

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.SK.M.MAEILANANDHAN
MANAGING DIRECTOR	:	Shri.SK.M.SHREE SHIVKUMAR
MANAGEMENT EXECUTIVE		
GENERAL MANAGER-FINANCE & COMPANY SECRETARY	:	Shri.S.RAGHURAMAN, B.A., F.C.A., F.C.S.
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.

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

NOTICE TO MEMBERS

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on 30th, September, 2010 at 4.00 p.m at Kongu Kalaiarangam, E.V.K.Sampath 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 2010.
 - b. The audited Balance Sheet as at 31st March 2010.
 - c. The Directors' and Auditors' Report thereon.
2. To appoint a Director in the place of **Dr.L.M.Ramakrishnan**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of **Sri. M.Chinnayan**, 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 : 30.07.2010

By order of the Board

SKM. SHREE SHIVKUMAR
Managing Director

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 25.09.2010 to 30.09.2010 (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., Ganapathy towers, IIIrd floor, 1391/A-1, Sathy Road, Ganapathy, 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 Explanatory Statement are available for inspection at the Registered Office of the Company 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 2004, 31st March 2005, 31st March 2006, 31st March 2007, and 31st March, 2008, 31st March, 2009 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., Ganapathy towers, IIIrd floor, 1391/A-1, Sathy Road, Ganapathy, 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 Direct proposed for re-appointment of Directors are given in **Report on Corporate Governance**

By order of the Board

Place : Erode

Date : 30.07.2010

SKM. SHREE SHIVKUMAR
Managing Director

SHAREHOLDERS' INFORMATION

Date and Venue of Annual General Meeting

On 30th September 2010 at Kongu Kalaiarangam, E.V.K.Sampath Nagar, Erode - 638 011.

Tentative Financial Calender :

Fourth quarter and unaudited results 2009-2010	: April 29 2010.
First quarter results for 2010-11 and audited Results for 2009-2010	: 30.07.2010.
Fifteenth Annual General Meeting	: 30.09.2010
Second quarter results for 2010-2011	: On or before October 31, 2010.
Third quarter results for 2010-2011	: On or before January 31, 2011.
Date of book closure	: 25.09.2010 to 30.09.2010

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 2010-11 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, 2009 and March, 2010** are as under:

Month	Bombay Stock Exchange Limited			National Stock Exchange Limited		
	High	Low	Quantity	High	Low	Quantity
Apr-2009	16.28	13.50	69,778	16.50	12.15	1,11,858
May-2009	26.54	13.35	6,99,336	26.25	13.00	14,34,456
Jun-2009	32.05	16.85	4,20,791	31.80	16.80	9,29,930
Jul-2009	18.80	15.25	55,391	18.90	15.15	1,28,887
Aug-2009	19.70	15.40	1,11,387	19.70	15.80	1,90,979
Sep-2009	19.45	17.40	1,32,223	19.30	17.25	1,89,481
Oct-2009	18.40	15.85	70,345	19.00	15.75	1,31,950
Nov-2009	21.40	14.90	1,63,237	20.50	14.30	4,29,113
Dec-2009	29.75	17.80	30,30,193	29.65	17.50	26,21,802
Jan-2010	25.45	17.70	3,02,813	24.90	18.15	7,90,062
Feb-2010	20.65	17.10	85,432	20.40	16.45	2,33,003
Mar-2010	22.80	17.90	3,33,197	22.80	17.60	9,17,952

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 :

S.Raghuraman, B.A. FCA. FCS.

General Manager Finance & Company Secretary,
M/s.SKM Egg Products Export (India) Limited,
185, Chennimalai Road,
Erode – 638 001.

Distribution of shareholding as on :

No. of Equity Shares held	31.03.2010				31.03.2009			
	No. of Share holders	%	No. of Shares held	% of Share holding	No. of Share Holders	%	No. of Shares held	% of Share holding
1 - 500	6,786	69.24	20,647,370	7.84	6,656	68.48	20,79,369	7.90
501 - 1000	1,539	15.70	13,202,660	5.01	1,557	16.02	13,31,732	5.06
1001 - 2000	403	4.11	6,155,790	2.34	429	4.41	6,58,977	2.50
2001 - 3000	694	7.10	17,262,180	6.56	724	7.45	17,96,718	6.82
3001 - 4000	61	0.62	2,211,940	0.84	51	0.52	1,85,729	0.71
4001 - 5000	152	1.55	7,392,230	2.81	144	1.48	7,00,196	2.66
5001 - 10000	100	1.02	7,846,610	2.98	87	0.90	6,97,008	2.65
10001 and above	65	0.66	188,581,220	71.62	72	0.74	18,880,271	71.70
Total	9,800	100.00	2,63,30,000	100.00	9,720	100.00	2,63,30,000	100.00

Registrar and Transfer Agent

M/s.S.K.D.C.Consultants Limited, Ganapathy towers, Illrd floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006, Phone: 0422-6549995, 2539835 2539836 , Fax:0422-2539837 is the Share Transfer Agent for Physical and Electronic transfer of Company's Shares.

Categories of shareholding as on:

Category	31.03.2010				31.03.2009			
	No. of Share holders	%	No. of Shares held	% of Share holding	No. of Share holders	%	No. of Shares held	% of Share holding
Promoters	10	0.10	16,461,793	62.52	9	0.09	16,428,993	62.40
Corporate	206	2.10	5,66,371	2.16	208	2.14	469,133	1.78
Individuals	9,545	97.40	80,44,887	30.55	9,468	97.41	8,163,238	31.00
NRI's / OCB's	39	0.40	12,56,949	4.77	35	0.36	1,268,636	4.82
Total	9,800	100.00	26,330,000	100.00	9,720	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 31.03.2010

Name of the Depository	No.of Shares	%
National Securities Depository Ltd	13,456,702	51.108
Central Depository Services (India) Ltd	7,047,586	26.766
Physical	5,825,712	22.126
Total	26,330,000	100.000

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 - 638 001.
Phone : (0424) 2262963
Fax: (0424) 2258419
e-mail : finance@skmegg.com

Place : Erode
Date : 30.07.2010

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

DIRECTORS' REPORT AND MANAGEMENT ANALYSIS

Your directors are pleased to present the **FIFTEENTH ANNUAL REPORT** and the audited accounts of the company for the year ended **March 31, 2010**.

FINANCIAL HIGHLIGHTS

Rs. in lacs

DESCRIPTION	2009-2010	2008-2009
Net Sales	11361.34	12222.21
Profit Before Interest and Depreciation	1373.30	2153.42
Less : Interest	811.84	540.33
Depreciation	531.89	418.09
Profit before tax	29.57	1194.99
Add: Earlier Year Mat Provision credit entitlement	239.25	
Less: Provision for Deferred Tax	174.30	550.83
Profit after tax and available for appropriation	94.51	644.16
APPROPRIATIONS:		
Proposed dividend	0	131.65
Corporate dividend tax	0	22.37
Balance carried to Balance Sheet	94.51	490.13

DIVIDEND :

Since the company has earned a meager net profit of **Rs.94.51 lakhs**, the Board has not recommended the dividend during the year **2009-10**.

REVIEW OF PERFORMANCE

Your directors wish to state that during the year recorded a turnover of Rs.113.62 crores as against Rs. 122.22 crores in the previous ended 31st March 2009. The profit before tax has gone down to Rs.0.30 crores, compared to Rs.11.95 crores during the corresponding previous year .PAT stood at Rs. 0.95 crores as on 31.03.2010 as against Rs. 6.44 crores in the previous fiscal.

During the current year under review, the average egg price stood at Rs.2.28/egg when compared to Rs.1.92/egg during the previous year ended 31st March, 2009. The average realization of egg powder had also shown decline from Rs 316.23/kg during the corresponding previous year 2008-09 to Rs.258.70/kg during the current year under review. Despite worldwide recession, the quantity sold during the current year stood at 4391.67 MT, when compared to 3865.01 MT during the previous year. The Interest & Finance charges increased to Rs.8.12 crores due to expansion of Feed Mill and Egg Powder unit and increase in average borrowings.

CAPITAL EXPENDITURE AND FUNDING

The Capital Expenditure incurred and funded for the year is Rs.4573.10 lakhs of which Rs.1096.70 lakhs pertain to plant and machinery.

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 realization. Therefore, the sales outlook for the year 2010-2011 will remain the same as that of the previous year. The shell egg price in Europe is low and there is no increasing trend, as expected. But the egg prices in US after the financial crisis has 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. The company is evolving strategies, in such a way, to retain at least the present price levels and volume. Because of this, the margin continues to be under pressure, as we do not want to lose the customers. The customers are happy with our quality and strict adherence to time schedule.

Egg processing industry is a raw material intensive industry and hence fluctuation in egg price widely influences cash position and operating margin of this industry. 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 as against the previous year.

The company has been working very hard on value added products to get a premium prices from the market price. The company has identified Russia as an important destination for Egg yolk powder. It is in the process of establishing the branch office in Moscow.

With our standing experience in overseas for over years, we had indentified few sources who will be able to help us in our operations at Russia. We believe that our direct contact with end users will give us better realization and relationship. We plan to make use of different agents in Russia to service our customers and pay a commission to them on the business provided by them. With our experience in Europe Union and other markets, we are confident of establishing a market share in Russia, taking advantage of better unilateral relationship our Country had developed over these years.

During the recent visits, we have started opening dialogue with the prosperous buyers there and we have received encourage response. Our credibility can be easily established with the fact that our products exported to Europe are further value added and exported to Russia. The biggest step now is to further value add our product to suit the Russian Market, which needs a lot of time and effort technically and commercially. These measures are absolutely required, if we want to retain our position in the overseas market. We are confident that our efforts will bear results in about a year or so.

We are also closely monitoring the political situation in that country and the payment terms of the customers also. Since the market is booming and the realization is better than any other overseas country, we are serious about this market. As the entire situation is in a fluid state, we will be able to firm up our assumptions with solid figures over a period of time.

In addition to our efforts in Russia, our exclusive offices SKM Europe and SKM Japan are continuously working to expand our market with better realization.

We are confident of increasing our volume and realization in the coming years with the help of the economic recovery in the US and the EU.

POULTRY PROJECT:

We are taking about 450000 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. We can also produce good quality residue free eggs by giving good quality feed & water to birds. Traceability is much easier in our own production.

Poultry, in fact, is one of the fastest growing segments of the Agricultural sector in India. A significant feature of India's poultry has been its transformation from a backward activity into a major commercial activity in just four decades. This transformation has evolved sizable private sector investments in breeding, hatching, rearing and processing.

Particularly the investments in Layer farming is expected to be much better and we can visualize it at the rate of 7.5% increase every year and this increase is directly proportional to the population and the per capita consumption. National Eggs Coordination Committee has already projected a poultry plan for the year 2015 based on the target of achieving 180 eggs as per capita consumption. This will have a thrust on developing the rural consumption which is the focal point at the pace of 20% per annum.

The Indian Egg price has been historically very close to the American prices of around 0.4 Euro per Kg. but from 2006-07 onwards it has gradually increased to 0.55 Euro per Kg. in 2008-09. In the last year the egg prices are dramatically increased to reach a level of 0.75 Euro per Kg.

FEED MILL :

The company started production on 04/06/09 and the capacity of the plant is 200 mt/day. Feed cost constitutes a major component in the cost of producing eggs and the benefits out of the poultry farm can be improved. Also the cost of feed ingredients fluctuate widely and the company is not able to take advantage of the price movements of feed ingredients which can be achieved by implementing efficient purchasing system and the company hopes that it would make a considerable savings in the feed ingredients and processing cost. In addition the company is receiving enquiries for supply of various kinds of egg powders which can be possible if eggs are produced in the farm by changing feed composition mix on trial basis. The purpose of extending its tracking system from present system up to feed ingredients stage is possible. In view of the reasons cited, the company established a feed mill at Ayyempalayam village at Aravakkurichi Taluk, Karur District.

For utilizing the maximum capacity from the present level, we have adopted a new strategy by which the feed mill is given for lease to the prospective customers, for use of specific hours only, without compromising use for our own consumption, which will improve the revenue generation of the company in the long run. We have got offers from local farmers and other sources also.

SUBSIDIARY COMPANY :

During this year under review the company's marketing subsidiary SKM Europe BV, Netherlands earned a profit of Rs. 2.31 lakhs. The subsidiary helps the company in a big way in identifying new customers in Europe and improved the confidence level of customers through timely and qualitative services. The subsidiary is also taking initiatives to explore into markets which are untapped by the company till now. The Annual Accounts of the subsidiary company for the financial year under review are attached with this report.