13.25 | 200776 |
| Aug-2008 | 19.45 | 16.20 | 96430 | 19.40 | 15.25 | 154148 |
| Sep-2008 | 17.45 | 13.80 | 66405 | 18.45 | 13.90 | 102512 |
| Oct-2008 | 15.00 | 11.36 | 64350 | 15.95 | 11.00 | 97226 |
| Nov-2008 | 15.44 | 13.00 | 56392 | 15.35 | 11.50 | 182651 |
| Dec-2008 | 14.80 | 13.40 | 40245 | 15.00 | 13.00 | 114377 |
| Jan-2009 | 15.00 | 12.80 | 44910 | 15.70 | 12.70 | 111846 |
| Feb-2009 | 15.70 | 13.61 | 25766 | 16.00 | 13.25 | 60878 |
| Mar-2009 | 14.10 | 12.15 | 60277 | 14.50 | 12.05 | 63274 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**Stock Code :**

| | |
|--|-----------------------|
| National Stock Exchange of India (NSE) | SKMEGGPROD |
| The Bombay Stock Exchange Ltd | 532143 |
| NSDL & CSDL | INE 411 D 1015 |

The Equity Shares of the company are under the process of delisting from the Madras Stock Exchange Ltd and the Coimbatore Stock Exchange Ltd.

Share Transfer System :

The Board delegated its authority to transfer shares to Committee of Directors called as Share Transfer Committee. The details of share transferred are being placed before the Board of Directors and duly ratified. The Committee oversees transfers, transmissions, dematerialization, and rematerialisation of shares and issue of duplicate share certificates.

Compliance Officer :

SKM.SHREE SHIVKUMAR,

Managing Director,

M/s.SK M Egg Products Export (India) Limited,

185, Chennimalai Road,

Erode – 638 001.

Distribution of shareholding as on :

| No. of Equity Shares held | 31.03.2009 | | | | 31.03.2008 | | | |
|---------------------------|----------------------|---------------|--------------------|--------------------|----------------------|---------------|--------------------|--------------------|
| | No. of Share holders | % | No. of Shares held | % of Share holding | No. of Share holders | % | No. of Shares held | % of Share holding |
| 1 - 500 | 6,656 | 68.48 | 2,079,369 | 7.90 | 6,895 | 68.67 | 2,148,351 | 8.16 |
| 501 - 1000 | 1,557 | 16.02 | 1,331,732 | 5.06 | 1,628 | 16.21 | 1,397,112 | 5.31 |
| 1001 - 2000 | 429 | 4.41 | 658,977 | 2.50 | 427 | 4.25 | 657,241 | 2.50 |
| 2001 - 3000 | 724 | 7.45 | 1,796,718 | 6.82 | 721 | 7.18 | 1,790,020 | 6.80 |
| 3001 - 4000 | 51 | 0.52 | 185,729 | 0.71 | 54 | 0.54 | 195,969 | 0.74 |
| 4001 - 5000 | 144 | 1.48 | 700,196 | 2.66 | 152 | 1.51 | 740,858 | 2.81 |
| 5001 - 10000 | 87 | 0.90 | 697,008 | 2.65 | 99 | 0.99 | 789,256 | 3.00 |
| 10001 and above | 72 | 0.74 | 18,880,271 | 71.71 | 65 | 0.65 | 18,611,193 | 70.68 |
| Total | 9,720 | 100.00 | 26,330,000 | 100.00 | 10,041 | 100.00 | 26,330,000 | 100.00 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**Registrar and Transfer Agent**

M/s.S.K.D.C.Consultants Limited, P.B.No.2979, No.7(Old No.11), Seth Narayandoss Layout, Street No.1, (West Power House Road), Tatabad, Coimbatore – 641 012, Phone: 0422-2499803, 2499804, Fax:0422-2499574 is the Share Transfer Agent for Physical and Electronic transfer of Company's Shares.

Categories of shareholding as on:

| Category | 31.03.2009 | | | | 31.03.2008 | | | |
|---------------|----------------------|---------------|--------------------|--------------------|----------------------|---------------|--------------------|--------------------|
| | No. of Share holders | % | No. of Shares held | % of Share holding | No. of Share holders | % | No. of Shares held | % of Share holding |
| Promoters | 9 | 0.09 | 16,428,993 | 62.40 | 12 | 0.12 | 16,284,182 | 61.85 |
| Corporate | 208 | 2.14 | 469,133 | 1.78 | 280 | 2.79 | 698,885 | 2.65 |
| Individuals | 9,468 | 97.41 | 8,163,238 | 31.00 | 9,710 | 96.70 | 8,076,499 | 30.67 |
| NRI's / OCB's | 35 | 0.36 | 1,268,636 | 4.82 | 39 | 0.39 | 1,270,434 | 4.83 |
| Total | 9,720 | 100.00 | 26,330,000 | 100.00 | 10,041 | 100.00 | 26,330,000 | 100.00 |

Dematerialisation of shares:

As per SEBI's instruction the Company's Equity Shares can be sold through Stock Exchanges only in Dematerialised form.

Extent of Dematerialisation as on 31.03.2009

| Name of the Depository | No.of Shares | % |
|---|--------------------|---------------|
| National Securities Depository Ltd | 1,69,14,313 | 64.240 |
| Central Depository Services (India) Ltd | 59,68,894 | 22.670 |
| Total | 2,28,83,207 | 88.810 |

Plant location :

Cholangapalayam
Erode – Karur Main Road
Pasur Post
Erode District
Pin: 638 154

Registered Office and Address for Correspondence:

Due to Administrative reasons the company shifted the Registered Office at 156, Gandhiji Road, Erode - 638 001 to the following new address.

185 Chennimalai Road,
Erode - 638001.
Phone : (0424) 2262963
Fax: (0424) 2258419
e-mail : finance@skmegg.com

Place : Erode
Date : 30.07.2009

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

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

Your directors are pleased to present the **FOURTEENTH ANNUAL REPORT** and the audited accounts of the company for the year ended **March 31, 2009**.

FINANCIAL HIGHLIGHTS

| Rs. in lacs | | |
|--|------------------|------------------|
| DESCRIPTION | 2008-2009 | 2007-2008 |
| Net Sales | 12222.21 | 10,669.48 |
| Profit Before Interest and Depreciation | 2,153.42 | 1520.54 |
| Less : Interest | 540.33 | 289.00 |
| Depreciation | 418.09 | 307.58 |
| Profit before tax | 1194.99 | 923.96 |
| Less : Provision for Taxation | 550.83 | 82.19 |
| Profit after tax and available for appropriation | 644.16 | 841.77 |
| APPROPRIATIONS: | | |
| Proposed dividend | 131.65 | 131.65 |
| Corporate dividend tax | 22.37 | 22.37 |
| Balance carried to Balance Sheet | 490.13 | 687.75 |

DIVIDEND :

Your directors derive pleasure in recommending a dividend of **5%** amounting to **Rs.154.02 lakhs** (including dividend distribution tax) for the accounting year **2008-2009**.

REVIEW OF PERFORMANCE

Your directors consider the performance of the company as satisfactory and wish to state that during the year recorded a turnover of Rs122.22 crores as against Rs.106.69 crores in the previous ended 31st March 2009 and thereby registering a growth of 14.56%. The profit before tax has gone upto Rs.11.95 Crores compared to Rs.9.23 crores during the corresponding in the last year. It may please noted that the PAT was at Rs.6.44 crores as on 31.03.2009 as against Rs.8.42 Crores in the previous fiscal.

There was a significant growth in the egg powder production and quantity of egg powder sold during this year under review over the previous year. During this year under review the company produced 4155.670 MT and sold 3865.010 MT of egg powder compared to the previous year's production and sale of 4651 MT and 5007 MT respectively. The Interest & Finance charges increased to Rs.5.40 crores due to increased interest rates and increase in average borrowings.

CAPITAL EXPENDITURE AND FUNDING

The Capital Expenditure incurred and funded for the year is Rs.3522.30 lakhs of which Rs.1111.02 lakhs pertain to plant and machinery.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

INDUSTRY OVERVIEW

The steep recession continuing in the countries where the company is predominantly exporting its products, is restricting the increase in sales volume and reducing the price realisation. Therefore, the sales outlook for the year 2009-2010 will remain same as the previous year. The shell egg price in Europe is normal and increasing trend as expected. But the egg prices in US after the financial crisis as fall in drastically. Hence due to low cost eggs in US, we are facing stiff competition on price front in Japan and Europe. In order to sustain our volume of business, our company has also reduced the selling price. However, there are signs of recovery of shell egg price in the future. When this becomes reality, there would be enough scope for upward revision in the selling price and the sales both in volume and value would go up considerably. Overall for the year 2009-10, the company will have to evolve strategies in such a way to retain at least the present price levels and volume. Consequently, the margin would be under pressure.

Egg processing industry is a raw material intensive industry and hence fluctuation in egg price widely influence cash position and operating margin of this industry. Except during the last two months of the year under review, the egg price was ruling at high throughout the year and this factor had a substantial adverse effect on the bottom line of the company for this year. Also Indian egg processing industries do not have any domestic market for processed eggs and therefore the performance of the company is having a direct correlation to the performance of the global economy. The slow down in the performance of the US economy resulted in appreciation of Indian Rupee against US dollar and as a consequence the operating profit of the company during this year was lower against the previous year.

PROSPECTS FOR THE CURRENT FINANCIAL YEAR :

There is a welcome sign in the exchange rates between rupee and other major currencies in the first part of this current financial year 2009-10 and this is expected to compensate to a little extent the loss due to escalation in raw material price and reduction in egg powder rates. In the last union budget, the Government of India has doubled the custom duty on sale of goods from EOU's to Domestic Tariff Area (DTA) from 25% to 50% in addition to the 100% additional custom duty paid on such sale. In view of this net selling price of company's product to DTA became costly. The increased feed ingredients cost due to prevailing inflation pushed up egg price considerably which affects adversely the bottom line of the company. As the raw material price escalated, the company is taking renewed efforts to sustain competitiveness through improved efficiency.

POULTRY PROJECT :

The company has implemented poultry farm project to cater to the needs of the requirement of egg powder division at Cholangapalayam. We are taking 425000 of eggs from our farm on daily basis. It is expected that this project would make a significant contribution to the bottom line of the company in the ensuing years. In addition to the monetary benefits, this project will enable the company's tracking system to extent upto the stage of feed ingredients level. The advantage of poultry farm is that we can purchase good quality salmonella free chicks from known source which is pre requisite for food safety. The company has a very good bio security control in our premises and strict monitoring of health of birds. Also we can produce good quality residue free eggs by giving good quality feed & water to birds. Traceability is much easier in our own production.