

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

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

<b>BOARD OF DIRECTORS</b>	:	<b>Shri. SKM. MAEILANANDHAN</b>
	:	<b>Shri. SKM. SHREE SHIVKUMAR</b>
	:	<b>Smt. S. KUMUTAAVALLI</b>
	:	<b>Shri.S.M.VENKATACHALAPATHY</b>
	:	<b>Dr.L.M.RAMAKRISHNAN</b>
	:	<b>Shri.M.CHINNAYAN</b>
	:	<b>Shri.P.KUMARASAMY</b>
	:	<b>Shri.B.RAMAKRISHNAN</b> (TIDCO Nominee)
<b>EXECUTIVE CHAIRMAN</b>	:	<b>Shri.SK.M.MAEILANANDHAN</b>
<b>MANAGING DIRECTOR</b>	:	<b>Shri.SK.M.SHREE SHIVKUMAR</b>
<b>AUDITORS</b>	:	<b>N.C.RAJAGOPAL &amp; CO.,</b> Chartered Accountants, 199, Agraharam Street, ERODE – 638 001.
<b>BANKERS</b>	:	<b>STATE BANK OF INDIA</b> Commercial Branch, 78/79, Park Road, ERODE - 638 003.
<b>REGISTERED OFFICE</b>	:	185, Chennimalai Road, Erode - 638 001. ERODE DISTRICT.
<b>FACTORY</b>	:	Erode to Karur Main Road, Cholangapalayam, Punjai Kilambadi Village, ERODE DISTRICT - 638 154.

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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# SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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

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### NOTICE TO MEMBERS

Notice is hereby given that the **Sixteenth Annual General Meeting** of the Members of the Company will be held on Friday the 30th, September, 2011 at 4.00 p.m at Kongu Mahal (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 31<sup>st</sup> March 2011.
  - b. The audited Balance Sheet as at 31<sup>st</sup> March 2011.
  - c. The Directors' and Auditors' Report thereon.
2. To appoint a Director in the place of **Shri.S.M.Venkatachalapathy**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of **Shri. P.Kumarasamy**, 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.

##### SPECIAL BUSINESS

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

“**RESOLVED THAT** pursuant to the applicable provision of the Companies Act, 1956, Smt.S.Kumutaavalli who was appointed as an Additional Director by the board of directors and who ceases to hold office under section 260 of the Companies Act, 1956 as from the date of ensuing Annual General Meeting and in respect of whom the company has received a notice in writing proposing her candidature for the office of Director, be and is hereby appointed as a director of the company liable to retire by rotation”
6. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution.

“**RESOLVED THAT** pursuant to Section 293(1) (d) and other applicable provisions of the Companies Act, 1956, consent of the company be and is hereby accorded on the Board of Directors of the Company for borrowing from time to time any sum or sums of moneys on such terms and conditions and with or without security as the board of directors may think fit which, together with the moneys already borrowed by the company (apart from temporary loans obtained or be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the company and its free reserves, that is to say, reserve not set apart for any specific purpose, provided that the total amount of money/moneys so borrowed by the board shall not at any time exceed the limit of Rs.125 Crores.

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**“FURTHER RESOLVED THAT** the board of directors be and is hereby authorized to do and perform all such acts, deeds and things as may be necessary, desirable or expedient to give effect this resolution.”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as 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 and subject to approvals of the shareholders in the ensuing Annual General Meeting of the Company, Shri SKM. Shree Shivkumar be and is hereby reappointed as the Managing Director of the company for a period of five years from 25<sup>th</sup> June 2011 to 24<sup>th</sup> June 2016.”

**“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 and subject to approvals of the shareholders in the ensuing Annual General Meeting of the Company, consent of the Board be and is hereby accorded to the payment of remuneration, perquisites and benefits, as determined by the Remuneration Committee and as detailed below to Shri. SKM Shree Shivkumar, Managing Director with effect from 25<sup>th</sup> June 2011.

- I. Basic Pay Rs 1,80,000/- 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.

**“RESOLVED FURTHER THAT,** subject to approval by the shareholders in the ensuing Annual General Meeting of the Company, 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** 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.”

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

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

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**“RESOLVED THAT** pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and in accordance with clause 69 of the articles of association of the company and subject to approvals of the shareholders in the ensuing Annual General Meeting of the Company, Shri SKM. Maeilanandhan be and is hereby reappointed as whole time chairman of the company designated as Executive Chairman for a period of five years from 25<sup>th</sup> June, 2011 to 24<sup>th</sup> June, 2016”

**“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 and subject to approvals of the shareholders in the ensuing Annual General Meeting of the Company, consent of the Board be and is hereby accorded to the payment of remuneration, perquisites and benefits, as approved by the Remuneration Committee and as detailed below to Shri.SKM Maeilanandhan, Whole Time Director designated as Executive Chairman with effect from 25<sup>th</sup> June 2011.

- I. Basic Pay Rs.1,90,000/- 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.
  - 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.

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,** subject to approval by the shareholders in the ensuing Annual General Meeting of the Company, 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** 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.”

Place : Erode

Date : 12.08.2011

By order of the Board

**SKM.Maeilanandhan**  
**Executive Chairman**

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

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### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

#### **Item No 5**

Smt.S.Kumutaavalli was appointed as an Additional Director with effect from 29<sup>th</sup> October 2010. She holds office only up to the date of the forthcoming Annual General Meeting. As required under section 257 of the Companies Act, a notice has been received from a member signifying her intention to propose her appointment as a Director.

Smt.S.Kumutaavalli, B.A (Corporate Secretaryship) from University of Bharathiar and Master of Science in Psychotherapy and Counseling, Diploma in Export Management and Diploma in Advance Information management and is hailing from Promoter Group. She is well versed in general Management and her association as a director for your company will be beneficial particularly in the context of enlargement of the business interest of your company. The Board proposes to appoint her as a Director liable to retire by rotation as per the relevant provisions of the Companies Act, 1956. The Board recommends the resolution for your approval.

#### **Memorandum of Interest:**

None of the Directors except Shri. SKM.Maeilanandhan & Shri.SKM.Shree Shivkumar & Shri.S.M.Venkatachalapathy are deemed to be interested in the resolution.

#### **Item No 6**

Section 293(1)(d) of the Companies Act, 1956 requires the Directors of the Company should obtain the consent of the share holders in the General Meeting to enable them to borrow moneys where the amount to be borrowed together with the amount already borrowed by the Company will exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set a part for any specific purpose.

In view of the company has become public with effect from the date of the resolution, it is required to secure the approval of the members in terms of the above said provisions of the Act. Further considering the increase in the volume of business and taking into account the limits availed from the bank, your directors feel that they should obtain consent from the shareholders to borrow more funds. Accordingly, they have thought it is desirable to obtain the consent of the share holders pursuant to Section 293(1)(d) of the Companies Act, 1956 to fix the limit of Rs.125 crores, as is now proposed to be under the Ordinary Resolution and to give the necessary powers to board of directors as required under Section 293(1)(d) of the said Act. The directors recommend the approval of the resolution as set out in the notice attached hereto of the shareholders.

None of the directors is interested or concerned in this resolution.

#### **Item No 7**

The tenure of Shri.SKM.Shree Shivkumar, Managing Director ended on 24.06.2011 The board of directors at their meeting held on 12.08.2011 have re-appointed Shri.SKM.Shree Shivkumar, as Managing Director for a further period of 5 years commencing from 25.06.2011 ending 24.06.2016.

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

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In view of the substantial and significant contribution made by Shri.SKM.Shree Shivkumar and keeping in mind the multifarious operations involving constant directions for efficient handling of project related activities, the board felt that his re-appointment would be just and fair with the remuneration and perquisites as provided in the resolution.

The re-appointment of Shri.SKM.Shree Shivkumar as Managing Director and the payment of remuneration are in conformity with Schedule XIII of the Companies Act, 1956, and the same has been recommended by the Remuneration Committee and approved by the Board of Directors.

Yours directors recommend the resolution as set out in Item No.7 of the notice for the approval of the members.

### **Memorandum of Interest:**

None of the directors other than Shri.SKM.Shree Shivkumar, Managing Director, being the appointee director and Shri SKM Maeilanandhan, Executive Chairman, Shri.S.M Venkatachalapathy, Director and Smt.S.Kumutaavalli, Director being relatives of the appointee director are interested or concerned in the resolution.

### **Item No :8**

The tenure of Shri SKM Maeilanandhan, Executive Chairman, ended on 24.06.2011 The board of directors at their meeting held on 12.08.2011 have re-appointed Shri. SKM. Maeilanandhan, as Executive Chairman for a further period of 5 years commencing from 25.06.2011 ending 24.06.2016.

In view of the substantial and significant contribution made by Shri SKM Maeilanandhan and keeping in mind the multifarious operations involving constant directions for efficient handling of project related activities, the board felt that his re-appointment would be just and fair with the remuneration and perquisites as provided in the resolution.

The re-appointment of Shri SKM Maeilanandhan as Executive Chairman and the payment of remuneration are in conformity with Schedule XIII of the Companies Act, 1956, and the same has been recommended by the Remuneration Committee and approved by the Board of Directors.

Yours directors recommend the resolution as set out in Item No 8 of the notice for the approval of the members.

### **Memorandum of Interest :**

None of the directors other than Shri SKM Maeilanandhan, Executive Chairman, being the appointee director and Shri SKM Shree Shivkumar, Managing Director, Shri.S.M Venkatachalapathy, Director and Smt.S.Kumutaavalli, Director being relatives of the appointee director are interested or concerned in the resolution.

By order of the Board

Place : Erode  
Date : 12.08.2011

**SKM. Maeilanandhan**  
**Executive Chairman**

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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### 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 24.09.2011 to 30.09.2011 (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 – 641 006.
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 31<sup>st</sup> March 2005, 31<sup>st</sup> March 2006, 31<sup>st</sup> March 2007, and 31<sup>st</sup> March, 2008, 31<sup>st</sup> 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 – 641 006 , 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 reappointment of Directors are given in Report on Corporate Governance.

By order of the Board

Place : Erode  
Date : 12.08.2011

**SKM. Maeilanandhan**  
**Executive Chairman**

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

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### **SHAREHOLDERS' INFORMATION**

#### **Date and Venue of Annual General Meeting**

**On Friday the 30<sup>th</sup> September 2011 at 4.00 p.m. Kongu Mahal (Kongu Kalaiaragam), E.V.K.Sampath Nagar, Erode - 638 011.**

#### **Tentative Financial Calender :**

Fourth quarter and unaudited results 2010-2011	: 29.04.2011
First quarter results for 2011-12 and audited Results for 2010-2011	: 12.08.2011.
Sixteenth Annual General Meeting	: 30.09.2011
Second quarter results for 2011-2012	: On or before November 12, 2011.
Third quarter results for 2011-2012	: On or before February 12, 2012.
Date of book closure	: 24.09.2011 to 30.09.2011

#### **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, 5<sup>th</sup> 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.



## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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### 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, 2010 and March, 2011** are as under:

Month	Bombay Stock Exchange Limited			National Stock Exchange Limited		
	High	Low	Quantity	High	Low	Quantity
Apr-2010	22.80	18.65	9,32,667	22.85	18.65	2,48,371
May-2010	21.10	17.00	2,58,011	20.25	17.05	1,21,844
Jun-2010	19.75	17.80	4,00,772	19.95	17.95	1,62,694
Jul-2010	19.70	15.95	24,62,801	19.50	15.95	9,79,694
Aug-2010	16.80	13.80	7,09,623	16.75	13.80	3,97,398
Sep-2010	19.60	14.00	33,58,587	19.60	14.05	2,12,749
Oct-2010	16.80	13.80	8,32,815	16.50	14.15	3,10,808
Nov-2010	20.05	14.05	38,31,318	20.00	13.91	21,87,387
Dec-2010	16.45	13.45	2,73,185	16.40	13.35	2,63,193
Jan-2011	15.75	11.60	2,55,693	16.00	11.55	1,66,345
Feb-2011	12.20	9.20	1,47,694	12.39	9.15	1,69,779
Mar-2011	10.90	8.95	1,67,076	10.84	9.26	1,50,235

### Stock Code :

National Stock Exchange of India (NSE)	<b>SKMEGGPROD</b>
The Bombay Stock Exchange Ltd	<b>532143</b>
NSDL & CSDL	<b>INE 411 D 1015</b>

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

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### Distribution of shareholding as on :

No. of Equity Shares held	31.03.2011				31.03.2010			
	No. of Share holders	%	No. of Shares held	% of Share holding	No. of Share Holders	%	No. of Shares held	% of Share holding
1 - 500	7,724	67.11	2,270,693	8.62	6,786	69.24	20,64,737	7.84
501 - 1000	1,876	16.30	16,24,108	6.17	1,539	15.70	13,20,266	5.01
1001 - 2000	636	5.53	9,87,985	3.75	403	4.11	6,15,579	2.34
2001 - 3000	757	6.58	1,886,787	7.17	694	7.10	17,26,218	6.56
3001 - 4000	84	0.73	2,98,620	1.13	61	0.62	2,21,194	0.84
4001 - 5000	163	1.42	7,93,767	3.01	152	1.55	7,39,223	2.81
5001 - 10000	150	1.30	1,162,459	4.41	100	1.02	7,84,661	2.98
10001 and above	118	1.03	17,305,581	65.74	65	0.66	1,88,58,122	71.62
<b>Total</b>	<b>11,508</b>	<b>100.00</b>	<b>2,63,30,000</b>	<b>100.00</b>	<b>9,800</b>	<b>100.00</b>	<b>2,63,30,000</b>	<b>100.00</b>

### Registrar and Transfer Agent

M/s.S.K.D.C.Consultants Limited, Ganapathy towers, IIIrd 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	31.03.2011				31.03.2010			
	No. of Share holders	%	No. of Shares held	% of Share holding	No. of Share holders	%	No. of Shares held	% of Share holding
Promoters	9	0.080	13,740,313	52.19	10	0.10	16,461,793	62.52
Corporate	277	2.410	11,24,915	4.27	206	2.10	5,66,371	2.16
Individuals	11,176	97.11	10,150,143	38.55	9,545	97.40	80,44,887	30.55
NRI's / OCB's	46	0.400	1,314,629	4.99	39	0.40	12,56,949	4.77
<b>Total</b>	<b>11,508</b>	<b>100.00</b>	<b>26,330,000</b>	<b>100.00</b>	<b>9,800</b>	<b>100.00</b>	<b>26,330,000</b>	<b>100.00</b>

### Compliance Officer:

SKM. Shree Shivkumar,  
Managing Director,  
M/s.SKM Egg Products Export (India) Limited,  
185, Chennimalai Road,  
Erode – 638 001.

Place : Erode  
Date : 12.08.2011

By order of the Board

**SKM. Maeilanandhan**  
Executive Chairman

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

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### **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 31.03.2011**

<b>Name of the Depository</b>	<b>No.of Shares</b>	<b>%</b>
National Securities Depository Ltd	15,976,905	56.88
Central Depository Services (India) Ltd	5,955,733	22.62
Physical	5,397,362	20.50
<b>Total</b>	<b>26,330,000</b>	<b>100.00</b>

### **Plant location:**

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

### **Registered Office and Address for Correspondence:**

185 Chennimalai Road,  
Erode - 638 001.  
Phone : (0424) 2262963  
Fax: (0424) 2258419  
**e-mail** : finance@skmegg.com

Place : Erode  
Date : 12.08.2011

By order of the Board

**SKM. Maeilanandhan**  
**Executive Chairman**

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### DIRECTORS' REPORT AND MANAGEMENT ANALYSIS

Your directors are pleased to present the **16th ANNUAL REPORT** with audited accounts for the year ended **31st, March 2011**. The summarized financial results of the Company are given hereunder.

#### FINANCIAL HIGHLIGHTS

Rs. in lacs

DESCRIPTION	2010-2011	2009-2010
Net Sales	11489.01	11361.34
Profit Before Interest and Depreciation	672.55	1373.30
Less : Interest	908.12	811.84
Depreciation	696.95	531.89
Profit before tax	(932.53)	29.57
Add : Earlier Year Mat Provision credit entitlement	--	239.25
Less : Provision for Deferred Tax	--	174.30
Profit after tax and available for appropriation	(932.53)	94.51
<b>APPROPRIATIONS:</b>		
Proposed dividend	--	0
Corporate dividend tax	--	0
Balance carried to Balance Sheet	--	94.51

#### DIVIDEND:

Your directors have not recommended any dividend for the financial year in view of the loss incurred to the tune of (Rs.932.53) lacs for the year ended 31<sup>st</sup> March 2011.

#### CORPORATE GOVERNANCE

- A detailed report on corporate governance together with a certificate from the Statutory Auditors, in compliance with Clause 49 of the Listing Agreement, is attached as part of this report.
- Compliance reports in respect of all laws applicable to the Company have been reviewed by the Board of Directors

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### REVIEW OF PERFORMANCE:

Your directors wish to state that during the year recorded a turnover of Rs.114.89 crores as against Rs.113.61 crores in the previous ended 31<sup>st</sup> March 2011. The profit before tax has gone down to (Rs.9.32) crores compared to Rs. 0.30 crores during the corresponding in the last year. It may please noted that the PAT was at Rs.(9.32) crores as on 31.03.2011 as against Rs.0.95 crores in the previous fiscal.

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

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Despite worldwide recession, the quantity sold during the current year stood at 4180.370 MT, when compared to 4391.67 MT during the previous year. The Interest & Finance charges increased to Rs.9.08 crores due to expansion of Feed Mill and Egg Powder unit and increase in average borrowings.

### **Key Factors which affect the performance of the company in general**

- a) Adverse movement in Egg Powder rates and foreign exchange rates.
- b) Volatility in prices of raw materials like egg etc.
- c) Shortage of trained and specialized human capital, weak employee laws, frail logistics and supply chain system.
- d) Capital intensive and lower margins business.
- e) Increase in the cost of finance due to monetary policy of Apex Bank.

### **CAPITAL EXPENDITURE AND FUNDING**

The Capital Expenditure incurred and funded for the year is Rs.2714.60 lakhs of which Rs.1442.00 lakhs pertain to plant and machinery.

### **OUTLOOK OF THE INDUSTRY:**

1. The economy will grow by 8.2% in 2011-12 slower than the previous fiscal but it is not sinking despite global head ways.
2. The sales outlook for the year 2011-2012 will remain same as that of the previous year.
3. The shell egg price in Europe and US is low and increasing trend is expected over the coming months. Indian egg price has increased compared to the previous years. Hence, due to low cost eggs in US, we are facing stiff competition on price front in Japan and Europe.
4. The steep recession is also restricting the increase in sales volume and reducing the price realization. Therefore, in order to sustain our volume of business, our company has also reduced the selling price drastically in Asian countries except Japan. However, there are signs of recovery of shell egg price in the future.
5. Overall for the year 2011-12, the company will have to evolve strategies in such a way to retain at least the present price levels and volume and existing buyers, consequently, the margin would be under pressure.
6. 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.
7. 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 slowdown 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.
8. Your directors serious to cater the domestic market by way of supplying pasteurized liquid eggs to Institutes , star hotels and bakeries. Huge potential is identified and we are very aggressive to captivate the market over a period of

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

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time. Similarly developing new products with additives in the egg liquid which can enhance the shelf life wherein we can also export these egg liquids to other Asian countries.

9. Your 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.
10. Your directors have established the branch office in Moscow. Developed new products to suit the customer needs in Russia. Lab trials and plant trials are satisfactory and we expect to get good orders beginning of August-September,2011
11. With your company's 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 your company to have better realization and relationship.
12. Your directors 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, your directors are confident of establishing a market share in Russia, taking advantage of better unilateral relationship our Country had developed over these years. The expenses incurred for establishment of branch office at Russia has been accounted in Advances side. It will be accounted for during the year 2011-2012 after getting certification from the Registered Accountant of Russia.
13. During the recent visits, your directors have started opening dialogue with the prosperous buyers there and we have received positive 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 the coming months.
14. Your directors 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.
15. In addition to your company's efforts in Russia, our exclusive offices SKM Europe and SKM Japan are continuously working to expand our market with better realization.
16. Your directors 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.

### **Other factors to be reckoned :**

- i. Demand for the egg powder in the export market expected to improve substantially
- ii. Recovery in global demand considered as a major growth driver
- iii. High input costs including cost of raw material a major challenge to be faced by the players in the poultry sector during FY12
- iv. Penetrating the Russian market would be the most important strategic focus of the company

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

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- v. Due to its dependence on the exports, the Egg powder sector had suffered a setback with the advent of the global economic crisis. At this backdrop, it is believed that penetrating in other export markets to be the most important or an important strategic focus in FY12.
- vi. The company is looking at various options to improve the performance of the company.
- vii. A major shift in the export market segment might be required to improve price realization and enhance operational efficiencies. Your Company has availed financial assistance by way of renewal and enhancement of credit limits during the year besides restructuring of the term loans.

### **FUTURE PROSPECTS**

Going forward, with the customers awareness improving year after for the quality parameters on the one hand and the pricing of the products on taking place in the supply side on the other hand, the future prospects of the company is ensured. Though operating in a competitive environment, the uniqueness of the model ensures a comfortable level of net margin availability to your company.

### **OUTLOOK**

The Index of Industrial Production has been on a declining trend for several months and worryingly, the capital goods index, an indicator of new investment, actually fell by 18.4% in February 2011. The relentless increase in interest rates over the past year has already started exerting pressure on corporate and retail borrowers alike. The rise in funding costs comes at a time when manufacturing segments of industry are already under strain with rising costs of oil, commodities and other inputs. Similarly, as inflation stretches the wallets of families grappling with higher prices of food and other essentials on the one hand and their commitments on vehicle and home loans climbing, the strains are very visible. As always, global events, oil and commodity price movements, geo political factors and inevitably, the behaviour of the monsoon, will all come to bear on the trajectory of India's economic growth in 2011-12.

Your company's fortunes are closely linked to those of the agro based industry. Consequently, the growth prospects for 2011-12 are likely to be broadly reflective of those trends. In the projected scenario of low to moderate growth, continuing inflation and higher interest costs, your Company will continue to strive for meaningful growth, focussing as always on, delivering outstanding customer service, superior product quality, a balanced product mix and efficient cost management, in order to sustain profitability.

### **POULTRY PROJECT:**

We are taking 450000 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.

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

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### **FEED MILL:**

Feed cost constitutes a major component in the cost of producing eggs and the benefits out of the poultry farm can be improved. The company started a production on 04/06/09 and the capacity of the plant is 200 mt/day. The company implemented a feedmill at Ayyempalayam village at Aravakkurichi Taluk, Karur District. 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 only.

### **SALES AND MARKETING :**

The efficiency of the marketing and sales network is a critical success factor for our Company. Our success lies in the strength of our relationship with our customers who have been associated with our Company for a long period. To retain our customers, our marketing team regularly interacts with them and focuses on gaining an insight into the additional needs of such customers. Quite often, we are interacting with the customers to find out their preferences and choices.

### **SUBSIDIARY COMPANY:**

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.

### **HUMAN RESOURCES:**

Your Company believes that its greatest assets are its people and training is an investment in long term people development, for organizational excellence. During the year under review, your Company has taken several new initiatives to ensure that the knowledge and wisdom gained over decades is handed down to the next generation of employees. A well balanced mix of domain knowledge and behavioral training was taken up towards talent transformation. These initiatives have paid good dividends in the form of a strong group of in-house facilitators of domain knowledge and an inspired team of employees geared to serving the needs of your company's valued customer

### **INTERNAL CONTROL SYSTEMS AND INTERNAL AUDIT:**

As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit department reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal audit department is manned by experienced personnel and reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures. Additionally, an Information Security Assurance Service is also provided by independent external professionals. Based on their recommendations, the Company has implemented a number of control measures both in operational and accounting related areas, apart from security related measures.

Some significant features of the internal control systems are:

- ❖ Corporate policies on accounting and major processers;
- ❖ Well-defined processes for formulating and reviewing annual and long term business plans;



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

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- ❖ Preparation and monitoring of annual budgets for all trading activities;
- ❖ Monthly meeting of the top management committee to review operations and plans in key business areas;
- ❖ A well established multi disciplinary Internal Audit team, which review and reports to management and the Audit Committee about the compliance with internal controls and the efficiency and effectiveness of operations and the key process risks;
- ❖ Audit Committee of the Board of Directors, comprising independent directors, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with Accounting Standards as well as reasons for changes in accounting policies and practices, if any;
- ❖ A comprehensive information security policy and continuous upgrades to IT system;
- ❖ Documenting Major Business Process including financial reporting, Computer Controlling, Security Checks and Top Committee level Plans.
- ❖ The Board takes responsibility for the total process of risk management in the organization.
- ❖ The Audit Committee reviews reports covering operational, financial and other business risk areas. Taking into Consideration the high risk associated with this business, the organization and management have taken necessary measures towards achieving an environment, free of fraud.
- ❖ This is also facilitated by internal audit. The business risks are managed through cross functional involvement and intense communication across businesses. Results of the risk assessment and residual risks are presented to the senior management.

Your company's strength lies in understanding the requirement of the customer and your company's execution capabilities. This has enabled us to get repeat orders from our existing customers and attract new customers, your directors believe that quality of our products finish enables us to get better margins on the products manufactured by us.

### **DIRECTORS:**

The directors, Shri.S.M.Venkatachalapathy and Shri.P.Kumarasamy retire by rotation in the forthcoming Annual General Meeting. The retiring directors, being eligible, offer themselves for re-appointment in terms of Article Nos 87 and 96 of the Articles of Association of the company. Necessary resolutions are being moved to seek your approval at the ensuing Annual General Meeting of the company.

At the ensuing Annual General Meeting, Shri.S.M.Venkatachalapathy and Shri.P.Kumarasamy Directors of the company, retires by rotation and being eligible seeks re- appointment. Your Board recommends their re-appointment.

The board at its meeting held on 29<sup>th</sup> October 2010, appointment Smt.S.Kumutaavalli as a Additional Director, with effect from that date, in accordance with Section 260 of the Companies Act,1956 and Article No 100A of the Articles of Association of the company. Notice has been received from a member signifying her intention to propose her appointment as a director whose office of directorship is to propose her appointment as a Director whose office of directorship is liable to retirement by rotation.

Your directors wish to state that the tenure of office of Shri. SKM Maeilanandhan, Executive Chairman and Shri SKM Shree Shivkumar, Managing Director have ended on 24<sup>th</sup> June 2011. The board of directors at their meeting held on

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

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12<sup>th</sup> August 2011 have reappointed them from 25<sup>th</sup> June 2011 subject to your approval for another five years ending 24<sup>th</sup> June 2016, at the remuneration as detailed in the notice attached to this report.

### **FIXED DEPOSITS:**

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

### **CEO / CFO CERTIFICATION:**

In compliance with the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges, the Managing Director has submitted to the Board a certificate relating to financial statements and other matters as envisaged in the said clause.

### **DELISTING OF COMPANY'S EQUITY SHARES**

As reported in the earlier reports addressed to you, though your directors communicated the decision of the members of the company to delist the shares of the company from the Madras Stock Exchange Limited and from Coimbatore Stock Exchange Limited, no response received from them yet.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the accounts for the financial year ended March 31, 2011, the applicable accounting standards have generally been followed except for small deviations as explained in the Notes on accounts.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended March 31, 2011 on a going concern' basis.

### **CORPORATE GOVERNANCE:**

Your company reaffirms its commitment to the good corporate governance practices pursuant to Clause 49 of the Listing Agreement with- the Stock Exchanges. Corporate Governance Report is annexed to Directors' Report and Auditors' Certificate regarding compliance of the Corporate Governance is made a part of this Annual Report. The Certificate from the Auditors of the Company, M/s.N.C.Rajagopal & Co confirming compliance of conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

### **AUDITORS:**

M/s.N.C.Rajagopal & Co., the present statutory auditors retire at the ensuing Annual General Meeting and are eligible for reappointment u/s 224(1B) of the Companies Act, 1956. The Company proposes to reappoint M/s.N.C.Rajagopal & Co., Chartered Accountants as Statutory Auditors of the company from the conclusion of the ensuing Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company.

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

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In respect of the observations made by the Auditors in their report, your Directors wish to state that the respective notes to the accounts read with relevant Accounting policies are self explanatory and therefore do not call for any further comments

### **SECRETARIAL AUDIT**

A qualified Practicing Company Secretary carries out a secretarial audit on a yearly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### **SHAREHOLDER INITIATIVES**

Your company adheres strictly to all the statutory and other legal compliances. Your Company has been one of the first to implement any initiatives for shareholder benefit directed from SEBI. On occurrence of any event, which has a bearing on the share price or otherwise, your company intimates the stock exchanges, within the stipulated period. Your company has in place regulations for preventing and regulating insider trading and has adhered to a code of conduct and business ethics by which the shareholder is treated at par with an employee on availability of information about the company.

Your company has been prompt and regular in its replies to your queries. Your company also replies within the stipulated time to all legal and statutory authorities. The total numbers of shares dematted as on 31<sup>st</sup> March 2011 are shares which represent of the shares of the Company.

### **DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The Company strives to maintain healthy and harmonious relationships with all its employees. Efforts better ideas for a better plan are ongoing to build and renew the relationship with the workforce.

### **CONSERVATION OF ENERGY**

The company continues to put its effort to adopt various energy saving measures for conservation of energy even though it is not a power intensive industry.

### **STATUTORY INFORMATION**

Particulars of employee's remuneration u/s 217 (2A) of the Companies Act.1956.

<b>NAME</b>	<b>AGE</b>	<b>DESIGNATION</b>	<b>GROSS REMUNERATION ( Rs)</b>	<b>QUALIFICATION</b>	<b>EXPERIENCE IN YEARS</b>	<b>DATE OF EMPLOYMENT</b>	<b>PREVIOUS EMPLOYMENT</b>
Shri.SKM. Maeilanandhan	67	Executive Chairman	30,24,000	S.S.L.C.	28 Years	26.06.96	Managing Director, SKM Animal Feeds and Foods (India) Ltd.,

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

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### **CORPORATE SOCIAL OBJECTIVES**

Corporate Social Responsibility continues to assume an important role in the activities of the Company. Afforestation, Water Management, Waste water recycling, Literacy and Health continue to be the chosen areas of work by the Company and its employees.

### **ACKNOWLEDGEMENT**

Your directors gratefully acknowledge the support and co-operation extended to your Company by all the customers, shareholders and bankers.

For nearly 15 years, your Company has grown on the strong foundation of a set of values that we call the 'SKM Way'. It is these values that have been our anchor in difficult times and our beacon when we have forged ahead on the path to growth. This would not have been possible without the complete dedication and unswerving commitment displayed by the employees of the Company, thus enabling it to report a strong performance during the year.

By order of the Board

Place : Erode

Date : 12.08.2011

**SKM. Maeilanandhan**  
**Executive Chairman**

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

**ANNEXURE TO THE DIRECTOR'S REPORT**

Information under Section 217(1) (e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**FORM - A**

<b>PARTICULARS</b>	<b>2010-2011</b>	<b>2009-2010</b>
<b>(I) POWER AND FUEL CONSUMPTION</b>		
<b>(1) Electricity</b>		
<b>a. Purchased units (Kwh)</b>	3,927,624	2,915,280
Total Amount (Rs.)	19,248,055	12,362,836
Rate / Unit (Rs.)	4.90	4.24
<b>b. Own Generation through Diesel Generator</b>		
Units (Kwh)	1,957,606	2,824,146
Total Amount	17,543,464	27,742,824
Units per litre of Diesel Oil	3.43	2.84
Cost/Unit (Rs.)	8.96	9.82
<b>(2) Furnace Oil</b>		
Quantity (Litres)	82,317	227,100
Total Cost (Rs.)	2,349,641	5,464,575
Average rate (Rs.)	28.54	24.06
<b>(3) Fire Wood</b>		
Quantity (Metric Tonnes)	9,269.74	9,340
Total Cost (Rs.)	28,052,433	23,221,090
Average Rate (Rs.)	3,026.24	2,486.20
<b>(II) CONSUMPTION PER UNIT OF PRODUCTION</b>		
Product - Egg Powder (Metric Tonnes)	3,920	4,248
Electricity (Rs. Per Metric Tonne)	9,386	9,441
Fuel (Rs. Per Metric Tonne)	7,756	6,753
<b>FOREIGN EXCHANGE EARNINGS AND OUTGO : (Rs. in lacs)</b>		
Earnings :	9,867.71	10,173.92
Outgo :	314.03	769.83

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

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### **CONSERVATION OF ENERGY :**

Various energy saving measures are under consideration and the same would be implemented in the ensuing years. During this year under review the company has adopted energy saving techniques for improving power factors. The outcomes of the initiatives taken by the company is the improvement in power factor.

### **TECHNOLOGY ABSORPTION :**

The company is using the technology acquired from BELOVO, Belgium. Over the years the company's personnel have acquired thorough knowledge and make required modification for producing various kind of new products to meet the market demands.

### **RESEARCH AND DEVELOPMENT :**

Research and Development wing of the company developing new enzyme for manufacturing heat stable yolk powder which involves process reengineering and refixation of production parameteres. In tune with the customers requirement of egg powders with a changed free fatty acid pattern and with a better lipid profile, the company is doing trials in its poultry farm to produce different quality of eggs by making changes in feed formulation to meet the above requirements.

By order of the Board

Place : Erode

Date : 12.08.2011

**SKM. Maeilanandhan**  
**Executive Chairman**

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

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### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **CAUTIONARY STATEMENT**

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be “forward-looking” within the meaning of applicable securities laws and regulations. Actual results could differ laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

#### **COMPANY PROFILE**

India is one of the leading players in egg production and the cost of producing egg in India is also cheap. India ranks fifth in the world. India is exporting egg powder, frozen egg yolk and albumen powder to Europe, Japan and other countries. Table eggs are mostly exported to middle east. The company uses predominantly local inputs and exporting its final products, changes in economies both locally and at international level affect the growth and performance of the company. The abnormal increase in the cost of ingredients used in the manufacture of poultry feeds put a tremendous pressure on the cost of producing eggs which will in turn have a direct bearing on the profitability of the company.

#### **INDUSTRY PERFORMANCE**

As only few companies in India are engaged in processed eggs business, data relating to performance of this industry are not available. The company operated its plant and produced 3920 MTs of egg powder as against the installed capacity of the plant 6300 Mts. As rupee strengthened against US dollar unexpectedly, the operating margin during this year is not commensurate with the increased volume of sale of 4180.37 MTs. However in the current financial year the situation of INR v US dollar took a reversed trend and it is expected that the company’s operating margin would be improved to a significant level.

#### **BUSINESS OUTLOOK**

Pronouncements by several leading economists and Central Bankers across the world would suggest that the worst is over for the global economy, There are early, if feeble, signs of recovery in the US economy, which as a significant bearing on the other major economies including India. Even though headline inflation has been brought under control, the projected increase in government borrowing is likely to have an adverse impact on market liquidity and consequently, on interest rate. Your company, as in the past, will continue to pursue its objective of growth with quality; Your Company also continues to focus on new opportunities to improve profitability.

The year under review faced with the problem of unprecedented increase in egg prices. In this current financial year also the trend of increase in raw material price continued as there is a spurt in feed ingredients cost.

As the increase in feed ingredients cost experienced through out the world there is a corresponding upward movement in the final product price which neutralized the thread posed due to raw material price movements. The outlook of this industry appears to be bright by considering the present trend in movements in the end product price and raw material cost.

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

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### **STRENGTH OF THE COMPANY**

The entire production process of the company is well documented which helps the company to track causes for product complaints up to raw material sources level. The company has started poultry farm for captive consumption and the tracker system of the company will be extended up to the feed ingredients level. The company also made significant investment in process related and residue labs to be at par with international standards and now the company is resourced with facilities to make sample analysis in its lab and thereby obviating the need to get the sample analysis done in outside laboratories. The company's marketing subsidiary at Netherlands helps the company in servicing its customers and also provides required vital inputs for price negotiation and finalization of new contracts. The company's supply chain management is so effective which made the company to register itself as one of the preferred suppliers of renowned customers.

### **FUTURE PROSPECTS**

The steadily increasing oil price remained the overriding concern of the company. In order to overcome this, the company is taking initiatives to shift to some other cheap fuels.

The future recovery in international prices will happen in tandem with the economic recovery in the US and the EU. The economic recovery will lead to higher demand for eggs pushing the price of eggs in these markets. Consequently the egg product prices will go up. On the other hand the egg producers are losing money which will affect the production capability, resulting in lower supply which will also lead to increase in egg prices. But the most important factor will be the economic recovery. Based on the past experience the industry will correct itself in the supply side in 6 months period to have better realization. Considering the economic situation, we expect normal price situation in one year.

### **OPPORTUNITIES**

Indian economy has been, more or less, able to withstand tremors of global financial melt down. Even though the rate of GDP growth has slowed down considerably it is expected to be around 6% The Company has plans to penetrate into new markets which are untapped. Vast market for processed egg products is in existence in Russia and the company is taking efforts to enter in to such markets. The company is in the process of taking strategic action for tapping Russian markets.

The company's consistent quality in products and services was very much appreciated by our customers and we achieved good capacity utilization. We realized that we could get a better price from the customers directly. Our own subsidiary company, SKM Europe in the Netherlands to cater to the EU Market. As such, an exclusive distributor SKM Japan to cater to our Japanese customers. The rest of the market was serviced through several distributors and agents.

With the efforts of our partners in Europe and Japan the company was able to realize better prices and service the customers more precisely.

### **THREATS**

The company recognizes that threats are inevitable in business and believe in identifying and reviving risks on an on going basis. Un-intercepted supply of raw materials at a competitive price is one of the threats that will pose risk on the profitability of the company. As the raw material cost is having direct correlation with feed cost, which predominantly uses agricultural commodities, climatic changes will affect the availability of feed ingredients. Supply of raw material will be affected during the period of monsoon failure and the company by making investment in its own farm resulted in



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

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de-risking the threat to a greater extent. It is forcing companies to plant operations effectively and produce quality products at lower costs.

### **EXCHANGE RISK**

The change in exchange rate plays a major role in determining the realization in Rupee. The cross currency between Dollar and Euro also has an impact on the competitiveness of US offers in Europe and the exchange rate between Euro and Dollar to the Japanese Yen also plays an important role in deciding the competitiveness.

The price realized in Rupee has not increased proportionately to the price increase Euro and Dollars terms. In spite of all these risks, overall prospects for the Indian poultry industry in general appears positive, considering government stimulus packages and the Indian economy recovering faster.

The impact of risks will be reduced through continuous monitoring, timely action and control measures by the company.

### **RISK MANAGEMENT**

Risk is an integral part of the business process.

To enhance the risk management process, the company has mapped the risks. A system has been formulated based on Balanced Score Card with various appropriate measures and accountabilities to identify, assess, prioritise and mitigate the risks. Reports generated from the system are monitored regularly to ensure that appropriate corrective actions are taken.

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:**

The company has proper and adequate systems of internal control to ensure protection of assets, proper financial & operating functions and compliance with the policies, procedures, applicable Acts and Rules. The company's internal controls are supplemented by sound internal audit practices. The Audit Committee at their meetings regularly reviews the financial, operating, internal audit & compliance reports to improve performance. The heads of various monitoring / operating cells are present for the Audit Committee meetings to answer queries raised by the Audit Committee.

### **INDUSTRIAL RELATION:**

The relationship between the management and employees are continued to be cordial. The company is in the process of developing system for identification of contribution made by individual employees for rewarding them commensurate with their performance. Restructuring salaries and wages are also under taken for remunerating employees linked to the performance of the company.

By order of the Board

Place : Erode  
Date : 12.08.2011

**SKM. Maeilanandhan**  
**Executive Chairman**

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### REPORT ON CORPORATE GOVERNANCE

#### 1. COMPANIES PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company is committed to high standard of Corporate Governance in all its activities and processes. Through its Corporate Governance measures, the company aims to maintain transparency in its financial reporting and keep all its shareholders informed about its policies performance and developments. The key elements of Corporate Governance viz transparency, internal controls, risk management and communications are being scrupulously followed and being practiced.

The company formed various committees to oversee the functions of the management. The committees meet regularly and transact the business assigned to it.

#### 2. BOARD OF DIRECTORS

The details of composition of the Board, attendance of each Director at the Board meeting held during the year under review as well as last Annual General Meeting and the number of other Directorship / Committee Membership held by them are as follows.

S.No.	Name of Directors	Chairman/ Director	Promoter/ Independent/ Nominee Director	No. of other Companies in which he is a Director	Committee in which he is a member / Chairman
1.	Shri.SKM. Maeilanandhan	Chairman	Promoter	3	Nil
2.	Shri.SKM. Shree Shivkumar	Managing Director	Promoter	3	Nil
3.	Smt.S. Kumutaavalli	Director	Promoter	3	Nil
4.	Shri.B. Ramakrishnan	Director	TIDCO–Nominee	9	5
5.	Shri.S.M. Venkatachalapathy	Director	Promoter	Nil	Nil
6.	Dr.L.M. Ramakrishnan	Director	Independent	3	Nil
7.	Shri.M. Chinnayan	Director	Independent	Nil	Nil
8.	Shri.P. Kumarasamy	Director	Independent	Nil	Nil

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### BOARD MEETINGS AND ANNUAL GENERAL MEETING - DIRECTORS' ATTENDANCE

S.No.	Name of Directors	Board Meeting		Last Annual General Meeting	
		Held	Attended	Attended	Not Attended
1	Shri.SK.Maeilanandhan	4	4	Yes	-
2	Shri.SK.M.Shree Shivkumar	4	3	Yes	-
3	Shri.B.Ramakrishnan	4	1	--	Yes
4	Shri.S.M.Venkatachalapathy	4	4	Yes	-
5	Dr.L.M.Ramakrishnan	4	3	--	Yes
6	Shri.M.Chinnayan	4	3	Yes	-
7	Shri.P.Kumarasamy	4	4	Yes	-
8	Smt.S.Kumutaavalli	4	2	--	Yes

#### DIRECTOR RETIRING BY ROTATION BEING RE – APPOINTED:

Shri.S.M.Venkatachalapathy, aged 73 years is a Senior Advocate. He belongs to promoters group and is associating with this company as a director from 28.02.1997. His legal knowledge and experience helps the company in solving legal issues. He is a member in the Remuneration Committee of the Board of Directors of the company. Shri. S.M.Venkatachalapathy retires by rotation in this Annual General Meeting and is seeking reappointment.

Shri.P.Kumarasamy aged 76 years is a non executive and independent director and is associating with this company from 28.02.1997 as a Director. Shri.P.Kumarasamy served over 34 years in the Central Excise Department and retired as Superintendent in the year 1993. He is the Chairman of the shareholders and investor's Grievances Committee of the company and also is a member of Audit Committee and Remuneration Committee of the company. Mr.P.Kumarasamy is a partner in Sri Senthil Autos, which is a dealer of Hero Honda. He retires by rotation in this Annual General Meeting and is seeking reappointment.

#### AUDIT COMMITTEE:

All the three member of the Audit committee are Non-Executive and Independent Directors. The Chairman of the Committee is a Chartered Accountant. The Committee met four times during this year. The name and the attendance of members are given below.

S.No.	Name of Members	Category	Audit Committee Meetings	
			Held	Attended
1	Shri.M.Chinnayan	Chairman	4	3
2	Shri.B.Ramakrishnan	Member	4	1
3	Shri.P.Kumarasamy	Member	4	4

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

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### **TERMS OF REFERENCE:**

The Audit Committee periodically reviews the adequacy of the internal control system of the company and reviews the reports of the Statutory Auditors and discussed their findings. The terms of reference made by the Board to the Audit Committee are in accordance with the items listed in clause 49(II)(D) of the Listing Agreement, inter alia, including

- a. Review of financial statement before submission to the Board of Directors.
- b. To initiate steps for implementing effective internal control systems to safeguard the assets of the company.
- c. To investigate in to any matter, either in relation to the terms specified in section 292A of the Companies Act, 1956 or referred to it by the Board.
- d. Review the company's financial and risk management policies.

The Statutory Auditors of the company were invited to attend the meeting.

### **REMUNERATION COMMITTEE:**

The Board of directors constituted this committee on 29.04.2002, which comprises of 3, Non-Executive Directors and the composition of the Board is given below:

<b>Name of Members</b>	<b>Chairman / Member</b>
Dr. L.M. Ramakrishnan	Chairman
Shri. S.M. Venkatachalapathy	Member
Shri. P. Kumarasamy	Member

### **OBJECTIVES**

The Committee reviews and determines the company's policy on remuneration of Executive Chairman and Managing Director so as to ensure that they are fairly rewarded for their individual contribution to the company's overall performance and their remuneration is in line with industry standards.

### **BRIEF DESCRIPTION OF TERMS OF REFERENCE**

The broad terms of reference to the Remuneration Committee are to recommend to the Board regarding salary (including annual increments), Perquisites and commission/incentives to be paid to the company's Executive Chairman, Managing Director / Whole Time Director.

Details of remuneration paid to Executive and Non-Executive Director for the year 2010-2011 are given below:

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

Name of Directors	Salary	Perquisites and allowances	Sitting Fees	Total
Shri.SKM.Maeilanandhan	29,26,000	98,483	—	30,24,483
Shri.SKM.Shree Shivkumar	27,72,000	1,26,704	—	28,98,704
Shri.S. Kumutaavalli	—	—	1000.00	—
Shri.B.Ramakrishnan(TIDCO)	—	—	1000.00	—
Shri.S.M.Venkatachalapathy	—	—	4000.00	—
Dr.L.M.Ramakrishnan	—	—	3000.00	—
Shri.M.Chinnayan	—	—	3000.00	—
Shri.P.Kumarasamy	—	—	4000.00	—

### SHAREHOLDERS' AND INVESTOR'S GRIEVANCE COMMITTEE

The shareholder and investor Grievances committee specifically looks into redressing of shareholders and investors complaints such as transfer of shares, non-receipt of share certificates, non-receipt of dividends and to ensure expeditious share transfer process. The committee endeavors to settle all shareholders complaints in the minimum possible time.

The committee consists of the following independent directors:

S.No.	Name of Members	Chairman / Member
1.	Shri. P . Kumarasamy	Chairman
2.	Shri. S.M. Venkatachalapathy	Member
3.	Dr. L.M. Ramakrishnan	Member

### GENERAL BODY MEETING

a. Location and time, where last three Annual General Meeting were held:

AGM	Location	Date	Time	Details of Special Resolution, if any, passed
2008 - 13 <sup>th</sup> AGM	Kongu Kalaiaragam E.V.K. Sampath Nagar Erode - 638 011	09.09.2008	4.00 p.m.	No Special Resolution was passed
2009 - 14 <sup>th</sup> AGM	Kongu Kalaiaragam E.V.K. Sampath Nagar Erode - 638 011	25.09.2009	4.00 p.m.	No Special Resolution was passed
2010 - 15 <sup>th</sup> AGM	Kongu Kalaiaragam E.V.K. Sampath Nagar Erode - 638 011	30.09.2010	4.00 p.m.	No Special Resolution was passed

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

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- b. Whether special resolutions were put through postal ballot last year? : No
- i. If Yes, details of voting pattern : Not applicable
- ii. Persons who conducted the postal ballot exercise : Not applicable
- iii. Procedure for postal ballot : Not applicable

Details of non-compliance by the company, penalties, stcritures imposed on the Company by Stock Exchange or SEBI or any authority on any matter related to capital markets, during last 3 years : Nil

### **MEANS OF COMMUNICATIONS :**

1.	Half yearly report sent to each household of Shareholders	No
2.	In which newspaper quarterly results normally published in	Makkal Kural (Tamil) Trinity Mirror (English)
3.	Any website where displayed	Electronic Data information filing and retrieval (EDIFAR)
4.	Whether it also displays official news releases	Nil
5.	Presentation made to institutional investors or to the analysts	Nil
6.	Whether Management Discussions and Analysis is part of annual report or not	Yes, it is part of the annual report

Place : Erode

By order of the Board

Date : 12.08.2011

**SKM. Maeilanandhan**  
**Executive Chairman**

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

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**CERTIFICATE OF THE AUDITORS TO THE SHAREHOLDERS OF**  
**M/S. SKM EGG PRODUCTS EXPORT (INDIA) LIMITED ON**  
**CORPORATE GOVERNANCE**

To the members of SKM Egg Products Export (India) Limited,

We have reviewed the implementation of Corporate Governance by SKM Egg Products Export (India) Limited, during the year ended 31<sup>st</sup> March 2011 with the relevant records and documents maintained by the company, furnished to us for our review and report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We have conducted our review on the basis of relevant records and documents maintained by the company and furnished to us for review and the information and explanation given to us by the company.

Based on such a review, in our opinion, the company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency of effectiveness with which the management has conducted the affairs of the company.

For **N.C.RAJAGOPAL & CO.**,  
Chartered Accountants

**N.C. SAMPATH**  
Membership No.009592.  
Partner

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

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### **AUDITOR'S REPORT**

#### **TO THE SHAREHOLDERS OF SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**

We have audited the attached Balance Sheet of SKM EGG PRODUCTS EXPORT (INDIA) LIMITED, 185, Chennimalai Road, Erode – 638001 as at 31<sup>st</sup> March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto and cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with audit standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 (As Amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4&5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of accounts as required by law have been kept by the company, so far as it appears from our examination of the books.
  - c. The Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
  - d. On the basis of written confirmation received from the directors as on 31.03.2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31.03.2011 from being appointed as a director in terms of clause (g) of sub section (i) of section 274 of the Companies Act 1956.
  - e. In our opinion and to the best of our information and according to the explanations given to us, the said profit & loss account and the balance sheet read together with the notes thereon give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
    - i. In the case of the Profit and Loss Account, of the Loss for the period ended 31st March 2011 and
    - ii. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2011
    - iii. In the case of cash flow statement, of the cash flows for the year ended on that date.

For **N.C. RAJAGOPAL & CO.**,  
Chartered Accountants,

Place : Erode  
Date : 12.08.2011

**N.C. SAMPATH**  
(PARTNER)  
Membership No.009592.



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

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### **ANNEXURE**

As required by the Companies (Auditors' report) Order, 2003, made by the Central Government under section 227 (4 A) of the Companies Act, 1956, we state that:

1. a. The Company has maintained proper records showing full particulars including quantities details and situation of fixed assets.  
b. The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verifications.  
c. Fixed assets of a substantial part, affecting the going concern, have not been disposed off during the year.
2. a. The Management has carried out physical verification of inventory at reasonable intervals.  
b. The procedure of verification of inventory followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.  
c. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. a. The Company has not granted any secured or unsecured loans to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies act, 1956.  
b. The Company has taken Unsecured loan of Rs. 5.89 Crores from the Managing Director Sri.SKM. Shree Shivkumar and the interest on the loan being Rs.39,89,435/-. Also the company has taken unsecured loan of Rs. 2.50 crores from SKM Universal Marketing Company India Ltd., and the interest on the loan being Rs.22,39,781/-.  
c. The rate of Interest and other terms and conditions of the above loan taken by the company are prima-facie not prejudicial to the interest of the company.
4. There is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services and there is no continuing failure to correct major weaknesses in internal control system.
5. a. The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register maintained under that section.  
b. Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. The company has an internal audit system commensurate with its size and nature of its business.
8. We have been informed that the Central Government has not prescribed maintenance of Cost Records under section 209(1)(d) of the Companies Act, 1956.
9. a. According to the records of the company, Undisputed Statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues, to the extent applicable, have been generally regularly deposited with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
b. According to the information and explanation given to us, there are no undisputed amounts payable, in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs duty and Cess, were in arrears as at March 2011, for a period of more than six months from the date they become payable except the following payments, the details for which are given below:

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Particulars	Period to which it Relates	Amount Due to be paid	Forum where the appeal is preferred
Excise Duty	1.8.2002 to 30.04.2003	Duty Rs. 23,156/- Interest Rs. 2,605/-	CESTAT, Chennai against the order of the Commissioner of Central Excise, Salem.
Excise Duty	April 2003 to April 2004	Rs. 64,288/-	CESTAT, Chennai against the order of the Commissioner of Central Excise, Salem
Excise Duty	May 2004 to March 2005	Rs.49,650/-	Commissioner of Central Excise, Salem
Excise Duty	June 2005 to May 2006	Rs.29,230/-	Commissioner of Central Excise Appeals, Salem.
Excise Duty	June 2006 to Feb 2007	Rs.54,245/-	Commissioner of Appeal, Salem.
Excise Duty	March 2007 to Dec 2007	Rs.73,874/-	Commissioner of Appeal, Salem
Excise Duty	January 2008 to June 2008	Rs.45,034/-	Commissioner of Central Excise Appeals, Salem
Excise Duty	July 2008 to March 2009	Rs.58,364/-	Commissioner of Central Excise Appeals, Salem
Excise Duty	April 2009 to Nov 2009	Rs.83,904/-	Commissioner of Central Excise Appeals, Salem
Excise Duty	Dec 2009 to July 2010	Rs.1,46,423/-	Commissioner of Central Excise Appeals, Salem
Excise Duty	Aug 2010 to Jan 2011	Rs.1,19,853/-	Commissioner of Central Excise Appeals, Salem
Service Tax	July 2005 to Dec 2005	Rs.3,10,489/-	High Court of Madras.
Service Tax	July 2005 to Dec 2005	Rs.1,01,786/-	High Court of Madras.
Service Tax	Jan 2006 to March 2006	Rs.4,82,328/-	High Court of Madras.
Service Tax	April 2006 to Sep 2006	Rs.1,97,293/-	High Court of Madras.
Service Tax	Oct 2006 to Dec 2006	Rs.3,63,898/-	High Court of Madras.
Service Tax	Jan 2007 to March 2007	Rs.4,36,775/-	High Court of Madras.
Service Tax	April 2007 to Sep 2007	Rs.4,89,366/-	High Court of Madras.
Service Tax	Oct 2007 to Jan 2008	Rs.4,33,443/-	High Court of Madras.

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Particulars	Period to which it Relates	Amount Due to be paid	Forum where the appeal is preferred
Service Tax	Feb 2008 to March 2008	Rs.6,05,640/-	High Court of Madras.
Income Tax	Asst. Year 2007-08	Rs.88,98,293/-	Income Tax Appellate Tribunal, Chennai (Special Bench)
Income Tax	Asst. Year 2008-09	Rs.3,40,14,726/-	Income Tax Appellate Tribunal, Chennai (Special Bench)

10. The Company has not defaulted in repayment of dues to Financial Institution or banks.
11. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence maintenance of adequate documents and records for such cases does not arise.
12. The Company does not have any Accumulated losses. The Company has incurred cash loss of Rs. 4.19 crores during the year covered by our audit and the immediately preceding financial year.
13. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
14. The company is not a chit fund, Nidhi or Mutual benefit Society. Hence the requirements of item (xiii) of paragraph 4 of the Order is not applicable to the company.
15. In our opinion, the company is not dealing in or trading in shares, Securities, Debentures and other Investments. Accordingly the provisions of clause 4[xiv] of the companies [Auditor's Report] Order 2003 are not applicable to the company.
16. As per the information and explanations given to us, Term Loans borrowed by the company were applied for the purposes for which the loans were obtained.
17. As per the information and explanations given to us, funds raised on short Term basis have not been used for Long Term Investments.
18. On the basis of the information and explanations furnished by the company no fraud on or by the Company has been noticed or reported during the year.
19. According to the information and explanations given to us no preferential allotment of shares has been made by the company to companies, firms, or parties listed in the register maintained under section 301 of the Companies Act 1956.
20. The company has not issued any debentures. Hence the requirement of clause (xix) of paragraph 4 of the Order is not applicable to the company.
21. During the period covered by our audit report, the company has not raised any money by public issue.

For **N.C. RAJAGOPAL & CO.**,  
Chartered Accountants,

Place : Erode

Date : 12.08.2011

**N.C. SAMPATH**  
(PARTNER)  
Membership No. 009592.

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

**BALANCE SHEET AS AT 31st MARCH, 2011**

(Amount in Rs.)

Particulars	Schedule	2010-11		2009-10	
Share Capital	A		263,300,000		263,300,000
Reserves & Surplus	B		225,096,312		318,031,800
Deferred Tax Liability			69,654,640		108,870,853
Loans :	C				
Secured Loans			814,796,856		829,997,305
Unsecured			83,900,000		33,978,604
<b>Total</b>			<b>1,456,747,808</b>		<b>1,554,178,562</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>	D				
Gross Block		1,417,719,337		1,375,751,269	
Less: Accumulated Depreciation		374,209,693		310,017,793	
Net Block			<b>1,043,509,644</b>		<b>1,065,733,476</b>
<b>Investments</b>	E		12,678,351		<b>832,779</b>
<b>Current Assets,</b>					
<b>Loans and Advances:</b>					
Inventories	F		213,775,479		301,126,316
Sundry Debtors	G		86,891,291		73,772,496
Cash & Bank Balance	H		23,701,282		29,592,968
Loans & Advances	I		192,069,610		173,972,952
			<b>516,437,662</b>	-	<b>578,464,732</b>
Less: Current Liabilities and Provisions :					
Current Liabilities	J		115,877,849		90,110,425
Provisions	K		--		742,000
			<b>115,877,849</b>		<b>90,852,425</b>
<b>Net Current Assets</b>			<b>400,559,813</b>		<b>487,612,307</b>
<b>Total</b>			<b>1,456,747,808</b>		<b>1,554,178,562</b>
<b>Notes on Accounts</b>	S				

1. Significant Accounting Policies 17(a) to 17 (t)
2. Notes to the Accounts (Schedule S) From part of this Balance Sheet
3. This is the Balance Sheet referred to in our report of even date.

For **N.C.RAJAGOPAL & CO.,**  
Chartered Accountants

**N.C. SAMPATH**  
Partner

Membership No. 009592

Place : Erode

Date : 12.08.2011

**SKM. MAEILANANDHAN**  
Executive Chairman

For and on behalf of the Board  
**SKM. SHREE SHIVKUMAR**  
Managing Director

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st, MARCH 2011

(Amount in Rs.)

Particulars	Schedule	2010-11	2009-10
<b>INCOME</b>			
Sales	L	1,148,901,403	1,136,134,879
Other Income	L	61,609,027	56,384,259
Deffered Tax (Asset)		38,844,010	
Increases / (Decreases) in Stock	M	(82,124,462)	106,986,011
<b>Total</b>		<b>1,167,229,978</b>	<b>1,299,505,149</b>
<b>EXPENDITURE</b>			
Purchases and Manufacturing Expenses	N	928,261,557	984,464,125
Employees' Cost	O	67,461,411	66,469,146
Administration & Other Expenses	P	94,755,357	105,113,952
Marketing Expenses	Q	9,496,735	6,127,843
<b>Sub total</b>		<b>1,099,975,060</b>	<b>1,162,175,066</b>
<b>Profit / (Loss) Before Interest &amp; Depreciation</b>		<b>67,254,918</b>	<b>137,330,083</b>
Interest & Financial charges	R	90,812,332	81,184,408
<b>Profit / (Loss) After Interest</b>		<b>(23,557,414)</b>	<b>56,145,675</b>
Depreciation	D	69,695,762	53,188,669
<b>Profit / (Loss) after Interest &amp; Depreciation</b>		<b>(93,253,176)</b>	<b>2,957,006</b>
Provision for Income Tax		-	-
Provision for Deferred Tax		-	17,430,435
Add: Earlier years MAT Provision Trd. To MAT Credit Entitlement		-	23,925,044
<b>Profit / (Loss) after income Tax and available for appropriations</b>		<b>(93,253,176)</b>	<b>9,451,615</b>
<b>Less : Appropriations</b>			
a. Provision for Proposed Dividend		-	-
b. Provision for Corporate Dividend Tax		-	-
<b>Balance Carried to Balance Sheet</b>		<b>(93,253,176)</b>	<b>9,451,615</b>
<b>Earnings Per Share - Basic</b>		<b>(3.54)</b>	<b>0.36</b>
<b>Earnings Per Share - Diluted</b>		<b>(3.54)</b>	<b>0.36</b>
<b>Notes on Accounts</b>	<b>S</b>		

1. Significant Accounting Policies 17(a) to 17 (t)
2. Notes to the Accounts (Schedule S) From part of this Profit and Loss Account
3. This is the Balance Sheet referred to in our report of even date.

For **N.C.RAJAGOPAL & CO.**,  
Chartered Accountants

**SKM. MAEILANANDHAN**  
Executive Chairman

For and on behalf of the Board  
**SKM. SHREE SHIVKUMAR**  
Managing Director

**N.C. SAMPATH**  
Partner  
Membership No. 009592

Place : Erode  
Date : 12.08.2011

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Schedule- A - Share Capital</b>		
<b><u>Authorised Capital:</u></b>		
3,00,00,000 Equity Shares of Rs. 10/- Each	300,000,000	300,000,000
<b><u>Issued, Subscribed &amp; Paid-up:</u></b>		
263,30,000 Equity Shares of Rs.10/- each fully paid-up	263,300,000	263,300,000
	<b>263,300,000</b>	<b>263,300,000</b>
<b>Schedule - B - Reserves &amp; Surplus</b>		
Share Premium Account	400,692	400,692
<b><u>General Reserve:</u></b>		
Revenue Reserve	432,812	115,124
<b><u>Profit &amp; Loss Account:</u></b>		
Opening Balance	317,515,984	308,064,369
Less: Current Year Loss incurred in Branded Egg Division	(90,42,611)	
Add : Current Year Balance after appropriation	(84,210,565)	9,451,615
Closing Balance	224,262,808	317,515,984
	<b>225,096,312</b>	<b>318,031,800</b>
<b>Schedule - C - Loans</b>		
<b>a. Secured</b>		
i) Working Capital Finance From		
a. State Bank of India Commercial Branch, Erode	309,957,602	306,089,614
b. ICICI bank Ltd *	100,000,000	100,000,000
Corporate Foreign Currency Term Loan	-	-
ii) SBI FCNRB (C & I US Dollar, Term Loan)	190,520,278	-
iii) SBI Bank, Term Loan	192,706,808	421,641,786
iv) SBI Bank (FITL) Term Loan	20,451,387	-
v) Kotak Mahindra (Vehicle Loan)	37,075	259,579
vi) Corporation Bank (Vehicle Loan)	1,002,869	1,631,326
vi) Reliance (Vehicle Loan)	120,837	375,000
<b>b. Un Secured</b>		
Loan from Managing Director	58,900,000	9,089,357
SKM Universal Marketing Company (I) Ltd	25,000,000	24,889,247
	<b>898,696,856</b>	<b>863,975,909</b>

#### **WORKING CAPITAL FINANCE AND CORPORATE LOAN ARE SECURED BY :**

- Hypothecation of stocks consisting of raw materials, semi-finished goods, finished goods and stores and spares and other current assets of the Company.
- First charge on the entire fixed assets of the Company.
- Personal guarantees of Executive Chairman and Managing Director
- \*d. Pledge of shares of the company held by the Managing Director.

**SKM EGG PRODUCTS EXPORT (INDIA) LIMITED, ERODE.**

**DEPRECIATION FOR 2010-2011 (A.Y. 2011-2012)**

**SCHEDULE-D FIXED ASSETS**

Description	Gross Block				Depreciation			Net Block		
	As at 31.03.2010	Additions During the year	Adjustment/ Deductions During the Year	As at 31.03.2011	Depreciation upto 31.03.2010	Depreciation During the Year	Adjustment/ Deductions During the Year	Total Depreciation Upto March 2011	As at 31.03.2011	As at 31.03.2010
Land	55,490,435	408,275	-	55,898,710	-	-	-	-	55,898,710	55,490,435
Building	369,826,652	118,228,645	969,205	487,086,092	45,192,339	17,471,860	-	62,664,199	424,421,893	324,634,313
Plant&Machinery	646,156,385	144,200,960	8,093,432	782,263,913	235,895,796	45,619,173	4,673,176	276,841,793	505,422,120	410,260,589
Office & Other Equipment	41,574,450	7,850,251	(83,953)	49,508,654	13,774,818	2,689,647	340	16,464,125	33,044,529	27,799,632
Computers	10,060,221	172,987	4,79,250	9,753,958	6,516,695	1,559,480	70,479	8,005,696	1,748,262	3,543,526
Furniture&Fixtures	5,439,333	35,403	21,150	5,453,586	3,163,235	343,940	1,906	3,505,269	1,948,317	2,276,098
Motor Vehicles	20,804,630	524,951	2,572,868	18,756,713	5,474,912	2,011,661	757,963	6,728,610	12,028,103	15,329,718
Work In Progress	218,518,803	38,851	218,518,803	38,851	-	-	-	-	38,851	218,518,803
<b>GROSSTOTAL</b>	<b>1,367,870,909</b>	<b>271,460,323</b>	<b>230,570,755</b>	<b>1,408,760,477</b>	<b>310,017,794</b>	<b>69,695,761</b>	<b>55,03,864</b>	<b>374,209,692</b>	<b>1,034,550,785</b>	<b>1,057,853,115</b>
<b>PREVIOUS YEAR</b>	<b>1,090,526,661</b>	<b>457,310,157</b>	<b>179,965,909</b>	<b>1,367,870,909</b>	<b>256,934,462</b>	<b>53,188,668</b>	<b>105,336</b>	<b>310,017,794</b>	<b>1,057,853,115</b>	<b>833,592,200</b>

Description	Value of Live Stock as on 1.04.2010	Accretions to the cost	Cost Amortised	Cost Unamortised	Value of Live Stock as on 31.03.2011
Live Stock	78,80,360	35,74,23,370	31,48,76,373	414,68,497	8,958,860
<b>GROSS TOTAL</b>	<b>78,80,360</b>	<b>35,74,23,370</b>	<b>31,48,76,373</b>	<b>414,68,497</b>	<b>8,958,860</b>
<b>PREVIOUS YEAR</b>	<b>73,93,605</b>	<b>96,309,720</b>	<b>4,85,79,533</b>	<b>472,43,432</b>	<b>7,880,360</b>

**Notes :-**

Figures in adjustment / deductions column for "working in progress" represents assets capitalised during the year.

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Schedule - E - Investments</b>		
<b><u>Unquoted :</u></b>		
SKM Europe BV , The Netharlands - Subsidiary Company	832,779	832,779
SKM Universal Marketing Company India Limited	11,845,572	--
	<b>12,678,351</b>	<b>832,779</b>
<b>Current Assests, Loans and Advances</b>		
<b>Schedule F -Inventories</b>		
<b>(As Valued &amp; Certified By the Management)</b>		
Raw Material	21,637,830	19,106,760
Additives, Stores, Spares and Consumables	29,974,818	33,187,759
Finished Goods	160,420,030	242,080,713
Feed & Medicines	1,742,801	2,045,166
Egg Trays	-	1,783,402
Plastic Crates Stock	-	1,495,240
Display Stand	-	3,81,911
Packing & Display Stand Sticker	-	1,045,365
	<b>213,775,479</b>	<b>301,126,316</b>
<b>Schedule G - Sundry Debtors</b>		
<b>Unsecured &amp; Considered Good</b>		
Sundry Debtors - Considered Good		
a) More Than Six Months		
b) Others	86,891,291	73,772,496
	<b>86,891,291</b>	<b>73,772,496</b>
<b>Schedule - H Cash and Bank Balances</b>		
i. Cash on hand	208,553	1,335,452
ii. In Current Account with Scheduled Banks	8,889,637	20,832,678
III. Fixed Deposit with SBI, Commercial Branch Erode.	14,603,092	7,424,838
	<b>23,701,282</b>	<b>29,592,968</b>
<b>Schedule - I Current Assets and Loans and Advances</b>		
<b><u>Loans and Advances</u></b>		
i. Advances Recoverable in Cash or in kind for value to be received - Unsecured and Considered Good	96,805,254	81,526,090
ii. Deposits - Considered Good	4,003,441	11,620,281
iii. MAT Credit Entitlement	25,726,336	25,999,771



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

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Other Current Asset :</b>		
i. Unamortised Value of Chicks	41,468,497	47,243,432
ii. Licence - Focus Products Scheme Receivable	18,363,840	2,300,000
iii. Duty Drawback (Eggs) Receivables	5,143,932	5,283,378
iv. Deffered Exchange Loss	558,310	-
	<b>192,069,610</b>	<b>173,972,952</b>
<b>Schedule J-Current Liabilities</b>		
i) Trade Creditors * (Refer note 3 in Schedule S)	67,710,563	61,937,235
ii) Creditors For Expenses & Others	34,910,014	10,610,229
iii) Unpaid Dividend	2,871,107	2,959,434
iv) Advance from debtors	1,075,195	1,597,052
<b>iv. Liability for Expenses</b>		
Earned Leave Encashment Payable	1,456,690	1,768,122
Sales Commission Payable	514,331	1,956,839
Other Expenses Payable	4,020,482	6,032,848
Bonus Payable	2,431,948	2,555,000
Net Gratuity obligation	887,519	693,666
	<b>115,877,849</b>	<b>90,110,425</b>
<b>Schedule - K</b>		
<b>Provisions</b>		
1. Provision for Income tax - Minimum Alternative Tax	-	7,42,000
	-	<b>7,42,000</b>
<b>SCHEDULE -L—Sales &amp; Other Income</b>		
Export Sales	986,771,180	1,032,182,210
Domestic Sales	162,130,223	103,952,669
	<b>1,148,901,403</b>	<b>1,136,134,879</b>
Sale of Shell Egg & Scrap	4,512,416	4,764,095
Interest Receipts	2,778,068	3,001,801
Lease Rent Received Egg Grade Machine	300,000	-
Vishesh Krishi Upaj Yojana - Subsidy	3,597,297	18,294,529
Egg Drawback	7,938,756	27,962,791
Exchange Fluctuations Net	16,550,778	-
Profit on Sale of Assets	1,282,549	-

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

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
Miscellaneous Income	(449,784)	61,043
Focus Products Scheme	24,060,123	2,300,000
Feed Processing Charges Received	1,038,824	-
<b>Other Income</b>	<b>61,609,027</b>	<b>56,384,259</b>
<b>SCHEDULE M (Increase) /Decrease in Stock</b>		
Opening Stock - Finished goods Semi Finished Goods	243,247,011	136,261,000
Add:Egg Powder Purchase		
Closing Stock - Finished goods & Semi Finished Goods	161,122,549	243,247,011
<b>Increase / (Decrease) in Stock</b>	<b>(82,124,462)</b>	<b>106,986,011</b>
<b>SCHEDULE -N -PURCHASES AND MANUFACTURING EXPENSES</b>		
Raw Material- Eggs Consumed	721,245,407	774,655,953
Other Purchases	107,992	1,257,639
Egg Purchases	30,097,597	14,955,982
Amortised Value of Birds	16,374,206	48,579,533
Feed & Maize Consumption	-	47,959
Vaccine & Medicine Consumption	579,290	776,700
Packing Material - Consumed	23,992,006	23,833,987
Power & Fuel	74,654,911	70,158,637
Transport Hire & Cooli	23,707,463	1,504,992
Additives & Consumables	37,502,685	45,441,041
Egg Stand	-	2,622,649
Egg Paper Tray	-	629,053
	<b>928,261,557</b>	<b>984,464,125</b>
<b>SCHEDULE - O - EMPLOYEES' COST</b>		
Salaries & Wages	50,647,889	40,290,086
PF Contribution	3,558,189	2,115,647
Contractors' Payment	10,477,829	20,928,552
Grauity Expenses	532,830	391,427
Welfare Expenses	2,244,674	2,743,434
	<b>67,461,411</b>	<b>66,469,146</b>

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

Particulars	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - P- Administration &amp; Other Expenses</b>		
Repairs & Maintenance		
a) Building	1,247,854	5,272,748
b) Plant & Machinery	9,283,700	9,194,693
d) Fly Control Expenses	1,253,381	1,684,955
c) Others	6,545,309	7,448,496
d) Vehicle	8,339,760	8,418,627
	<b>26,670,004</b>	<b>32,019,519</b>
Stores & Spares Consumption	6,821,365	92,60,683
Analysing Charges	2,586,793	3,630,236
Rent, Rates and Taxes	2,160,814	2,369,522
Postage, Courier & Telephone Charges	2,933,176	2,899,834
Printing & Stationery	885,567	1,422,508
Insurance Premium	1,361,376	1,769,830
Advertisement and Publicity	4,373,605	3,639,318
Travelling Expenses	5,535,014	4,036,465
Brokerage & Commission	167,836	-
Freight, Insurance and Forwarding Charges	34,052,193	27,079,575
Professional Charges	922,827	2,331,887
ISO / HACCP-expenses.	83,762	250,435
Stock Exchange Listing Fee	222,554	219,335
Miscellaneous Expenses	1,927,285	3,149,495
Audit Fees	699,500	603,500
Donation	2,405,170	2,939,605
Foreign Exchange Fluctuation	-	5,684,817
Loss on Sale of Assets	-	580,122
Registration and Renewal	201,043	404,453
Annual General Meeting Expenses	389,207	394,277
Directors' Sitting Fee	16,000	13,000
Subscription	340,266	132,646
Inauguration - Best Eggs	-	282,890
	<b>68,085,353</b>	<b>73,094,433</b>

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Particulars	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - Q -MARKETING EXPENSES</b>		
Foreign Trip Expenses	5,674,265	1,979,559
Sales Commission to Foreign Collaborator & Others	2,261,094	1,671,282
Foreign Exhibition Expenses	-	1,009,515
Sales Promotional Expenses	1,314,349	1,267,718
Foreign Delegates Expenses	247,027	1,99,769
	<b>94,96,735</b>	<b>6,127,843</b>
<b>SCHEDULE - R - Interest &amp; Financial Charges</b>		
Working Capital Loan Interest	13,857,943	22,267,667
Bank Charges & ECGC Charges	10,365,542	10,174,007
Export Bills Discount Interest	2,492,796	4,328,606
Interest Paid - Others	2,562,412	138,776
Bill Discount & Collection Charges	1,692,158	747,398
SBI- Term Loan Interest & FITL	43,208,177	30,382,760
Interest paid on ICICI Working capital Loan	12,643,869	10,559,578
Interest paid to Managing Director	3,989,435	2,585,616
	<b>90,812,332</b>	<b>81,184,408</b>

### SCHEDULE - S

#### NOTES ON ACCOUNTS

- Previous year figures are regrouped, rearranged and reclassified wherever necessary to facilitate comparison with current year's figures and figures have been rounded off to nearest rupee.
- Contingent Liability :
  - Export Bills discounted with the State Bank of India, Commercial Branch, Erode Rs. 1,213.369 Lacs. (Previous year Rs.2,093.31 Lacs).
  - Income Tax Liability Rs.429.13 Lacs (Previous year 43.76 Lacs)
  - Service Tax Liability Rs.34.21 Lacs (Previous year 34.21 Lacs)
  - Excise Duty Liability Rs.7.51 Lacs (Previous year 4.20 Lacs)
- Balances of Sundry creditors and Sundry debtors are subject to confirmation.  
The company has not received any intimation from the suppliers regarding status under the Micro, Small and Medium enterprises development Act, 2006 (The Act) and hence disclosure regarding:
  - Amount due and Outstanding to suppliers as at the end of the accounting year.
  - Interest paid during the year.
  - Interest payable at the end of the accounting year.
  - Interest accrued and unpaid at the end of the accounting year, have not been provided.

The company is making efforts to get the confirmations from the suppliers as regards their status under the Act.

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

4. Additional Information pursuant to the provisions of paragraph (4D) of part-II of schedule VI to Companies Act, 1956:

- I. Details of Licensed Capacity, installed capacity.  
a. Licensed Capacity not applicable.  
b. Installed Capacity 6,300 Metric Tonnes per annum.  
II. Quantitative particulars of sales : (in Metric Tonnes)

	<u>2010-2011</u>	<u>2009-2010</u>
Egg powder sales	4180.37	4,391.67
III. Stock and Production (in Metric Tonnes)		
a. Opening stock	908	750
b. Production & Purchase	3,920	4,549
c. Closing stock	616	908
IV. Consumption of Raw materials		
a. Egg (Nos. in lakhs)	3316.89	3,781.35

Particulars	2010 - 2011 Rs. in lacs	%	2009 - 2010 Rs. in lacs	%
<u>Raw Material</u>				
Indigenous	7255.82	100	8552.85	100.00
Imported	Nil	Nil	Nil	Nil
<u>Packing Material</u>				
Indigenous	219.79	99.92	252.06	97.82
Imported	0.17	0.08	05.62	2.18
<u>Consumable, Stores and Spares</u>				
Indigenous	302.17	83.11	508.48	57.95
Imported	189.42	16.89	369.04	42.05
<u>Fuel</u>				
Indigenous	479.46	100%	586.42	100
Imported	Nil	Nil	Nil	Nil

VI. Expenditure in Foreign Currency : (Rs in Lacs)

Particulars	2010 - 2011	2009 - 2010
A. Packing Material & Additives	172.00	175.95
B. Stores and Spares	58.39	539.30
C. Foreign Travel Expenses	5.81	5.04
D. Analyzing Charges	9.14	14.32
E. Sales Commission	14.23	35.17
F. Others	54.47	0.07
<b>Total</b>	<b>314.03</b>	<b>769.84</b>

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

VII. FOB Value of goods exported	9,568.60	10,148.16
VIII. NRI Dividend	---	---
5. Remuneration to Executive Chairman and Directors: (in Rs.)		
Salary, Allowances and Perquisites:	<b>2010-2011</b>	<b>2009-2010</b>
Executive Chairman	30,24,483	33,64,001
Managing Director	28,98,704	32,56,539
(i) The Executive Chairman and Managing Director's remuneration is covered under part II of Schedule XIII of the Companies Act, 1956.		
6. Details of Statutory Audit Fee: (in Rs.)		
	<b>2010-2011</b>	<b>2009-2010</b>
(i) For Statutory Audit Fee	4,00,000	2,50,000
(ii) For Taxation Matter	1,50,000	1,00,000
(iii) For Certification Services	86,500	53,500
(iv) Appeal, Representation	33,000	2,00,000
7. Related Party Disclosures:		
i. Sale of Egg Shell grits to SKM Animal Fees and Foods (India) Limited – Rs.9 lacs. (Tonnage 558.750 Tons)		
ii. Loan received from SKM Universal Marketing co.(India) Ltd., Rs.2.50 crores (Balance payable as on 31.03.2011, Rs. 2.50 crores)		
iii. Loan received from Managing Director during the year Rs.6.56 crores. (Balance payable as on 31.03.2011, Rs.5.89 lacs)		
iv. Interest paid to SKM Universal Marketing Company India Ltd., Rs.22.40 lacs for the year 2010-2011. Where SKM. Shree Shivkumar, Managing Director having substantial interest in the company.		
v. Interest paid to Managing Director, Rs.39.89 lacs.		
vi. Honey purchased from SKM Siddha & Ayurvedic Medicines India Pvt. Limited - Rs. 17,160/- (100gms 300 bottle, 50gms 600 bottle).		
Description of the Relationship Between the Parties – Presumption of significant influence		
8. During the year the company had made remittances to the extent of Rs.4.28 crores for setting up of a branch office in Moscow, Russia. The company is yet to commence the branch operations and yet to obtain the financial statements duly audited by the auditors appointed under the rules of Russian Federation. Pending the receipt of information as to the financial transactions from the Russian auditors, the company has kept the remittances in the form of advances under the balance sheet which will be suitably dealt with and incorporated in the books of accounts in the subsequent financial year on obtaining the relevant financial information.		
The company has during the year the branded eggs division on 30.09.2010 to another public limited company namely SKM Universal Marketing Company India Limited, for the consideration of 26% of Share Capital of the later company.		
9. Provision for Income Tax, Fringe Benefit Tax and Deferred Tax Liability:		

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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### **Income Tax:**

No Provision had been made in respect of Income Tax Liability since there is no profit when computed under the provisions of Income Tax Act 1961.

### **Deferred Tax Liability Asset :**

	<b>2010-2011</b>	<b>2009-2010</b>
Depreciation(DTL)	1,92,78,912	1,51,61,882
C/F and Business Losses (DTA)/DTL	(5,16,58,847)	21,69,150
Income Tax Disallowance (DTA)	(64,04,174)	NIL
Gratuity Liability (DTA)/DTL	(59,901)	99,403
Total (DTA)/DTL	(3,88,44,010)	1,74,30,435

10. No provision has been made in respect of demand of Excise Duties of Rs.6.84 Lacs and Service Tax of Rs.34.21 Lacs, for which the company has filed appeals with various Higher Appellate Forums, against the orders of the Lower Authorities and the company is confident of coming out successful in the Appeals. Similarly no provision has been made in respect of Income Tax Liability of Rs.4.29/- crores for the Assessment years 2007-2008 and 2008-2009 since appeals have been filed against the order of the Honourable Commissioner of Income Tax, Appeals – (I), Coimbatore with the Honourable Income Tax Appellate Tribunal Chennai and the company is confident that the appeals would be decided in favour of the company.
11. The Cess specified under Sub-Section (2) of Section 441A of the Companies Act 1956, has not been provided for nor paid, in view of the rate and manner of payment having not yet been notified by the Central Government.
12. There are no impairment of assets in terms of Accounting Standard No.28 issued by The Institute of Chartered Accountants of India.

### **13. Financial and Derivative Instruments:**

- a. Nominal amount of Derivative contracts entered into by the Company for hedging currency and outstanding as on 31<sup>st</sup> March 2011 amounts to Rs. (Previous Year – 28,97,03,790/-)

Particulars	As at 31 <sup>st</sup> March 2011	As at 31 <sup>st</sup> March 2010
Forward Contracts	4,16,14,000/-	28,97,03,790/-

- b. Financial and Derivative contracts entered into by the company during the year are for only for hedging purposes.
- c. During the year company not entered in any contract for Speculation.

14. During the year the company has recognized the following amounts in the Profit and Loss Account:

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

	Group Gratuity Scheme(Funded) 2010	Group Gratuity Scheme(Funded)2009
<b>a) Reconciliation of Opening and Closing Balances of Defined Benefit Obligations</b>		
Present Value of obligation as at 1 <sup>st</sup> April 2010	25,36,040	26,51,244
Current Service Cost	4,44,068	5,10,036
Interest Cost	2,02,883	2,12,100
Actuarial (gain) / loss	70,343	(1,53,663)
Benefits paid	(2,33,851)	(6,83,677)
Present Value of obligation as at 31 <sup>st</sup> March 2011	30,19,483	25,36,040
<b>b) Reconciliation of Opening and Closing Balances of Fair Value of Plan Assets:</b>		
Fair Value of plan assets as at 1 <sup>st</sup> April 2010	18,42,374	18,81,338
Expected return on plan assets	1,84,464	1,77,046
Contribution made	3,38,977	4,67,667
Benefits Paid	(2,33,851)	(6,83,677)
Actuarial gain / (loss) on the plan assets	NIL	NIL
Fair Value of plan assets as at 31 <sup>st</sup> March 2011	<b>21,31,964</b>	<b>18,42,374</b>
<b>c) Reconciliation of Fair Value of Assets and Obligations as at 31<sup>st</sup> March 2011:</b>		
Present value of the obligation	30,19,483	25,36,040
Fair Value of plan assets	21,31,964	18,42,374
Funded Status (Surplus / (Deficit))	(8,87,519)	(6,93,666)
Net asset / (liability) recognized in the balance sheet	<b>(8,87,519)</b>	<b>(6,93,666)</b>
<b>d) Expenses recognized during the year (Under the head "Employees Cost – Refer Schedule "O")</b>		
Current Service Cost	4,44,068	5,10,036
Interest Cost	2,02,883	2,12,100
Expected return on plan assets	(1,84,464)	(1,77,046)
Actuarial (gain) / loss	70,343	(1,53,663)
Net Cost	<b>5,32,830</b>	<b>3,91,427</b>
<b>e) Actual return on the plan assets:</b>		
Expected return on plan assets	1,84,464	1,77,046
Actuarial gain / loss on plan assets	NIL	NIL
Actual return on plan assets	1,84,464	1,77,046
<b>f) Actuarial Assumptions:</b>		
Discount rate (Per annum)	8.0%	8.0%
Rate of escalation in salary (Per annum)	6.0%	6.0%



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

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The Company made annual Contributions to the LIC of an amount advised by the LIC. The Company has not informed by LIC of the investments made by the LIC or the Break-down of plan assets by investment type.

### **16. Poultry Division:**

All the Consumption of Feeds, Drugs, Vaccines and Medicines up to the grower stage are added to the value of birds and shown as "Value of Live Stock" under the Fixed Assets in the Balance Sheet.

The Cost of Birds thus arrived at is being amortised over remaining life time of the Birds and is recognized in the Profit and loss account.

The remaining unamortized value of the Birds is shown as "Unamortised Value of Live Stock" under the Current Assets in the Balance Sheet.

### **17. Significant Accounting Policies:**

#### **(a) Accounting Convention:**

The Financial statements have been prepared under historical cost convention. The Financial Statements materially comply with the Accounting Standards issued by the Institute of Chartered Accountants of India.

#### **(b) Estimates and Assumptions:**

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the Balance sheet and the reported amounts of income and expenses during the reporting period. Examples include bad debts written off, useful life of the assets, etc. Actual results may differ from these estimates.

#### **(c) Inventories:**

Inventories are valued as under:

##### **Egg Products Division:**

1. Raw materials	:	At cost following FIFO method.
2. Packing Materials	:	At weighted average cost.
3. Additives	:	At weighted average cost.
4. Stores & Spares		
Imported	:	At weighted average cost.
Indigenous	:	At weighted average cost.
5. Semi-finished goods	:	At weighted average cost.
6. Finished goods	:	At weighted average cost.

##### **Poultry Farm Division:**

1. Eggs	:	At Cost following FIFO Method
2. Feeds	:	At cost or market price whichever is lower
3. Drugs	:	At cost or market price whichever is lower

#### **(d) Cash Flow Statements**

Cash Flow Statement has been prepared under "Indirect Method", Cash and Cash Equivalents Comprise Cash in Hand, Current and Other accounts (Including Fixed Deposit) held with bank.

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

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**(e). Events Occurring after the Balance Sheet Date**

- i. Assets and Liabilities are adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date.
- ii. Dividends, Which are proposed / declared by the company after the balance sheet date but before the approval of the financial statements are adjusted.

**(f). Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Polices:**

- i. Net Profit for the Period:  
All the items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by the Accounting Standard.
- ii. Prior Period Items:  
Income / Expenditure are disclosed in Prior period adjustments, only when considered by the management to be material to impact the financial statement significantly.
- iii. Extra-ordinary items:  
Extra-ordinary items are accounted in accordance with the Accounting Standard – 5
- iv. Wherever there is a change in the method of accounting followed by the company, the same is dealt with and disclosed in accordance with the accounting standard - 5

**(g). Depreciation Accounting**

Depreciation is provided on straight line method as per the rates provided in schedule XIV of the Companies Act 1956, except for imported plant & machinery for which the rate has been taken as 3.80%, based upon the technical evaluation by the expert committee on the useful life of the assets. In respect of assets added/adjusted during the year, depreciation is provided on pro-rata basis.

**(h). Revenue Recognition:**

**Egg Products Division:**

Sales are recognised on accrual basis and are accounted for in the books of accounts on the dates on which the goods are actually despatched from the factory.

**Poultry Division:**

Sales of Eggs and Birds are recognised on accrual basis and are accounted for in the books of accounts on the dates on which the goods / Birds are actually despatched from the farms or Sold respectively.

**(i). Accounting for Fixed Assets:**

**Fixed Assets:**

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related preoperational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs.

**Capital Work-in-progress:**

Advances paid towards the acquisition of fixed assets and the cost of assets under installation / construction / not put to use before the year end are disclosed under capital Work-in-Progress.

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

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(j). **Foreign Currency Transactions and Forward Contracts in Foreign Currencies:**

**Foreign Currency Transactions:**

Transaction in Foreign Exchange are accounted at the monthly average rates.

Foreign currency Liabilities / Assets at the close of the year are restated, adopting the contracted/ year and rates, as applicable. The resultant difference, if any, is suitably dealt with in the accounts.

**Forward Exchange Contracts covered under AS 11, "The Effects of Changes in Foreign Exchange Rates":**

The Company uses foreign exchange contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange contracts reduces the risk or cost to the company. Wherever the company uses the forwards to mitigate the business loss on account of foreign currency fluctuations, the company records the gain or loss on effective hedges in foreign currency fluctuation reserve until the transactions are complete. On Completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract as an effective hedge the management objectively evaluate and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, the gain or loss is recognized in the profit and loss account.

**Forward Exchange Contracts not in the nature of AS 11, "The Effects of Changes in Foreign Exchange Rates":**

The company also uses foreign exchange forward contract for trading or speculation purpose. Though the Accounting standard No.30 issued by the institute of Chartered Accountants of India dealing with "Financial Instruments and Derivatives – Recognition and Measurement" becomes mandatory only with effect from 1.4.2011 and is recommendatory for the current financial year, the company as adopted the accounting Standard and has recognized the losses in the financial statements.

(k). **Accounting for Government Grants:**

Grants and Subsidies in the nature of revenue are treated as revenue income and credited to the respective expenses accounts and subsidies in the nature of capital are adjusted to the value of assets.

(l). **Accounting for Investments:**

- i. Long Term investments are valued at cost. Provisions, if any, is made to recognize a decline other than a temporary decline, in the value of long-term investments.
- ii. Current Investments are stated at lower of cost and fair market value.

(m). **Accounting for Retirement Benefits:**

a. **Defined Contribution Plans:**

The company makes Provident Fund to defined contribution retirement benefit plans for qualifying employees. Under the Schemes, the company is required to contribute a specific percentage of the of the payroll costs to fund the benefits.

The company recognized Rs. 35.58/- Lacs (Previous Year Rs. 21.16 lacs) for provident fund Contribution in the Profit and Loss Account. The Contributions payable to these plans by the company are at rates specified in the rules of the Schemes.

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

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### **b. Defined benefit plans:**

The present value of the obligation is determined based on actuarial valuation using the Projected Unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. This being the first year of implementation, previous year figures have not been given.

### **Accounting for Employment Benefits:**

- i. Short term employee benefit are charged off at the undiscounted amount in the year in which the related service is rendered.
- ii. Post employment and other long term employee benefits are charges off in the year in which the employee has rendered services. The amount charges off is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain and losses in respect of post employment and other long term benefits are charged to Profit and Loss Account.

### **(n) Borrowing Cost:**

Borrowing costs attributable to acquisition and construction of assets are capitalised as part of the cost of such asset up to the date when such asset is ready for its intended use. Other Borrowing Costs are treated as revenue expenditure.

### **(o) Segment Reporting:**

The Segment reporting is being done in accordance with the disclosure requirement as required by the Accounting Standard 17 issued by the Institute of Chartered Accountants of India, Primary format being Business segment (On the basis of nature of Business activities carried out by the Company).

### **(p) Earning per Share:**

- i. Basic earning per share is being computed with reference to Weighted Average number of Shares based on monthly rests.
- ii. Diluted Earnings per shares is being computed based on the fully paid-up value of the shares issued.

### **(q) Accounting for Taxes on Income:**

Provision for Current Tax is made after taking into Consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from Timing Differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or Substantially enacted as on the balance sheet date. The Deferred Tax asset is recognized and carried forward only to the extent that there is a reasonable \ virtual certainty that the asset will be realized in future.

### **(r) Provisions, Contingent Liabilities and Contingent Assets:**

- i. A present obligation, which could be reliably estimated, is provided for in the accounts, if it is probable that an outflow of resources embodying economic benefits will be required for its settlement.
- ii. All the liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value by way of notes in the Balance Sheet.
- iii. Contingent Assets are neither recognised nor disclosed.

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

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(s) **Sundry Debtors / Loans and Advances:**

Sundry Debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

(t) **Expenditure:**

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

For **N.C.RAJAGOPAL & CO.,**  
Chartered Accountants

**SKM. MAELANANDHAN**  
Executive Chairman

**SKM. SHREE SHIVKUMAR**  
Managing Director

**N.C. SAMPATH**  
Partner  
Membership No. 009592

Place : Erode

Date : 12.08.2011

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

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### **STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT RELATING TO SUBSIDIARY COMPANY**

1. Name of the Subsidiary Company : SKM Europe B.V.
  
2. Statement of holding Company's Interest in subsidiary company : As on 31.03.2011  
As on 31.03.2011  
15,300 shares of Euro 1 each : Rs. 8,32,779/-
  
3. Financial year of the Subsidiary company : Period ended March 31, 2011
  
4. Net aggregate amount of Profit/ Loss of the subsidiary as far as it concerns the holding company  
  
(a) Dealt with the accounts of SKM Egg Products Export (India) Limited by way of dividend on the shares held in the Subsidiary for the period ending March,31,2011 : Nil  
  
(b) Not dealt within the accounts of SKM Egg Products Export (India) Limited  
  
For the period ended March 31, 2011 : Profit of Rs. 30.46 lakhs  
For the previous financial years : Profit of Rs. 2.32 lakhs

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Additional Information as per part IV, Schedule VI to the Companies Act, 1956.

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rs.in Thousands)

I.	<b>Registration Details</b>	
	Registration No.	181-6025
	State Code No.	18
	Balance Sheet Date	31.03.2011
II.	<b>Capital Raised during the year</b>	
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
III	<b>Position of Mobilisation and Deployment of Funds</b>	
	Total Liabilities	14,56,748
	Total Assets	14,56,748
	<b>Source of Funds</b>	
	Paid up Capital	2,63,300
	Reserves and Surplus	2,25,096
	Share application money	—
	Secured Loans	8,14,797
	Unsecured Loans	83,900
	Deferred Tax Liability	69,655
	<b>Application of Funds</b>	
	Net Fixed Assets	10,43,509
	Investments	12,678,35
	Current Assets	4,00,559
	Misc.Expenditure (not written off)	—
	Accumulated Loss	—
IV	<b>Performance of the Company</b>	
	Turnover including Other Income	11,67,230
	Total Expenditure	12,60,483
	Profit Before Tax	(93,253)
	Profit After Tax	(93,253)
	Earning Per Share (in Rupees)	(3.54)
	Dividend Rate %	—
V	<b>Generic names of three Principal Products of the Company</b>	
	Item Code No.	4081100
	Product Description	Egg Powder

For and on behalf of the Board

**SKM. MAEILANANDHAN**  
Executive Chairman

**SKM. SHREE SHIVKUMAR**  
Managing Director

Place : Erode

Date : 12.08.2011

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### CASH FLOW STATEMENT FOR THE PERIOD FROM 01.04.2010 TO 31.03.2011

(Rs. in Lacs)

Particulars	2010-11		2009-10	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)</b>				
Profit Before Tax		(932.53)		29.57
Adjustments for :		-		-
Depreciation	696.96		531.88	
(Profit) / Loss on Sale of Fixed Assets	(12.83)		5.80	
Deferred Tax Adjust	(388.44)		-	
Interest Expenses	432.08		435.27	
Interest and Dividend Income	(27.78)	699.99	(30.01)	942.94
<b>Operating Profit before Working Capital Changes</b>		(232.54)		972.51
Adjustments for :				
Increase / (Decrease) in Trade and other Receivable	(449.75)		(226.67)	
Increase / (Decrease) in Inventories	873.51		(1,162.92)	
(Increase) / Decrease in Trade and other payables	255.70	679.46	230.87	(1158.72)
<b>Cash generated from operations</b>	-	446.92	-	(186.21)
Direct Taxes Paid		(5.45)		(79.85)
Cash Flow before Extra-ordinary Items		441.48		(266.06)
<b>Net Cash Flow from Operating Activities</b>		<b>441.48</b>		<b>(266.06)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Increase in fixed assets		(529.42)		(2,779.24)
Proceeds from realisation of Investments		-		39.60
Sale of Fixed Assets and subsidy received		14.34		0.93
Interest and Dividend received		27.78		30.01
<b>Net Cash (used in) received from Investing Activities</b>		<b>(487.30)</b>		<b>(2,708.70)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Interest paid for Term Loan		(227.57)		(435.27)
Increase / (Decrease) in Bank Borrowings		(356.52)		3,631.94
Other Borrowings		499.21		
Dividend paid		-		(154.02)
<b>Net cash (used in) received from Financing Activities</b>		<b>(84.87)</b>		<b>3,042.65</b>
<b>Net increase / (Decrease) in cash and cash equivalents</b>		<b>(130.69)</b>		<b>67.89</b>
Opening Cash and Cash equivalents		221.67		153.78
Closing Cash and Cash equivalents		<b>90.98</b>		<b>221.67</b>

For and on behalf of the Board

**SKM.MAEILANANDHAN**  
Executive Chairman

**SKM. SHREE SHIVKUMAR**  
Managing Director

#### AUDITORS' CERTIFICATE

We have examined the Cash Flow Statement of M/s. SKM Egg Products Export (India) Limited for the year ended 31st March 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 12.08.2011 to the Members of the Company.

**For N.C.RAJAGOPAL & CO.,**  
Chartered Accountants

Place : Erode  
Date : 12.08.2011

**N.C.SAMPATH**  
Partner  
Membership No. 009592



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

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### **AUDITORS' REPORT**

#### **TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENT OF SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**

We have audited the attached Consolidated Balance Sheet of SKM EGG PRODUCTS EXPORT (INDIA) LIMITED (the Company) and its Subsidiary SKM Europe BV of the Netherlands, (Collectively called SKM Group) as at 31<sup>st</sup> March 2011, and the Consolidate Profit and Loss Account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary whose financial statements and other financial information has been compiled by other auditors whose report has been furnished to us and our opinion is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants if India.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India :-

- i. In the case of the Consolidated Profit and Loss Account, of the Loss of the SKM Group for the year ended on the date.
- ii. In the case of the Consolidated Balance Sheet, of the state of affairs of the SKM Group as at 31st March 2011.
- iii. In the case of Consolidated cash flow statement, of the cash flows of the SKM Group for the year ended on that date.

For **N.C. RAJAGOPAL & CO.**,  
Chartered Accountants,

Place : Erode

Date : 12.08.2011

**N.C. SAMPATH**  
(PARTNER)  
Membership No. 009592.

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

**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2011**

(Amount in Rs.)

Particulars	2010-2011		2009-2010	
<b>SOURCE OF FUNDS</b>				
Share Capital		263,300,000		263,300,000
Reserves & Surplus		227,997,026		317,888,149
Deferred Tax Liability		69,654,640		108,870,853
Loans :				
Secured		814,796,856		829,997,305
Unsecured		100,812,558		33,978,604
Translation Reserve		11,549,027		2,776,889
Minority Interest		658,853		121,612
<b>Total</b>		<b>1,488,768,959</b>		<b>1,556,933,412</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	1,417,753,349		1,375,785,281	
Less : Accumulated Depreciation	374,217,099		310,023,583	
Net Block		<b>1,043,536,250</b>		<b>1,065,761,698</b>
<b>Investments</b>		11,845,572		---
<b>Current Assets, Loans and Advances:</b>				
Inventories		314,870,574		333,872,258
Sundry Debtors		121,250,121		167,113,117
Cash & Bank Balance		26,315,754		35,656,107
Loans & Advances		192,666,956		157,441,317
		<b>655,103,405</b>		<b>694,082,799</b>
Less: Current Liabilities and Provisions :				
Current Liabilities		221,716,268		202,169,085
Provisions		--		742,000
		<b>221,716,268</b>		<b>202,911,085</b>
<b>Net Current Assets</b>		<b>433,387,137</b>		<b>491,171,714</b>
<b>Total</b>		<b>1,488,768,959</b>		<b>1,556,933,412</b>

1. Significant Accounting Policies S1 to S3.
2. Notes to the Accounts (Schedule S) Form part of this Consolidated Balance Sheet.
3. This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of the Board

For **N.C.RAJAGOPAL & CO.,**  
Chartered Accountants

**SKM. MAEILANANDHAN**  
Executive Chairman

**SKM. SHREE SHIVKUMAR**  
Managing Director

**N.C. SAMPATH**

Partner  
Membership No. 009592

Place : Erode  
Date : 12.08.2011

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st, MARCH 2011

(Amount in Rs.)

Particulars	2010-11	2009-10
<b>INCOME</b>		
Sales	1,261,118,481	1,189,067,064
Other Income	64,400,326	62,815,825
Deferred Tax (Asset)	38,844,010	
Increases / (Decreases) in Stock	(74,543,577)	116,250,546
<b>Total</b>	<b>1,289,819,239</b>	<b>1,368,133,435</b>
<b>EXPENDITURE</b>		
Purchases and Manufacturing Expenses	1,019,952,188	1,037,546,619
Employees' Cost	67,461,411	66,469,146
Administration & Other Expenses	103,394,190	108,098,243
Marketing Expenses	26,324,671	18,203,403
<b>Sub total</b>	<b>1,217,132,460</b>	<b>1,230,317,411</b>
<b>Profit / (Loss) Before Interest &amp; Depreciation</b>	<b>72,686,780</b>	<b>137,816,024</b>
Interest & Financial charges	90,869,432	81,396,863
<b>Profit / (Loss) After Interest</b>	<b>(18,182,652)</b>	<b>56,419,161</b>
Depreciation	69,697,378	53,190,285
<b>Profit / (Loss) after Interest &amp; Depreciation</b>	<b>(87,880,030)</b>	<b>3,228,877</b>
Provision for Income Tax	1,791,540	
Provision for Deferred Tax	-	17,430,435
Add: Earlier years MAT Provision Trd. To MAT Credit Entitlement	-	23,925,044
<b>Profit / (Loss) after income Tax and available for appropriations</b>	<b>(89,671,570)</b>	<b>9,723,486</b>
<b>Add (+) / Less (-) Minority Interest</b>	<b>537,241</b>	<b>40,781</b>
<b>Less : Appropriations</b>		
a. Provision for Proposed Dividend	-	-
b. Provision for Corporate Dividend Tax	-	-
<b>Balance Carried to Balance Sheet</b>	<b>(90,208,811)</b>	<b>9,682,705</b>
<b>Earnings Per Share - Basic</b>	<b>(3.41)</b>	<b>0.37</b>
<b>Earnings Per Share - Diluted</b>	<b>(3.41)</b>	<b>0.37</b>

1. Significant Accounting Policies S1 to S3.

2. Notes to the Accounts (Schedule S) Form part of this Consolidated Balance Sheet.

3. This is the Consolidated Balance Sheet referred to in our report of even date.

For and on behalf of the Board

For **N.C.RAJAGOPAL & CO.**,  
Chartered Accountants

**SKM. MAEILANANDHAN**  
Executive Chairman

**SKM. SHREE SHIVKUMAR**  
Managing Director

**N.C. SAMPATH**

Partner

Membership No. 009592

Place : Erode

Date : 12.08.2011

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

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET 2010-11**

Particulars	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - A - SHARE CAPITAL</b>		
<b>Authorised Capital:</b>		
3,00,00,000 Equity Shares of Rs. 10/- Each	30,00,00,000	30,00,00,000
<b>Issued, Subscribed &amp; Paid-up:</b>		
263,30,000 Equity Shares of Rs.10/- each fully paid-up	26,33,00,000	26,33,00,000
	<b>26,33,00,000</b>	<b>26,33,00,000</b>
<b>SCHEDULE - B - Reserves &amp; Surplus</b>		
Share Premium Account	400,692	400,692
<b>General Reserve:</b>		
Revenue Reserve	432,812	115,124
<b>Profit &amp; Loss Account:</b>		
Opening Balance	317,372,333	307,689,628
Less: Provision for Grauity for earlier years	(9,042,611)	-
Less: Deferred Tax Liability for Earlier Years		
Add: Current Year Balance after appropriation	(81,166,200)	9,682,705
Closing Balance	227,163,522	317,372,333
	<b>227,997,026</b>	<b>317,888,149</b>
<b>SCHEDULE - C - LOANS</b>		
<b>a. Secured</b>		
i) Working Capital Finance From		
a. State Bank of India Commercial Branch, Erode	309,957,602	306,089,614
b. ICICI bank Ltd *	100,000,000	100,000,000
ii) SBI FCNRB (C&I) USD, Term Loan	190,520,278	-
iii) SBI Bank, Term Loan	192,706,808	421,641,786
iv) SBI Bank, (FITL)Term Loan	20,451,387	-
v) Kotak Mahindra (Vehicle Loan)	37,075	259,579
vi) Corporation Bank (Vehicle Loan)	1,002,869	1,631,326
vii) Reliance (Vehicle Loan)	120,837	375,000
<b>b. Unsecured</b>		
Loan from Managing Director	58,900,000	9,089,357
SKM Universal Marketing Company (I) Ltd	25,000,000	24,889,247
SKM India	16,912,558	-
	<b>915,609,414</b>	<b>863,975,909</b>
WORKING CAPITAL FINANCE AND CORPORATE LOAN ARE SECURED BY :		
a) Hypothecation of stocks consisting of Rawmaterials, semi finished goods, finished goods and stores and spares and other current assets of the company.		
b) First charge on the entire fixed assets of the company.		
c) Personal guarantees of Executive chairman and Managing director.		
*d) Pledge of shares of the company held by the Managing Director.		
<b>SCHEDULE- D - MINORITY INTEREST</b>		
Share Capital	146,961	146,961
Profit	511,892	(25,349)
	<b>658,853</b>	<b>1,21,612</b>

**SKM EGG PRODUCTS EXPORT (INDIA) LIMITED, ERODE.**

**DEPRECIATION FOR 2010-2011 (A.Y. 2011-2012)**

**SCHEDULE-D FIXED ASSETS**

Description	Gross Block					Depreciation			Net Block	
	As at 31.03.2010	Additions During the year	Adjustment/ Deductions During the Year	As on 31.03.2011	Depreciation upto 31.03.2010	Depreciation During the Year	Adjustment/ Deductions During the Year	Total Depreciation Upto March 2011	As at 31.03.2011	As at 31.03.2010
Land	55,490,435	408,275	-	55,898,710	-	-	-	-	55,898,710	55,490,435
Building	369,826,652	118,228,645	969,205	487,086,092	45,192,339	17,471,860	-	62,664,199	424,421,893	324,634,313
Plant&Machinery	646,156,385	144,200,960	8,093,432	782,263,913	235,895,796	45,619,173	4,673,176	276,841,793	505,422,120	410,260,589
Office & Other Equipment	41,608,462	7,850,251	(83,953)	49,542,666	13,780,608	2,691,263	340	16,471,531	33,071,135	27,827,854
Computers	10,060,221	172,987	4,79,250	9,753,958	6,516,695	1,559,480	70,479	8,005,696	1,748,262	3,543,526
Furniture&Fixtures	5,439,333	35,403	21,150	5,453,586	3,163,235	343,940	1,906	3,505,269	1,948,317	2,276,098
Motor Vehicles	20,804,630	524,951	2,572,868	18,756,713	5,474,912	2,011,661	757,963	6,728,610	12,028,103	15,329,718
Work In Progress	218,518,803	38,851	218,518,803	38,851	-	-	-	-	38,851	218,518,803
<b>GROSSTOTAL</b>	<b>1,367,904,921</b>	<b>271,460,323</b>	<b>230,570,755</b>	<b>1,408,794,489</b>	<b>310,023,584</b>	<b>69,697,377</b>	<b>55,03,864</b>	<b>374,217,098</b>	<b>1,034,577,391</b>	<b>1,057,881,337</b>
<b>PREVIOUS YEAR</b>	<b>1,090,560,673</b>	<b>457,310,157</b>	<b>179,965,909</b>	<b>1,367,904,921</b>	<b>256,938,636</b>	<b>53,190,284</b>	<b>105,336</b>	<b>310,023,584</b>	<b>1,057,881,337</b>	<b>833,622,038</b>

Description	Value of Live Stock as on 1.04.2010	Accretions to the cost	Cost Amortised	Cost Unamortised	Value of Live Stock as on 31.03.2011
Live Stock	78,80,360	35,74,23,370	31,48,76,373	414,68,497	8,958,860
<b>GROSS TOTAL</b>	<b>78,80,360</b>	<b>35,74,23,370</b>	<b>31,48,76,373</b>	<b>414,68,497</b>	<b>8,958,860</b>
<b>PREVIOUS YEAR</b>	<b>73,93,605</b>	<b>96,309,720</b>	<b>4,85,79,533</b>	<b>472,43,432</b>	<b>7,880,360</b>

**Notes : -**

Figures in adjustment / deductions column for "working in progress" represents assets capitalised during the year.

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

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Schedule - E - Investments</b>		
<b>Current Investments (Valued at Lower of Cost or Fair Value)</b>		
<b><u>Unquoted :</u></b>		
<b>Schedule F -Inventories</b>		
SKM Europe BV, The Netharlands - Subsidiary	-	-
SKM Universal Marketing Company India Limited	11,845,572	-
	<b>11,845,572</b>	<b>-</b>
<b>Current Assests,Loans and Advances</b>		
<b>Schedule G -Inventories</b>		
<b>(As Valued &amp; Certified By the Management)</b>		
Raw Material	21,637,830	19,106,760
Additives, Stores, Spares and Consumables	29,974,818	33,187,759
Finished Goods	160,420,030	242,080,713
Feed & Medicines	1,742,801	2,045,166
Egg Trays	-	1,783,402
Plastic Crates Stock	-	1,495,240
Display Stand	-	381,911
Packing & Display Stand Sticker	-	1,045,365
Goods in Transist (Outside Europe)	62,007,866	1,239,542
Egg Powder at Netherlands	39,087,229	31,506,401
	<b>314,870,574</b>	<b>333,872,259</b>
<b>Schedule H - Sundry Debtors</b>		
<b>Unsecured &amp; Considered Good</b>		
Sundry Debtors - Considered Good		
a) More Than Six Months		
b) Others	121,250,121	167,113,117
	<b>121,250,121</b>	<b>167,113,117</b>
<b>Schedule - I Cash and Bank Balances</b>		
i. Cash on hand	208,553	1,335,452
ii. In current Account with Scheduled Banks	11,504,109	26,895,817
III.Fixed Deposit with SBI, Commercial Branch Erode.	14,603,092	7,424,838
	<b>26,315,754</b>	<b>35,656,107</b>

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Schedule - J Current Assets, Loans and Advances</b>		
i. Advances Recoverable in Cash or in kind for value to be received - unsecured and Considered Good	97,402,600	64,613,533
ii. Deposits - Considered Good	4,003,441	11,620,281
iii. MAT Credit Entitlement	25,726,336	26,380,693
<b>Other Current Asset :</b>		
i. Unamortised Value of Chicks	41,468,497	47,243,432
ii. Licence - Focus Products Scheme Receivable	18,363,840	2,300,000
iii. Duty Drawback (Eggs) Receivables	5,143,932	5,283,378
iv. Deferred Exchange Loss	558,310	-
	<b>192,666,956</b>	<b>157,441,317</b>
<b>Schedule K-Current Liabilities and Provisions</b>		
i) Trade Creditors*	67,710,563	4,463,872
ii) Creditors For Expenses & Others	125,635,156	180,142,252
iii) Unpaid Dividend	2,871,107	2,959,434
iv) Advance from debtors	1,075,195	1,597,052
v) VAT payable and Corporate Tax	928,857	-
<b>iv. Liability for Expenses</b>		
Earned Leave Encashment Payable	1,456,690	1,768,122
Sales Commission Payable	7,793,953	1,956,839
Other Expenses Payable	8,051,435	6,032,848
Bonus Payable	2,431,948	2,555,000
Provisions for Bad Debts	2,873,846	-
Net Gratuity obligation	887,519	693,666
	<b>221,716,268</b>	<b>202,169,084</b>
<b>Provisions</b>		
1. Provision for Income tax - Minimum Alternative Tax	-	742,000
	-	<b>742,000</b>

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

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Particulars	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE -L—Sales &amp; Other Income</b>		
Export Sales	1,098,988,258	1,085,114,395
Domestic Sales	162,130,223	103,952,669
<b>Sales</b>	<b>1,261,118,481</b>	<b>1,189,067,064</b>
Sale of Shell Egg & Scrap	4,512,416	4,764,095
Interest Receipts	4,586,043	1,790,687
Lease Rent Received Egg Grader Machine	300,000	-
Vishesh Krishi Upaj Yojana - Subsidy	3,597,297	18,294,529
Egg Drawback	7,938,756	27,962,791
Exchange Fluctuation - Net	16,550,778	-
Profit on Sale of Assets	1,282,549	-
Miscellaneous Income	533,540	7,703,723
Focus Products Scheme	24,060,123	2,300,000
Feed Processing Charges Received	1,038,824	-
<b>Other Income</b>	<b>64,400,326</b>	<b>62,815,825</b>
<b>SCHEDULE M (Increase) /Decrease in Stock</b>		
Opening Stock - Finished goods	310,108,616	136,261,000
Semi Finished Goods		
Add:Egg Powder Purchase		
Closing Stock - Finished goods	235,565,038	252,511,546
Semi Finished Goods		
<b>Increase / (Decrease) in Stock</b>	<b>(74,543,577)</b>	<b>116,250,546</b>
<b>SCHEDULE - N - PURCHASES AND MANUFACTURING EXPENSES</b>		
Raw Material- Eggs Consumed	721,245,407	774,655,953
Other Purchases	-	1,257,639
Egg Powder Purchases	64,498,886	29,762,764
Import Duty	15,391,372	7,763,341
Customs Clearance & Other Expenses	5,108,868	-
Egg Purchases	-	14,955,982
Transport Charges	36,897,094	5,020,206
Amortised Value of Birds	16,374,206	48,579,533
Feed & Maize Consumption	-	47,959
Vaccine & Medicine Consumption	579,290	776,700
Packing Material - Consumed	23,992,006	23,833,987
Power & Fuel	74,654,911	70,158,637
Transport Hire & Cooli	23,707,463	1,504,992
Additives & Consumables	37,502,685	45,441,041
Egg Stand	-	2,622,649
Charged Cost & Other Cost	-	10,536,182
Egg Paper Tray	-	629,053
	<b>1,019,952,188</b>	<b>1,037,546,619</b>



## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - O - EMPLOYEES' COST</b>		
Salaries & Wages	50,647,889	40,290,086
PF Contribution	3,558,189	2,115,647
Contractors' Payment	10,477,829	20,928,552
Grauity Expenses	532,830	391,427
Welfare Expenses	2,244,674	2,743,434
	<b>67,461,411</b>	<b>66,469,146</b>
<b>SCHEDULE - P- Other Expenses</b>		
Repairs & Maintenance		
a) Building	1,247,854	5,272,748
b) Plant & Machinery	9,283,700	9,194,693
d) Fly Control Expenses	1,253,381	1,684,955
c) Others	6,545,309	7,448,496
d) Vehicle	8,339,760	8,418,627
	<b>26,670,004</b>	<b>32,019,519</b>
Stores & Spares Consumption	6,821,365	9,260,683
Analysing Charges	2,586,793	3,630,236
Rent, Rates and Taxes	3,454,275	3,617,408
Postage, Courier & Telephone Charges	3,373,598	3,428,742
Printing & Stationery	885,567	1,422,508
Insurance Premium	2,815,832	2,033,850
Advertisement and Publicity	4,373,605	3,639,318
Travelling Expenses	5,601,993	4,057,868
Brokerage and Commission	1,67,836	-
Freight, Insurance and Forwarding Charges	35,281,398	27,296,430
Professional Charges	1,463,291	2,821,855
ISO / HACCP-expenses.	83,762	250,435
Stock Exchange Listing Fee	222,554	219,335
Miscellaneous Expenses	2,242,357	2,967,611
Audit Fees	897,354	891,882
Donation	2,405,170	2,939,605
Foreign Exchange Fluctuation	-	5,684,817
Loss on Sale of Assets	-	580,122
Provision for Bad Debts	3,007,738	-
Registration and Renewal	201,043	404,453

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
Annual General Meeting Expenses	389,207	394,277
Directors' Sitting Fee	16,000	13,000
Subscription	433,447	241,399
Inauguration - Best Eggs	-	282,890
Extra Ordinary Item	-	-
	<b>76,724,186</b>	<b>76,078,724</b>
<b>SCHEDULE - Q -MARKETING EXPENSES</b>		
Foreign Trip Expenses	5,674,225	1,979,559
Sales Commission to Foreign Collaborator & Others	19,084,554	13,594,829
Foreign Exhibition Expenses	-	1,145,430
Sales Promotional Expenses	1,318,825	1,283,816
Foreign Delegates Expenses	247,027	199,769
	<b>26,324,671</b>	<b>18,203,403</b>
<b>SCHEDULE - R - Interest &amp; Financial Charges</b>		
Working Capital Loan Interest	13,857,943	22,267,667
Bank Charges & ECGC Charges	10,422,642	10,305,746
Export Bills Discount Interest & Overdue Interest	2,492,796	4,328,606
Interest Paid - Others	2,562,412	219,492
Bill Discount & Collection Charges	1,692,158	747,398
SBI- Term Loan Interest & FITL	43,208,177	30,382,760
Interest paid on ICICI Working Capital Loan	12,643,869	10,559,578
Interest paid to Managing Director	3,989,435	2,585,616
	<b>90,869,432</b>	<b>81,396,863</b>

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

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### **Schedule T**

#### **NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENT**

1. The consolidated statement has been prepared to include the results of "SKM Europe BV", Utrecht, The Netherlands, the Subsidiary of the company in which the company holds 85% of the Share Capital of the Subsidiary Company.
2. **Contingent Liabilities:**
  - a. Export Bills discounted with the State Bank of India, Commercial Branch, Erode Rs. 473.13 Lacs.(Excluding the Bills of Subsidiary Company) (Previous year Rs. 732.54 Lacs).
  - b. **Income Tax Liability Rs.429.13 Lacs.**
  - c. **Service Tax Liability Rs.34.21Lacs**
  - d. **Excise Duty Liability Rs.7.51 Lacs**

#### **Significant Accounting Policies:**

1. Basis of Preparation:

The Consolidated Financial statements of SKM Egg Products Export (India) Limited and its Subsidiary are prepared under the historical cost convention and in accordance with the according standards issued by the "The Institute of Chartered Accountants of India".
2. Principles of Consolidation:
  - a. The Financial Statements of the Subsidiary Company used in the Consolidation are drawn up to the same reporting date as on the company.
  - b. The Consolidated financial statement have been prepared on the following basis:
    - i. The financial statement of the present company and its majority owned and controlled subsidiary company have been combined on the line basis by adding together the book value of all items of Assets, Liabilities, Income and Expenses after eliminating inter – company balances / transactions and unrealized gain / loss.
    - ii. Interest in a jointly control entity is reported using proportionate consolidation.
    - iii. The consolidated financial statements are prepared using uniform accounting polices for similar transactions and other events in similar circumstances.
    - iv. Minority interest in the net assets of the consolidated subsidiary, consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the company in the subsidiary company and further movements in their share in the equity, subsequent to the date of the investments.
3. Use of Estimates:

Preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosures of the Contingent assets and liabilities on the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Other accounting policies applicable for the holding company are equally applicable for the consolidated financial statements wherever relevant.

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

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Earning Per Share:

Particulars	2010 – 11	2009 - 10
1. Profit after Tax	Rs. (896.71) Lacs	Rs. 97.23 Lacs
2. Weight Average No. of Shares	2,63,30,000	2,63,30,000
3. Earning Per Share	Rs. (3.41)	Rs. 0.37

For **N.C.RAJAGOPAL & CO.,**  
Chartered Accountants

Place : Erode  
Date : 12.08.2011

**N.C. SAMPATH,**  
(PARTNER)  
Membership No. 009592

## SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

### CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 01.04.2010 TO 31.03.2011

(Rs. in Lacs)

Particulars	2010-11		2009-10	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)</b>				
Profit Before Tax		(878.80)		32.28
Adjustments for :		--		--
Depreciation	696.97		531.90	
(Profit) / Loss on Sale of Fixed Assets	(12.83)		5.80	
Deferred Tax Adjust	(388.44)		--	
Interest Expenses	432.08		435.27	
Interest and Dividend Income	(45.86)	681.93	30.01	1002.98
<b>Operating Profit before Working Capital Changes</b>		(196.87)		1035.26
Adjustments for :				
Increase / (Decrease) in Trade and other Receivable	38.59		(521.16)	
Increase / (Decrease) in Inventories	190.02		(1,267.96)	
(Increase) / Decrease in Trade and other payables	193.50	422.10	621.40	(1167.72)
<b>Cash generated from operations</b>	--	225.23	--	(132.46)
Direct Taxes Paid		(5.45)		(79.85)
Cash Flow before Extra-ordinary Items		219.79		(212.31)
<b>Net Cash Flow from Operating Activities</b>		<b>219.79</b>		<b>(212.31)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Increase in fixed assets		(529.42)		(2,778.31)
Proceeds from realisation of Investments		--		39.60
Sale of Fixed Assets and subsidy received		14.34		0.93
Interest and Dividend received		45.86		(30.01)
<b>Net Cash (used in) received from Investing Activities</b>		<b>(469.22)</b>		<b>(2,767.79)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Interest paid for Term Loan		(227.57)		(435.27)
Increase / (Decrease) in Bank Borrowings		(356.52)		3,631.94
Other Borrowings		668.34		
Dividend paid		--		(154.02)
<b>Net cash (used in) received from Financing Activities</b>		<b>84.25</b>		<b>3,042.65</b>
<b>Net increase / (Decrease) in cash and cash equivalents</b>		<b>(165.18)</b>		<b>62.55</b>
Opening Cash and Cash equivalents		282.30		219.75
Closing Cash and Cash equivalents		<b>117.13</b>		<b>282.30</b>

For and on behalf of the Board

**SKM.MAEILANANDHAN**

Executive Chairman

**SKM. SHREE SHIVKUMAR**

Managing Director

#### AUDITORS' CERTIFICATE

We have examined the Consolidated Cash Flow Statement of M/s. SKM Egg Products Export (India) Limited for the year ended 31st March 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 12.08.2011 to the Members of the Company.

**For N.C.RAJAGOPAL & CO.,**  
Chartered Accountants

Place : Erode  
Date : 12.08.2011

**N.C.SAMPATH**  
Partner  
Membership No. 009592

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

**SKM EUROPE BV - UTRECHT**  
**Balance Sheet As at 31st. March,2011**

(Amount in Rs.)

Particulars	Schedule	As at 31.03.2011		As at 31.03.2010	
<b>SOURCE OF FUNDS</b>					
<b>Authorised Capital</b>					
90,000 shares of Euro 1 Each		Euro 90000		Euro 90000	
<b>Paidup Share Capital</b>					
<b>Reserve Capital 18,000 shares of Euro 1 Each</b>	<b>A</b>		9,79,740		9,79,740
Reserves & Surplus	<b>B</b>		3,412,607		(168,699)
Secured Loans	<b>C</b>		16,912,558		16,912,558
(From the Holding Company)					
Translation Reserve			11,549,025		2,776,889
			<b>32,853,930</b>		<b>20,500,187</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block		34,012		34,012	
Less: Accumulated Depreciation		7,406		5,790	
Net Block			26,606		28,222
<b>Current Assets, Loans and Advances</b>					
Inventories	<b>D</b>		39,087,229		31,506,401
Sundry Debtors	<b>E</b>		82,199,554		92,793,764
Cash and Bank Balances	<b>F</b>		2,614,472		6,063,139
Loans and Advances	<b>G</b>		62,605,212		59,640,684
Total Current Assets			186,506,467		190,003,987
Less: Current Liabilities and Provisions	<b>H</b>		<b>153,679,143</b>		<b>169,532,023</b>
Net Current Assets			32,827,324		20,471,964
			<b>32,853,930</b>		<b>20,500,187</b>

**SKM. SHREE SHIVKUMAR**  
 Director

For and on behalf of the Board

**B.KLAWER**  
 Director

Place : Erode

Date : 12.08.2011

**SKM EGG PRODUCTS EXPORT (INDIA) LIMITED****SKM EUROPE BV - UTRECHT  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st. MARCH, 2011**

(Amount in Rs.)

Particulars	Schedule	Year ended 31.03.2011	Year ended 31.03.2010
<b><u>INCOME</u></b>			
Sales	I	602,531,315	548,050,152
Other Income	I	2,791,299	7,851,843
Increase & Decrease in Stock	J	7,580,885	9,264,536
<b>Total Income</b>		<b>612,913,498</b>	<b>565,166,530</b>
<b><u>EXPENDITURE</u></b>			
Purchases and other Expenses	K	582,004,868	548,200,460
Administrive Expenses	L	10,430,373	3,193,454
Marketing Expenses	M	16,827,936	12,075,560
<b>Sub total</b>		<b>609,263,177</b>	<b>563,469,475</b>
<b>Profit / (Loss) Before Interest &amp; Depreciation</b>		<b>3,640,321</b>	<b>1,697,056</b>
Interest & Financial charges	N	57,100	1,423,569
<b>Profit / (Loss) After Interest</b>		<b>3,583,221</b>	<b>273,487</b>
Depreciation		1,616	1,616
<b>Net Profit</b>		<b>3,581,606</b>	<b>271,871</b>

For and on behalf of the Board

**SKM. SHREE SHIVKUMAR**  
Director**B.KLAWER**  
Director

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

**SKM EUROPE BV SCHEDULES FORMING PART OF THE BALANCE SHEET  
AND PROFIT AND LOSS ACCOUNT**

(Amount in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Schedule - A- Share Capital</b>		
90,000 Shares of Euro 1 each	4,898,700	4,898,700
<b>Paid up Share capital</b>		
18000 Shares of Euro 1 each	979,740	979,740
<b>Schedule - B - Reserves and Surplus</b>		
Profit & Loss Account	(1,68,999)	(440,870)
Add Current year Balance After appropriation	3,581,606	2,71,871
	<b>(3,412,607)</b>	<b>(168,699)</b>
<b>Schedule - C : Secured Loans</b>		
Term Loan from SKM Egg Products Export (India) Limited	16,912,558	16,912,558
<b>Current Assets, Loans and Advances</b>		
<b>Schedule - D : Inventories</b> (As Valued & Certified by the Management)		
Egg Powder	39,087,229	31,506,401
<b>Schedule - E - Sundry Debtors</b>		
Unsecured and Considered Good		
a) More than Six Months		
b) Others	82,199,554	92,793,764
<b>Schedule - F - Cash and Bank Balances</b>		
Cash Balances	-	-
in Current Account with Banks	2,614,472	6,063,139
	<b>2,614,472</b>	<b>6,063,139</b>
<b>Schedule - G - Current Assets, Loans and Advances :</b>		
Advance recoverable in Cash or in Kind for Value to be received -		
Unsecured and Considered Good	525,768	5,46,857
Advance to Suppliers	71,578	-
Goods in Transit	62,007,866	58,712,905
Corporate Tax	-	380,922
	<b>62,605,212</b>	<b>59,640,684</b>
<b>Schedule - H - Current Liabilities and Provisions :</b>		
i) Trade Creditors	137,598,886	154,536,226
ii) Creditors For Expenses & Others	966,980	972,351
VAT Payable	97,565	359,060
Corporate Tax payable	8,31,292	-
Others	1,238,124	4,031,454
<b>Provisions :</b>		
Provisions for Expenses	2,792,829	3,858,162
Provisions for Commission	7,279,622	5,774,770
Provisions for Bad Debts	2,873,846	-
	<b>153,679,143</b>	<b>169,532,023</b>



**SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**
**SKM EUROPE BV- SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Schedule - I - Sales &amp; Other Income</b>		
Egg Powder Sales	602,531,315	548,050,152
	<b>602,531,315</b>	<b>548,050,152</b>
<b>Other Income</b>		
Miscellaneous Income	824,009	6,736,886
Fluctuation Income	159,315	209,163
Insurance Claim Received	-	905,794
Interest Received	1,807,975	-
	<b>2,791,299</b>	<b>7,851,843</b>
<b>Schedule - J - Increase / (Decrease) in Stock</b>		
Opening Stock - Finished Goods	66,861,605	57,597,069
Closing Stock - Finished Goods	74,442,489	66,861,605
	<b>7,550,885</b>	<b>9,264,536</b>
<b>Schedule - K - Purchase and other Expenses:</b>		
Purchase of Egg Powder	554,643,177	524,880,731
Import Duty	15,283,380	7,763,341
Transport Costs to Customer	6,799,497	3,196,095
Custom Clearing Charges	3,134,168	11,001,686
Other Purchases	1,69,946	1,358,608
Returned Containers	1,145,474	-
Demurrage	829,226	-
	<b>582,004,868</b>	<b>548,200,460</b>
<b>Schedule - L - Administration and Other Expenses:</b>		
Postage	440,422	528,908
Subscriptions	93,181	108,753
Travel and Accommodation	66,979	21,403
Auditors Fee	230,854	288,382
Lawyer and Advice costs	124,725	26,772
Bookkeeping	382,739	401,080
Insurances	1,454,456	264,020
Other General Costs	315,072	89,445
Godown Rent	1,293,461	1,247,886
Plastic Pallets GC Hahn	713,050	216,855
Provisions for Bad Debts	3,007,738	-
Wooden Pallets	516,155	-
Corporate Tax	1,791,540	-
	<b>10,430,373</b>	<b>3,193,454</b>
<b>Schedule - M - Marketing Expenses:</b>		
Exhibition Costs	-	135,915
Advertising and Publicity	-	16,098
Sales Commission	1,68,23,460	11,923,547
Cost office Russia	4476	-
	<b>1,68,27,936</b>	<b>12,075,560</b>
<b>Schedule - N - Interest and Financial Expenses:</b>		
Bank Charges	57,100	131,739
Other Interests	-	80,716
Interest Paid	-	1,211,114
	<b>57,100</b>	<b>1,423,569</b>

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

**இருப்பு நிலை குறிப்பு**

(தொகை ரூபாயில்)

விபரம்		31.03.2011 அன்று		31.03.2010 அன்று
<b>நிதி ஆதாரங்கள்</b>				
பங்கு முதல்		263,300,000		263,300,000
ரிசர்வுகளும், உபரிகளும்		225,096,312		318,031,800
Deferred Tax Liability		69,654,640		108,870,853
<b>ஈடுள்ள கடன்கள்</b>				
பிணைக் கடன்		814,796,856		829,997,305
பிணையில்லாக் கடன்		83,900,300		33,978,604
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		<b>1,456,747,808</b>		<b>1,554,178,562</b>
<b>நிதி விநியோகம்</b>				
<b>அசையா சொத்துக்கள்</b>				
மொத்த சொத்துக்கள்	1,417,719,337		1,375,751,269	
கழிக்க : தேய்மானம்	374,209,693		310,017,793	
நிகர சொத்துக்கள்		<b>1,043,509,644</b>		<b>1,065,733,476</b>
மூலதனம்		12,678,351	832,779	
<b>நடப்புச் சொத்து, கடன்கள் மற்றும் முன் தொகைகள் :</b>				
சரக்கிருப்பு		213,775,479	301,126,316	
கடனாளிகள்		86,891,291	73,772,496	
ரொக்கமும் வங்கி இருப்பும்		23,701,282	29,592,968	
கடன்கள் மற்றும் முன் தொகைகள்		192,069,610	173,972,952	
	-	<b>516,437,662</b>	-	<b>578,464,732</b>
<b>கழிக்க : நடப்பு பொறுப்புகள் ஒதுக்கீடுகள்</b>				
மொத்த நடப்புப் பொறுப்புகள்		115,877,849		90,110,425
ஒதுக்கீடுகள்		-		<b>7,42,000</b>
<b>நிகர நடப்புச் சொத்துக்கள்</b>		<b>115,877,849</b>		<b>90,852,425</b>
		<b>400,559,813</b>		<b>487,612,307</b>
		<b>1,456,747,808</b>		<b>1,554,178,562</b>

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

**இலாப நட்ட கணக்கு**

(தொகை ரூபாயில்)

விபரம்	31.03.2011 அன்று	31.03.2010 அன்று
<b>வருமானம்</b>		
<b>விற்பனை</b>	1,148,901,403	1,136,134,879
<b>இதர வருமானம்</b>	61,609,027	56,384,259
<b>Deffered Tax (Asset)</b>	38,844,010	-
<b>சரக்கு இருப்பின் ஏற்றம் / இறக்கம்</b>	(82,124,462)	106,986,011
<b>மொத்தம்</b>	<b>1,167,229,978</b>	<b>1,299,505,149</b>
<b>செலவினங்கள்</b>		
கொள்முதல் மற்றும் உற்பத்திச் செலவுகள்	928,261,557	984,464,125
சம்பளம்	67,461,411	66,469,146
இதர செலவுகள்	94,755,357	105,113,952
விற்பனைச் செலவுகள்	9,496,735	6,127,843
<b>மொத்த செலவுகள்</b>	<b>1,099,975,060</b>	<b>1,162,175,066</b>
<b>வட்டி தேய்மானங்களுக்கு முன் இலாபம்</b>	<b>67,254,918</b>	<b>137,330,083</b>
வட்டி மற்றும் நிதிச் செலவுகள்	90,812,332	81,184,408
<b>வட்டிக்குப் பின் இலாபம்</b>	<b>(23,557,414)</b>	<b>56,145,675</b>
தேய்மானம்	69,695,762	53,188,669
<b>வரிக்கு பிந்தைய இலாபம்</b>	<b>(93,253,176)</b>	<b>2,957,006</b>
Provision for Deferred Tax	-	17,430,435
Add : Earlier Years Mat Provision Trd. to MAT Credit Entitlement	-	23,925,044
<b>Profit &amp; Loss After Income Tax and Available for appropriations</b>	<b>(93,253,176)</b>	<b>94,51,615</b>
<b>கழிக்க : ஒதுக்கீடுகள்</b>		
அ. டிவிடெண்ட்	-	-
ஆ. டிவிடெண்ட் மீதான வரி	-	-
	-	<b>15,402,392</b>
<b>இருப்பு நிலைக் குறிப்பிற்கு கொண்டு சென்ற உபரி</b>	<b>(93,253,176)</b>	<b>94,51,615</b>