# **OVOBEL** FOODS LIMITED 13<sup>TH</sup> ANNUAL REPORT 2004-2005

#### **NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of the members of the Company will be held on Saturday, the 26<sup>th</sup> November 2005, at 3.30 P.M at the Registered Office of the Company at No.984, 1<sup>st</sup> Cross, 12 Main, HAL II Stage, Indiranagar, Bangalore 560 008 to transact the following items of business:

#### **ORDINARY BUSINESS**

- 1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>rd</sup> March 2005 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
- 2. To appoint Mr. Vishan Swarup Aggarwal, Director who retires by rotation and being eligible, offers himself for reappointment.
- 3. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

# BY ORDER OF THE BOARD OF DIRECTORS FOR OVOBEL FOODS LIMITED

A. J. Ceglarusi

# SHANTI SWARUP AGGARWAL MANAGING DIRECTOR

Date: 22<sup>nd</sup> October 2005

Place: Bangalore

Registered Office:

No.984, 1<sup>st</sup> Cross, 12 Main, HAL II Stage, Indiranagar, Bangalore 560 008.

For OVOBEL FOODS LIMITED

#### NOTES:-

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.
- 2) The Register of Members and Transfer books of the Company will remain closed from 22<sup>nd</sup> November 2005 to 26<sup>th</sup> November 2005 (both days inclusive).
- 3) Shareholders are requested to lodge the Share Transfer Deeds duly executed and intimate change of addresses, if any, to its Registrars M/s Alpha Systems Private Limited at No. 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore 560 003.

BY ORDER OF THE BOARD OF DIRECTORS FOR OVOBEL FOODS LIMITED

J. J. aganize

SHANTI SWARUP AGGARWAL MANAGING DIRECTOR

Date: 22nd October 2005

Registered Office: No.984, 1" Cross, 12 Main, HAL II Stage, Indiranagar, Bangalore 560 008.

For CYCREL FOODS LIMITED





Regd. Off: # 984, 1st Cross, 12th Main, HAL II Stage, Indiranagar, Bangalore - 560 008. INDIA.

Tel: 91-80-25263735, 25294319, Fax: 91-80-25260618

E-mail ovobelfoods@vsnl.com URL: http://www/ovobelfoods.com

#### DIRECTORS' REPORT

Your Directors place the Thirteenth Annual Report on the working of your Company for the financial year ended 31st March 2005.

#### PERFORMANCE HIGHLIGHTS

Current Year Rs. In '000	Previous Year Rs. '000	
2.85.661.50	2,23,828.00	
2,70,013.00	2,08,304.00	
<del></del>	15,524.00	
and the second s	13,952.00	
The second of th	8,473.00 (6,901)	
	Rs. In '000 2,85,661.50	

#### **BUSINESS REVIEW & FUTURE PROSPECTS**

The Export turnover of the company for the year ended 31.03.2005 is increased to Rs.27.54 crores thereby registering a growth of 24%. In the forthcoming year your company is likely to consolidate this position. It is expected that during 2006 the international market will be firm for egg products in view of shortages in the US and EU.

# REFERENCE TO BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The shareholders of the Company at their ninth Annual General Meeting had approved to declare the Company as a Sick Industrial Company within the meaning of Section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly, the matter has been referred to the Board of Industrial and Financial Reconstruction (BIFR). The Company has been declared as a Sick Industrial Company within the meaning of Section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act, 1985 by the Board of Industrial and Financial Reconstruction (BIFR) on 29<sup>th</sup> October 2003, the revised proposal of OA has been submitted and the matter is under the consideration of the BIFR.

The One time settlement with ICICI Bank Ltd has been completed as per the agreed terms.





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DIVIDEND

The Board is not recommending any Dividend for the year under review.

#### MANAGEMENT DISCUSSION AND ANALYSIS

#### a. Industry structure and developments.

The Company operates in the domain of egg powder and frozen egg manufacture and exports.

At present there are only 3 companies active in this domain in India. Your company has the largest customer base and product range.

Your Company has built a reputation over the years amongst its customers for quality products

#### b. Opportunities and Threats.

- Not many companies in the country manufacturing these products
- Entry of new businesses into the country due to liberalization and lesser cost.
- Egg powder producing companies forming cartels overseas and beating the prices down.

The Company can utilize its skills in the industry due to its domain expertise and past experience in this segment.

#### c. Segment-wise or product-wise performance.

The Company operates only in one pre dominant segment ie manufacture of egg powder and frozen egg.

#### d. Outlook

Despite working capital shortage and financial crunch, your Directors have endeavored and prioritised vigorous improvement in productivity of its machines and employees and have been successful in keeping its clients happy on the product quality front.

The Company is also negotiating with the secured lenders for relief and concessions.

The Management looks to the future with optimism. \*





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#### e. Risks and concerns.

- Increase in per capita egg consumption in India is likely to take up the price of raw material
- Shortage of funds for the Company is a cause of concern for the short term.
- The spread of Avian Influenza is a major risk factor that is likely to affect raw material availability and restrictions for import of egg products to destination countries.
- Rising manpower costs is a major concern the industry is facing

The Company has created a niche by offering customized products at competitive prices. In addition to the rehabilitation scheme being worked out, this strength would be able to counter any situation arising out of the risks stated hereinabove.

f. Internal control systems and their adequacy.

The Company's internal control systems are in place and the management is of the opinion that they are adequate keeping in view the current level of operations of the Company

g. Discussion on financial performance with respect to operational performance.

The Company's profitability has been under pressure in the financial year under review. The Company is looking at ways and means to increase its bottom line.

h. Material developments in Human Resources / Industrial Relations front, including number of people employed.

The Company has professionals working on production and sales. The employees have been recruited keeping in view the current level of operations and the liquidity problems being faced by the Company. There are no problems between the employees and management.

#### **DEPOSITS**

In terms of the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits Rules) 1975, the company has not accepted any fixed deposit during the year under review.





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#### **PERSONNEL**

None of the employees of the Company were drawing remuneration in excess of the limits specified in Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employee Rules), 1975.

#### DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Vishan Swarup Aggarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

#### DIRECTORS RESPONSIBILITY STATEMENT:

As per the provisions of Section 217 (2AA) of the Companies Act 1956, the Directors hereby submit that:

- 1. The Company has followed all the applicable Accounting standards and there is no material departure from this in the preparation of the annual accounts.
- 2. The Company had selected the normal accounting policies and applied them consistently and made judgment and estimates that are responsible and prudent so as to give a true and fair view of the affairs of the Company at the end of the financial year and the profit and loss account of the Company for that period.
- 3. Proper and sufficient care has been taken by the Company for maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for detecting frauds and irregularities.
- 4. The accounts of the Company are prepared on a 'going concern' concept basis.

#### **AUDITORS & AUDIT REPORT**

M/s. AAG] & Co., Chartered Accountants, Auditors of the Company hold office as Auditors until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment and have expressed their willingness to continue as auditors, if re appointment.

In response to the qualifications of the Auditors in their report, your directors wish to state as follows:





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The Company has incurred huge losses and it had applied to the BIFR for rehabilitation on 28th June 2001. The Company had asked for waiver of penal interest and liquidated damages being levied for non-payment. BIFR, in its order dated 29th October 2003, had asked the company to submit a revised proposal for repayment of loan to the operating agency. The revised proposal submitted by the company is still under consideration. Therefore the company has followed previous year's policy in providing interest on loans.

The Company manufactures egg powder, which has tremendous potential in the overseas market. The Company has incurred huge losses due to market conditions and strong MNC brands in the International markets. Despite these odds the Company has been doing exceptionally well in terms of the turnover. The Company required funds to meet its various fixed expenses including payment of salaries to employees etc. In view of inadequacy of lenders who would lend money to a BIFR Company, the Company had no recourse to any other borrowings in the market.

#### AUDIT COMMITTEE

The Board of Directors has constituted an Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 read with Clause 49 of the listing Agreement consisting of Mr. T.S. Satyanarayana Rao, Mr. Philip Van Bosstraeten and Mr. Vishan Swarup Aggarwal, Directors of the Company, under the Chairmanship of Mr. Vishan Swarup Aggarwal.

#### LISTING AGREEMENT REQUIREMENTS

The Company's shares are listed on Bangalore Stock Exchange Ltd, The Calcutta Stock Exchange Association Ltd. and The Stock Exchange of Mumbai.

#### CORPORATE GOVERNANCE:

The report on compliances of the corporate governance code is Annexed herewith as Annexure A. Auditors report on the same is also annexed herewith.

#### PERSONNEL

None of the employees of the Company are drawing remuneration in excess of limits specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.





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# CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as required under Section 217(1)(e) of the Companies Act, 1956 is enclosed as Annexure B to this report.

#### **ACKNOWLEDGEMENTS**

The Board of Directors take this opportunity to express their appreciation to the employees at all levels in the Company for their dedicated service. Your Directors also thank the Bankers, KSSIDC and the customers for their unstituted support to the Company.

By Order of the Board FOR OVOBEL FOODS LTD.

J.J. bylamal

SHANTI SWARUP AGGARWAL MANAGING DIRECTOR

Place: Bangalore

Date: 22<sup>nd</sup> October 2005

For OVOBEL FOODS LIMITED

A.A. Ulfanual Managing Director

#### Annexure 'A' to Directors Report

#### CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement with the stock Exchange)

This Report on Corporate Governance forms part of the Directors' Report. This section besides being in compliance of the mandatory listing agreement requirement gives an insight into the process of functioning of the Company.

#### 1. BOARD OF DIRECTORS

#### a) Composition

The Board of the Company consists of eminent persons with considerable professional experience and expertise in the field in which the Company operates and in related industries.

Presently, Board comprises of 8 (Eight) Directors and it meets the stipulated requirements.

#### b) Board Meetings 2004-05

No.	Quarter	Date
1	April – June	30 <sup>th</sup> April 2004
2	July - September	31 <sup>st</sup> July 2004
		12 <sup>th</sup> August 2004
		13 <sup>th</sup> September 2004
		30 <sup>th</sup> September 2004
3	October – December	6 <sup>th</sup> October 2004
		30 <sup>th</sup> October 2004
4	January – March	31 <sup>st</sup> January 2005

#### 2. BOARD COMMITTEES:

#### a) Audit Committee

The Board of Directors had constituted an Audit Committee in terms of the provisions of Section 292A of the Companies Act, 1956. The composition, powers and functions of the Audit Committee are in line with the provision of section 292A & the Listing Agreement.

The Company has constituted the Audit Committee with Mr. Philip Van Bosstraeten, Mr. T.S. Satyanarayana Rao and Mr. Vishan Swarup Aggarwal, Members of the Committee under the Chairmanship of Mr. Vishan Swarup Aggarwal. The Audit committee met Four times during the financial year 2004 - 05.

#### Main Terms of reference of the committee are:

- Discussion with statutory Auditors & internal auditors of the Company about:
  - > Internal Control System
  - Scope of Audit
  - Observation of the auditors
- Reviewing half yearly and annual financial statements before submitting to Board.
- Ensure Compliance of internal control system
- Investigate any activity within its terms of reference
- Seek information from any employee
- Obtain outside legal or other professional advise
- Laying systems for accounting and audit
- Advising Internal Auditors on the scope of their audit and review of their report.
- Reviewing any significant audit issues that may arise during the course of internal and statutory audit of the Company.

#### b) Share Transfer and investor Grievance Committee

Main function of the Share Transfer and investor Grievance Committee is to supervise and ensure efficient transfer of shares and proper and timely attendance of investors' complaints.

The Committee comprises of 2 (Two) Directors of the Company viz. Mr. Vishan Swarup Aggarwal and Mr. Shanti Swarup Aggarwal Directors of the Company. Committee meets generally twice in a month to review and monitoring the share transfer, transmission, issue of duplicate share certificate, rediessing of shareholder and investors complaints like transfer of shares, etc.

#### 3. DISCLOSURES

There were no material significant transactions with the directors or the management, their subsidiaries or relatives that have any potential conflict with interest of the Company at large.

There were no case of non-compliance by the Company, nor any cases of penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

#### 4. MEANS OF COMMUNICATION:

Due to the financial position of the Company, the Company has not been able to report and give information to the Stock Exchanges. This anomaly will be rectified during the current financial year.

#### 5. SHAREHOLDERS' INFORMATION

No.	Particulars	Details
1.	Date, Time and Venue of the Thirteenth Annual General Meeting	Saturday, the 26 <sup>th</sup> November 2005, at 3.30 P.M at the Registered Office of the Company at No.984, 1 <sup>st</sup> Cross, 12 <sup>th</sup> Main, HAL II Stage, Bangalore 560 008
2.	Date of Book Closure	22 <sup>nd</sup> November 2005 to 26 <sup>th</sup> November 2005 (both dates inclusive).
3.	Listing on Stock Exchanges	The Bangalore Stock Exchange Ltd, The Stock Exchange of Mumbai The Calcutta Stock Exchange Association Ltd
4.	Listing Fees	Paid.
5.	ISIN No.	Not yet registered
6.	Registered Office	No.984, 1st Cross, 12th Main, HAL II Stage, Bangalore 560 008
7.	Share Transfer Agent for Physical as well as Electronic Transfers	M/s Alpha Systems Private Limited at No. 30, Ramana Residency, 4 <sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore – 560 003
9.	Compliance Officer	Mr. Shanti Swarup Aggarwal No.984, 1 <sup>st</sup> Cross, 12 Main, HAL II Stage, Bangalore 560 008
10.	For Financial Queries	Mr. Surendra Nath, Finance Manager No.984, 1 <sup>st</sup> Cross, 12 Main, HAL II Stage, Bangalore 560 008
11.	For Shareholder's Queries	Mr. Surendra Nath, Finance Manager No.984, 1 <sup>st</sup> Cross, 12 Main, HAL II Stage, Bangalore 560 008

#### 6. CHANGE OF ADDRESS

Members holding equity share in physical form are requested to notify the change of address / dividend mandate, if any, at the Registered Office of the Company to the Registrars M/s Alpha Systems Private Limited at No. 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore – 560 003

#### 7. SHARE TRANSFER SYSTEM

Shares sent for physical transfer requests are generally registered and returned within a period of 15 days from the date of receipt of completed and validly executed documents.

The share transfer committee generally meets twice in a month, to approve the transfer's requests.

#### 8. DEMATERIALIZATION OF EQUITY SHARES

Trading in equity shares of the Company became mandatory in dematerialized form with effect from 2<sup>nd</sup> January 2002 to facilitate trading in demat form, The Company could not enter into any agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited due to the acute cash flow problems being faced by the Company. The Company has initiated this process now, but the NSDL and CDSL have cited the net worth as a criterion on which discussions are still going on.

#### 9. SHAREHOLDERS' CORRESPONDENCE

The Company has attended to all the investors' grievances, queries, information requests and endeavor to reply to all letters received from the shareholders within a week. All correspondence may please be addressed to M/s Alpha Systems Private Limited at No. 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore – 560 003

FOR OVOBEL FOODS LTD.

A. L. Manal
SHANTI SWARUP AGGARWAL
MANAGING DIRECTOR

Place: Bangalore

Date: 22<sup>nd</sup> October 2005

For OVOBEL FOODS LIMITED

#### Annexure 'B' to Directors Report

In accordance with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 read with Section 217(1)(c) of the Companies Act, 1956

- 1. Research and Development Activities in respect of Research and Development in the Company were focused in the areas of Quality improvement, capacity increase and cost reduction.
- 2. The requirement regarding conservation of energy is not applicable to the Company.
- 3. Foreign Exchange earnings and outgo (Rs. 000's)

EARNINGS	2004-05
FOB Value of Exports	2,75,439
OUTGO	
Traveling Expenses	517
Sales Expenses	3012
Others	670

FOR OVOBEL FOODS LIMITED

J. Jaganzi

SHANTI SWARUP AGGARWAL MANAGING DIRECTOR

Place: Bangalore Date: 22<sup>nd</sup> October 2005

For OVOBEL FOODS LIMITED

J. J. agamese



#### The Auditors Report

To
The Members,
Ovobel Foods Limited.

We have audited the attached Balance Sheet of **Ovobel Foods Limited**, as at 31<sup>st</sup> March 2005 and also the Profit and Loss Account 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 have 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.

Further to our comments in the Annexure referred to above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

AAGJ & CO Chartered Accountants



Page 1 of 5

f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to the following:

Interest on Term Loans from Financial Institutions has been provided based on the proposals made but not on the basis of Interest demands made by these Financial Institutions. This has resulted in understatement of Interest payable on Term Loans to the extent of Rs. 15,77,288/- in the Financial Statements.

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005; and
- ii) in the case of the Profit and Loss Account, of the **Profit** for the year ended on that date after considering the extra ordinary item in the profit and loss account.

for AAGJ & Co.

4**~**/.

Chartered Accountants

M. GURUPRASAD
Partner

M.No 200714

Place: Bangalore

Date: October 22, 2005

The Annexure referred in the Auditor's report for the year ended 31st March 2005. We report that:

1. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets:

The Company has a phased program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such program, the management has physically verified the fixed assets during the year and no material discrepancies were noticed on such verifications.

During the year, the Company has not disposed off any fixed assets.

2. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

The company is maintaining proper records of inventory and the discrepancies noticed between the stock as per physical verification and as per books were not material.

- 3. The company has taken unsecured loans from three entities covered in the register maintained under section 301 of the Act. The outstanding balance as on 31<sup>st</sup> March 2005 on such loans was Rs.258.85 Lakhs and maximum outstanding balance during the year was Rs.258.85 Lakhs. The rate of interest and other terms and conditions of loans taken by the company are prima facie not prejudicial to the interest of the company. The company is regular in paying the interest. However there are no stipulations with regard to the principle payment.
- 4. In our opinion and according to the information and explanations given to us, internal control procedures should be strengthened to commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
- 5. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register mentioned under section 301 of the Companies Act, 1956 have been so entered. We are of the opinion that the above transactions 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 and consequently, the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.
- 7. The company has an internal audit system. However, the same has to be strengthened to commensurate with its size and nature of its business.
- 8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company.
- 9. According to the information and explanations given to us and on the basis of our examination of books of accounts, undisputed statutory dues including provident fund, sales-tax, have not generally been deposited with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us and on the basis of our examination of books of accounts, no undisputed statutory dues including provident fund, sales-tax, income tax were outstanding on 31<sup>st</sup> March 2005 for a period of more than six months from the date they became payable.

According to the information and explanations given to us and on the basis of our examination of books of accounts, no disputed statutory dues including sales tax, income tax, excise duty were outstanding on 31<sup>st</sup> March 2005.

- 10. In our opinion, the accumulated losses of the company are more than 50 per cent of the net worth. The company has not incurred cash losses during the financial year covered by our audit and in the financial year immediately proceeding such financial year.
- 11. The company has defaulted in repayment of dues, including interest, to the financial institutions to the tune of Rs.7.88
- 12. The Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities. Accordingly, clause 4(xii) of the order is not applicable.
- 13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.
- 14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
- 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.

- 16. The Company has not obtained any fresh term loans during the year. However term loans obtained earlier have been utilized for the purposes for which they were obtained.
- 17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.
- 18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
- 19. The Company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
- 20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
- 21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For AAGJ & Co,

Chartered Accountants

M. Guruprasad

Partner

M. No. 200714

Bangalore

October 22, 2005

For OVOBEL FOODS LIMITED

#### OVOBEL FOODS LIMITED BANGALORE - 560008

#### **BALANCE SHEET AS AT 31ST MARCH 2005**

			(Rs.in 000's)
Particulars	Sch.	31.03.05	31.03.04
I. Sources of Funds			
Shareholders' funds			
Capital	1	105,008.00	105,008.00
Loan funds			
Secured Loans	2	r 133,376.00	160,814.00
Unsecured Loans	3	25,003.01	27,979.00
		263,387.01	293,801.00
II. Application of Funds			
Fixed assets			
Gross Block	4	191,998.00	189,039.00
Less: Depreciation		76,628.39	68,136.00
Net Block	•	115,369.61	120,903.00
Investments	5	250.00	250.00
Current Assets, Loans & advances			
Inventories	6	31,616.48	21,943.00
Sundry Debtors	7	39,801.00	38,395.00
Cash and Bank balances	8	6,228.00	4,039.00
Loans and advances	9	3,086.00	2,289.00
		80,731.48	66,666.00
Less: Current Liabilities & Provisions	10	43,254.00	38,165.00
Net Current Assets		37,477.48	28,501.00
Miscellaneous Expenditure	11		
(to the extent not written off or adjusted)		27.00	54.00
Profit and Loss Account		110,262.92	144,093.00
		263,387.01	293,801.00
Significant accounting policies and notes to accounts	19	-	-

Schedules 1 to 11 & 19 form an integral part of the Balance Sheet

As per our report of even date

for AAGJ & Co.

Chartered Accountants

M. GURU PRASAD

Partner

M.No: 200714

Place: Bangalore

Date: 22nd October 2005

For OVOBEL FOODS LIMITED

For and on behalf of the Board

S. J. agarwal

SHANTI SWARUP AGGARWAL

Managing Director

DR. SATYANARAYANA RAO

Director



#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

			(Rs.in 000's)
Particulars	Sch.	31.03.05	31.03.04
INCOME			
Gross Sales		275,439.00	222,431.00
Less:Excise Duty Paid		•	337.00
Net Sales		275,439.00	222,094.00
Other Income	12	549.02	559.00
Profit/Loss on Sale of Asset		•	-
Increase/(Decrease) in Stock	13	9,673.48	1,175.00
		285,661.50	223,828.00
EXPENDITURE			
Manufacturing Expenses	14	227,689.00	175,160.00
Personnel Expenses	15	12,362.00	10,479.00
Administration Expenses	16	13,729.00	9,267.00
Financial Expenses	17	12,297.00	13,952.00
Selling & Distribution Expenses	18	16,206.00	13,371.00
Depreciation		8,494.58	8,473.00
Preliminary Expenses written off		27.00	27.00
		290,804.58	230,729.00
Profit/( Loss) for the year		(5,143.08)	(6,901.00)
Extra-Ordinary Items Liabilities Payable to financial Institution written back		38,971.16	_
Prior Period Adjustment		, -	12.00
Add: Brought forward from previous year		144,091.00	137,178.00
Balance carried to Balance Sheet		110,262.92	144,091.00
Earning per share			
(Equity shares, par value Rs.10/- each)			
Basic		(0.49)	(0.66)
Significant accounting policies and notes to accounts	19		

Schedules 12 to 19 form an integral part of the Profit and Loss Account

As per our report of even date

for AAGJ & Co.

**Chartered Accountants** 

M. GURU PRASAD

Partner

M.No: 200714

Place: Bangalore

Date: 22nd October 2005

For and on behalf of the Board

SHANTI-SWARUP AGGARWAL

J. J. agamel

Managing Director

DR. SATYANARAYANA RAO

Director

FOR OVOBEL FOODS LIMITED

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# OVOBEL FOODS LIMITED Schedules forming part of Balance Sheet As at 31st March 2005

		(Rs.in 000's)
Particulars Particulars	31.3.2005	31.3.2004
SCHEDULE - 1		
Share Capital		
Authorised		
1,10,00,000 Equity Shares of Rs. 10 Each	110,000.00	110,000.00
Issued, Subscribed, & Paid up		
1,05.00,800 Equity Shares of Rs 10 each fully paid up	105,008.00	105,008.00
	105,008.00	105,008.00
SCHEDULE - 2		
Secured Loans		
Term Loans from Financial Institutions [Secured by pari-passu charge on Movable and Immovable properties of the Company and personal guarantee of two Directors]	41,765.00	67,054.00
Cash Credits from Banks [Secured by a first Charge on the inventory and second charge on the Fixed Assets of the Company and personal guarantee of two Directors]	53,646.00	42.361 00
Other Loans	<b>8</b> 65.00	1,108.00
[Secured by Hypothecation of Vehicles]		
Interest Accrued & Due on Secured Loans	37,100.00	50,291.00
	133,376.00	160,814.00
SCHEDULE - 3	+	
Unsecured Loans	•	
Loans from Directors	19,303.01	12.296 35
Inter Corporate Deposits	4,882.44	14,865.08
Interest Accrued & Due on Unsecured Loans	817.56	817.56
	25,003.01	27,979.00
SCHEDULE - 5 Investments		
Long term Investments		
Investments in Shares (Quoted-Trade)	250.00	250.00
10,000 Equity Shares of Rs 10/-each		
(Market Value of Quoted Investments Rs 130 (000's))		
	250.00	250.00
SCHEDULE - 6		
Inventories		
Finished Goods	29,913.64	21,029.00
Raw Materials & Consumables	1,702 84	914.00
	+31,616.48	21,943.00



## OVOBEL FOODS LIMITED Schedules forming part of Balance Sheet As at 31st March 2005

Particulars	31.3.2005	(Rs.in 000's) 31.3.2004	
1 at ticulais	31.3.2003	31.3.2004	
SCHEDULE - 7			
Sundry Debtors			
[Unsecured considered good]			
- Debts outstanding for a period exceeding six			
months	-	2,845.00	
- Other debts :	39,801.00	35,550.00	
	39,801.00	<b>38,395.0</b> 0	
SCHEDULE - 8			
Cash and Bank balances			
Cash in Hand	15.00	43.00	
Balances with Scheduled Banks			
-On Current account	59.00	157.00	
-On Deposit Account	6,154.00	3,839.00	
	6,228.00	4,039.00	
SCHEDULE - 9			
Loans and Advances			
Deposits	1,083.00	1,092 00	
Advances receivable in cash or kind or for value to	***		
pe received	500.00	445.00	
Advance to Suppliers	1,152.00	562.00	
Tax deducted at source	46.00	28.00	
Prepaid Expenses	305.00	162.00	
	3,086.00	2,289.00	
SCHEDULE - 10			
Current Liabilities & Provisions			
Sundry Creditors	11,316.00	6.053.00	
Other Liabilities	17,760.00	18,658.00	
Outstanding Expenses	1,829.00	883.00	
Bank Account Overdrawn	4,235.00	4.396.00	
Advance from Customers	5,784.00	6,406.00	
	40,924.00	36,396.00	
Provisions	•		
Provision for Leave Encashment	748.00	517.00	
Provision for Gratuity	1.582.00	1.252.00	
. 10.1010 Tot Granding	43,254.00	38,165.00	
	-		
SCHEDULE - 11			
Miscellaneous Expenditure			
(to the extent not written off or adjusted)			
Preliminary Expenses	27.00	54.00	
	27.00	54.00	
8 C			







#### SCHEDULE - 4 FIXED ASSETS

(Rs.in 000's) '

	GROSS BLOCK			DEPRECIATION				NET BLOCK			
Particulars	Dep. Rate	As At 01.04.04	Additions	Deletions	As at 31.03.05	As At 31.03.04	For the Year	Deductions Adjustments	As at 31.03.05	As at 31.03.05	As at 31.03.04
Leasehold Land		1,722.00	-	-	1,722.00	-	-	-	-	1,722.00	1,722.00
Factory Building	3.34%	36,131.00	1,758.29	-	37,889.29	9,452.78	1.211.76	-	10,664.54	27,224.75	26,678.22
Office Equipments	4.75%	1,046.70	31.69	-	1,078.39	425.33	50.37	-	475.70	602.69	621.37
Furniture & Fixtures	6.33%	452.00	-	-	452.00	222.61	28.61	-	251.22	200.78	229.39
Plant & Machinery	4.75%	148.357.61	1.079.36	-	149.436.97	57,791.36	7,056.47	•	64.847.83	84,589.14	90,566.26
Vehicles	9.50%	1.134.04	-	-	1.134.04	185.58	107.73	-	293.31	840.73	948.46
Computers & Peripherals	16.21%	195.85	89.90		285.75	58.06	38.50	-	96.56	189.19	137.79
		189,039.00	2,959.24	•	191,998.00	68,136.00	8,493.00		76,628.39	115,369.00	120,903.00
Previous Year		188,770.00	1,615.00	1,658.00	188,727.00	51,732.00	8,458.00	527.00	59,663.00	129,064.00	137,038.00

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## **OVOBEL FOODS LIMITED -**

## Schedules forming part of Profit & Loss account

		(Rs.in 000's)	
Particulars	31.03.05	31.03.04	
SCHEDULE - 12			
Other Income			
Interest	211.17	32.00	
(TDS on Interest Rs18.24/- previous year Rs6.36)	211.17	52.00	
Exchange Fluctuations	35.34	241.00	
Misc. Income	200.85	268.00	
Advances Written Back	96.56		
Sale of Eggs		11.00	
Creditors Written back	5.10	7.00	
	549.02	559.00	
SCHEDULE - 13			
Increase/Decrease in Stock			
Opening Stock			
Finished Goods	21,029.00	20,054.00	
Others	914.00	714.00	
ou.e.s	21,943.00	20,768.00	
Closing Stock	21,7 12.00	20,700.00	
Finished Goods	29,913.64	21,029.00	
Others	1,702.84	914.00	
	31,616.48	21,943.00	
Increase/Decrease in Stock	9,673.48	1,175.00	
SCHEDULE - 14			
Manufacturing Expenses			
Raw Material consumed	196,046.00	147,979.00	
Power & Fuel	+ 19,353.00	14,653.00	
Consumable Stores	8,273.00	7,084.00	
Inspection Fee	634.00	437.00	
Lab Testing Exp.	3,383.00	5,007.00	
Due Testing Dap.	227,689.00	175,160.00	
SCHEDULE - 15	227,007.00		
Personnel Expenses			
Salaries and Wages	10,220.00	8,783.00	
Contribution to PF & Other Funds	540.00	426.00	
Gratuity	330.00	270.00	
Leave Encashment	231.00	164.00	
Staff Welfare	1,041.00	836.00	
Start Wellate	12,362.00	10,479.00	
SCHEDULE - 16	•		
Administrative & Other Expenses	•		
Advertising Charges	49.00	18.0	
Audit Fee	<b>8</b> 5.51	81.00	
Sitting Fees to Directors	3.00	3.00	
Communication Cost	1,045.00	764.00	
	1,072.00	707.00	

# OVOBEL FOODS LIMITED Schedules forming part of Profit & Loss account

		(Rs.in 000's)
Particulars	31.03.05	31.03.04
Travelling & Conveyance	<b>1,952.00</b>	1,690.00
Profession Charges	1,250.00	1,061.00
Rates & Taxes	371.00	422.00
Repairs & Maintenance	4,840.00	1,305.00
Rent	379.00	361.00
Insurance	1,218.00	1,228.00
Office Maint Expenses	2,491.00	2,332.00
Donations	45.41	2.00
	13,729.00	9,267.00
SCHEDULE - 17		
Financial Expenses		
Bank Charges	1,204.00	1,339.00
Interest on Secured Loans	9,590.00	9,267.00
Interest on Unsecured Loans	1,503.00	3,346.00
	- 12,297.00	13,952.00
SCHEDULE - 18		
Selling & Distribution Expenses		
Business Development Expenses	316.75	154.00
Commission on Sales	5,386.00	3,012.00
Bad debts written off	1,316.65	- , - : : - :
Freight & Forwarding Charges	9,187.00	10,205.00
	16,206.00	13,371.00

#### **SCHEDULE - 19**

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### A. Significant Accounting Policies

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the accounting standards specified in section 211 (3C) of the Companies Act, 1956. The company follows accounting policies consistently in accordance with generally accepted accounting principles, other than those specifically stated.

#### 1. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets. Depreciation on fixed assets is calculated based on straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956,

#### 2. Inventories:

Inventories are valued at cost or net realisable value whichever is less.

#### 3. Income Recognition:

#### Sale of Product:

Revenue from the sale of product is recognised at the point of despatch of goods from the factory/warehouse of the company.

#### Interest Income:

Interest Income is recognised using time-proportion method, based on rates implicit in the transactions.

#### Dividend Income:

Dividend Income is recognised when the company's right to receive the same has been



#### 4. Foreign Currency Transactions:

Foreign currency assets and current liabilities at the date of the Balance Sheet are translated into rupees at the rates of exchange prevailing on that date.

#### 5. Sales Commission:

Sales Commission is payable only on realization of sales proceeds and the same is accounted accordingly.

#### 6. Prior Period Adjustments:

Income or Expenses if it is more than Rs 25,000/-on materiality basis, which arises, in the current period as a result of error or omission in the preparation of financial statements for previous years have been treated as prior period adjustments.

#### . 7. Earnings Per Share

In determining Earnings Per Share the company considers the net profit after tax and includes the post effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

#### 8. Retirement Benefits:

The company has made provision for gratuity and leave encashment based on the actuarial valuation and certificate given by the actuaries.

#### 9. Preliminary, Pre-operative & Deferred Revenue Expenses

Preliminary expenses are amortised over a period of ten years and are accordingly being



#### **B.** NOTES TO ACCOUNTS

- 1. Term Loans from Financial Institutions are fully secured by *pari passu* charge on certain movable and immovable properties of the company, and guarantee of Directors.
- 2. The company has made One Time Settlement (OTS) proposal to clear the liabilities of ICICI Bank Ltd, and the same has been accepted by the ICICI Bank Ltd., based on the OTS the company has cleared the liability to the ICICI and the balance of Rs.1,96,06858/- of interest and the Rs. 1,93,64,298/- of principal has been credited to the profit loss account as an extra ordinary Income.
- 3. Based on the said OTS proposal. Interest provision is made on loans from IIBI and KSIIDC as per consistent practice.
- 4. The Company owes a sum of Rupees Thirty Five Lakhs Eighty Eight Thousand Seven Hundred and Seventy Nine (Rs 35,88,779/-) towards lease rentals to SMIF Capital Markets Ltd. As the company is in the final stages of negotiation towards closure of the lease rentals and there is in- principal agreement in this regard, no provision has been made in the books of the company.
- 5. The Company has not paid Managerial remuneration during the year 2004 05 as the same has been waived off by the Managing Director in AGM of the company held on 19<sup>th</sup> July 2001.

#### 6. Accounting for Tax on Income

Consequent to the Standard on Accounting for Taxes on Income becoming mandatory with effect from 1<sup>st</sup> April 2001 the company has not recorded cumulative deferred Tax asset on carry forward losses based on prudence as suggested by the accounting Standard.

(Rs '000)

#### 7. Related Party Transactions:

			4	(RS. '000)
Name of Related	Nature of	Nature of	Balance as at	Balance as at
Party	Relationship	Transaction	31.03.2005	31.03.2004
M/s Industrial	The Managing	Sales made		3,632
Sales & Services	Director is a	Loan amount	1827 Cr	5,360 Cr.
	partner in the	outstanding		
	firm.	Interest Paid	278 Cr	565 Cr.
M/s Indus Food	The Managing	Loan amount	3972 Cr	10,787 Cr.
Products Ltd	Director is a	outstanding		
	director in the	Interest Paid	506 Cr	1,721 Cr.
	company.			
Mr.Shanti Swarup	Managing	Loan amount	18999 Cr	12,724 Cr
Aggarwal	Director of the	outstanding		
	company	Interest Paid	303 Cr	428 Cr.

#### 8. Segment reporting

The Company manufactures only one finish product (egg powder). Accordingly primary segmental reporting has not been considered because of existence of only one business. Secondary segmental reporting is done on the basis of geographical location of customers. The customers are geographically distributed on the basis of continents.

Geographical revenues are segregated based on the locations of the customers.

#### Geographic Segments:

						(Rs.000's)
Particular	rs	Europe	Australia	Asia	India	Total
Revenues	- 2004-05	1,17,066	8,575	1,44,098	6300	2,76,035
	-2003-04	18,284	12,004	1,93,038	6,795	2,30,121
Other Income *						10,222
Expenditu	re-2004-05					2,90,805
	- 2003-04				~	2,30,729
Net Loss	- 2004-05					5,143
	-2003-04					6,896

her Income includes stock increase

## 9. Licensed / Installed capacity and actual Production \*

Particulars	2004 - 05	<b>2003 – 04</b> 1705	
Licensed Capacity	1705		
Installed Capacity	1705	1705	
Actual Production	1524	13 <b>8</b> 7	

<sup>\*</sup>As certified by the management

## 10. Value of imported and indigenous material consumed

Particulars	%	2004 - 05	%	2003 - 04
Indigenous –Eggs	100	187,464	100	1,45,980
Imported	Nil			Nil

#### 11. Stock Particulars of Finished Goods:

Particulars	2004 - 05	2003 - 04
Egg Powder	208.77 MT	108.79MT

## 12. Earning in Foreign Currency (Rs.000's) – (On accrual basis)

Particulars	2004 - 05	2003 - 04
FOB Value of Exports	275,439	214,464

## 13. Expenditure in Foreign Currency (Rs.000,s) (On accrual basis)

Particulars	2004 - 05	2003 - 04
Travelling Expenses		517
Sales Commission		3012
Others		670

#### 14. Remuneration to Auditor

Particulars	2004 - 05	2003 - 04
Statutory Audit Fee	60.00	50.00
Taxation Matters	25.00	25.00
Others	7.11	31.53



15. Dues to small-scale industrial undertakings:

As of 31<sup>st</sup> March 2005, the company had no outstanding dues to small-scale undertakings. (Previous Year: Nil.)

16. Previous year's figures are regrouped / reclassified wherever necessary to conform to current year's classification.

For and on behalf of the Board

SHANTI SWARUP AGGARWAL

J. J. aslamal

DR. SATYANARAYANA RAO

Managing Director

Director

For OVOBEL FOODS LIMITED

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

Registration Details	
Registration No.	8 7 5 State Code. 0 1
Balance Sheet Date	310303DateMonthYear
Capital raised during the year (A	mount in Rs. Thousands)
Public Issue	Right Issue
N I L	NII
Bonus Issue	Private Placement
NIL	NII
Position of mobilisation and depl	oyment of fund
(Amount in Rs. Thousands) Total Liabilities	Total Assets
263,387	762.20
	263,38
Sources of funds	203,38
Sources of funds  Paid-up Capital	Reserves and Surplus
	Reserves and Surplus
Paid-up Capital	Reserves and Surplus
Paid-up Capital	Reserves and Surplus  0  Unsecured Loan
Paid-up Capital 105,008 Secured Loan	Reserves and Surplus  0  Unsecured Loan
Paid-up Capital  105,008  Secured Loan  133,376	Reserves and Surplus  0  Unsecured Loan
Paid-up Capital  105,008  Secured Loan  133,376  Application of funds	Reserves and Surplus  0  Unsecured Loan  25,00  Investments
Paid-up Capital  105,008  Secured Loan  133,376  Application of funds  Net Fixed Assets  115,370  Net Current Assets	Reserves and Surplus  0  Unsecured Loan  25,00  Investments  25  Miscellaneous Expenditure
Paid-up Capital  105,008  Secured Loan  133,376  Application of funds  Net Fixed Assets  115,370	Reserves and Surplus  0  Unsecured Loan  25,00  Investments  25  Miscellaneous Expenditure



4 Performance of company (Amount in Rs. Thousands)

Place: Bangalore

Date: 22nd October 2005

	Turnover 275,439	Total Expenditure 280,582.08		
(Ple	Profit/Loss before tax (5,143.08)  ease tick appropriate box + for profit -	Profit/Loss after tax (5,143.08)  for loss)		
	Earnings per share in Rs.	Dividend		
	neric name of three principal product per monetary terms) Item Code No (ITC Code)	ets/services of company		
	Product Description  E G G P O W D	E R		
ii)	Item Code No (ITC Code)  N A Product Description			
for Cha	per our Report of Even date  AAGJ & Co.  artered accountants	For and on Behalf of the Board  A. A. Aslanial		
Par	GURU PRASAD SPEDACCO?  ther  No.200714	SHANTI SWARUP AGGARWAL  Managing Director		

For OVOBEL FOODS LIMITED

DR. SATYANARAYANA RAO

Director