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EGGSCELLENCE: SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

T.N. Swaminathan, C.R. Rajan, and Paul W. Beamish wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On October 30, 2015, S. K. M. Shree Shivkumar, the chief executive officer (CEO) and managing director of SKM Egg Products Export (India) Limited (SKM), received the “Hidden Gems” award in front of 1,500 entrepreneurs at the TiEcon (the Indus Entrepreneurs conference) awards night in Tamil Nadu, India. Shivkumar dedicated the award to his father, S. K. M. Maeilanandhan, who had given him the freedom and liberty to build this venture and list the company; to the core team of employees who had been with him during the ups and downs of the last two decades; and to his Japanese customers. He also spoke of his future growth plans: by 2022, he expected a threefold revenue growth to ₹7.5 billion (US$111.2 million),[[1]](#footnote-1) with 75 per cent coming from overseas markets and 25 per cent coming from the domestic market.

In June 2016, as Shivkumar returned from a trip to Japan, his thoughts were on the 20 per cent revenue hit that the current global price of egg products would have on his company’s top line in fiscal year (FY) 2016–17. Egg product prices had taken a beating due to the 2015 avian flu, which had resulted in the culling of 48.1 million birds in the United States. This culling had led to an 80 per cent increase in egg prices in the United States (see Exhibit 1) and a consequent slowdown in the consumption of egg products globally due to health and safety issues. An overall glut in the market had depressed prices. However, Shivkumar was undeterred, having seen two earlier periods of turbulence, and he believed there would be a market recovery in a couple of years. Going forward, he would need to consider some important questions: What actions should the company take regarding genetically modified crops? How should it approach opportunities to import feed material ingredients, eggs, and egg products from other source countries? Should it consolidate its overseas operations and leverage the domestic market? If so, how?

BACKGROUND

SKM, a family enterprise with roots in poultry farming from a small town in Tamil Nadu, was an example of the “Make in India” initiative launched by the prime minister in September 2014 as part of a wider set of nation-building initiatives.[[2]](#footnote-2) SKM had been listed since 1995 on two Indian stock exchanges, the National Stock Exchange and the Bombay Stock Exchange. It was a small-cap, export-oriented firm with a market capitalization of ₹4 billion on an equity capital of ₹263.3 million. SKM processed eggs to manufacture different varieties of egg powder, liquid egg, and bakery products, which were exported to advanced international markets, including Japan, the European Union, the Middle East, Korea, and Russia. It had three overseas subsidiaries: SKM Japan in Tokyo, SKM Europe in the Netherlands, and SKM Egg Products in Moscow. SKM was one of the largest egg processors in Asia and had the capacity to process 1.8 million eggs daily and to produce 6,500 tonnes of egg powder annually. Under Shivkumar’s leadership, it had gone through phases of turnaround, countering challenges that included severe debts, and its stock had peaked at ₹174 per share in February 2015. See Exhibit 2 for the company’s profit and loss statements from 2012–2016. It sold five main products in 15 international markets (see Exhibits 3 and 4). Shivkumar outlined the company’s approach and prospects in a message on the firm’s website:

**SKM Egg Products is the finest example of how a strong value system and drive for excellence can keep you ahead in a competitive environment. Thinking out of the shell was a mantra we adopted consciously not just to give ourselves the edge but also to keep pushing ourselves to innovate. Today, we are one of Asia’s biggest egg processing plant, the future looks both exciting and promising to us.**

HUMBLE BEGINNINGS (1979–1993)

S. K. M. Maeilanandhan, Shivkumar’s father, had humble beginnings as a distributor for Animal Feedingstuff in Erode, near Namakkal, the poultry and egg capital of Tamil Nadu. A serious outbreak of the deadly plant disease aflatoxin in 1979 prompted Maeilanandhan to enter into his own feed manufacturing business; he started SKM Animal Feeds and Foods (India) Limited in 1981 and built a feed manufacturing unit in Nanjaiuthukuli, a village in the district of Erode. The factory began its commercial production in 1983 with a production capacity of 36,000 tonnes of animal feed per year, and by the 1990s, it had achieved an 80 per cent market share. In 2016, the factory’s production capacity was 90,000 tonnes per month. Meilanandhan also traded in eggs through a barter system, in which poultry feed was traded for eggs, and the business soon reached a trading volume of 1.5 million eggs per day. In 2013, Meilanandhan was awarded Padma Shri, the fourth-highest civilian award in India, for social service.

THE FIRST CHALLENGE (1993–1995)

When trading 1.5 million eggs per day, the company lost ₹20 million to ₹30 million per year to damage and breakage of eggs. Meilanandhan assigned the young Shivkumar, who was trained as a mechanical engineer, the task of cutting these losses. Shivkumar did so by reorganizing the company’s logistics operations through a series of measures: (1) eliminating the warehouse and distributing directly from the poultry farm to wholesalers, thus doing away with holding and reloading operations and reducing one step and cost; (2) replacing 60 small outsourced trucks with large, company-owned trucks, increasing turnaround efficiency; and (3) establishing a new control system by teaming drivers with salespeople, fixing route plans, tightly monitoring the number and timing of trips, and offering incentives to crews to encourage reducing losses and breakage. He also ensured that eggs reached wholesalers in two days, even though their shelf life was three weeks; controlled the utility of the trucks through route plans that had them return empty; and branded the trucks “green” to differentiate them from those of other companies. The company’s operations soon became robust, and losses dropped dramatically. This clear focus on costs and increased operational efficiency was a factor that had established Shivkumar as a potential CEO.

BIRTH OF SKM EGG PRODUCTS EXPORT LIMITED (1995–1997)

At the same time, the Tamil Nadu Industrial Development Corporation (TIDCO) was seeking partners interested in establishing an egg processing plant based on a public–private partnership model, where TIDCO would hold an 11 per cent interest, the promoter would hold 40 per cent, and the remaining 49 per cent would be public. (The TIDCO holding later dropped to 7.8 per cent, and the promoter’s holding increased to 45 per cent, based on project cost overruns, which were funded through equity from the promoter.)

SKM decided to participate with TIDCO in view of its earlier loss of ₹30 million in trading and logistics. The proposed processing plant would allow SKM to use its own eggs as captive raw material and to utilize 1.0 million of the 1.5 million eggs from trading. Locating the proposed plant away from Namakkal (the egg capital) would help poultry farms grow, which in turn would help SKM’s own animal feed business to scale up—an important point, considering that SKM had a 70 per cent market share in animal feed in Namakkal. The arbitrage in value-added products was better than in trading, which was a high-volume, low-margin business. The SKM proposal was accepted by TIDCO, and SKM was listed in December 1995. Production commenced in July 1997.

RISK EVALUATION of 100 per cent EXPORT ACTIVITY

India was the third-largest egg producer worldwide, behind China and the United States.[[3]](#footnote-3) This ranking offered a country-specific advantage of scale and a mature ecosystem in egg production, collection, feed, and poultry meat. When SKM started as a predominantly export-led organization with a focus on developed markets, it faced the significant challenge of being an emerging-market company reassuringly delivering food ingredients to advanced markets. The export-led strategy was based on a number of factors: India was the third-largest producer of eggs globally in 1995 and continued to be so (see Exhibit 5). The estimated egg production for Tamil Nadu in FY 2014–15 was 15,925.3 million—20.2 per cent of the total estimated egg production in India—and Namakkal district was the largest producer of eggs in Tamil Nadu, with 74.6 per cent of the state’s production.[[4]](#footnote-4)

The company also had a raw material cost advantage. In 1995, Indian eggs were approximately ₹1.50 per egg,[[5]](#footnote-5) whereas eggs from the United States and Europe cost approximately ₹2.90 per egg.[[6]](#footnote-6) SKM also enjoyed an early mover advantage. There were only three other egg processors in operation in 1995 (see Exhibit 6). The TIDCO project plan indicated profits from the first year. Success would be based on quality and necessary accreditations as the value proposition. Eggs from the plant were positioned as a food ingredient wherein taste and ease of use was important.

establishing the plant and GOING TO MARKET (1997–2007)

Belovo SA (Belovo), based in Bastogne, Belgium, was sourced as a technology collaborator to set up the egg processing plant. Belovo had a plant design and was willing to use local equipment and parts to design a processing plant, which would be cheaper than importing a plant and would meet Indian import regulations. Belovo, founded in 1969, produced and distributed eggs and egg products, including shell eggs; egg oil; egg albumen; whole eggs; egg yolk powders; and egg chemicals, including egg proteins and lipids. It also traded egg products with producers and consumers in Eastern Europe, Latin America, the Middle East, and the Far East. Its egg powders and chemicals were used in food, nutraceutical, cosmetic, and pharmaceutical applications.

Belovo had a chain of distributors across Europe, Asia, and the Far East. SKM explored and finalized a business model that involved exporting through Belovo to Belovo’s distributors at a fixed markup, and the companies signed a 10-year contract. For the first 10 years, Belovo marketed products that SKM sold to Belovo. Belovo sent shipment instructions to SKM, and SKM shipped the products directly to Belovo’s customers, essentially their distributors, but under the SKM brand. According to the contract, a 3 per cent markup was to be paid to SKM, but the actual invoicing price was not revealed to SKM. Twenty per cent of the eggs SKM used were from its own group’s poultry farms, and the balance were purchased through contracts at predetermined prices.

Shivkumar insisted on dual branding and received Belovo’s agreement to use the SKM brand, a move that would prove to be pivotal to SKM’s future strategy. Because of Belovo’s marketing, SKM products had no problem with initial acceptance. During the first 10 years, SKM realized that Belovo was indeed marking up higher than the agreed 3 per cent. While SKM waited for the contract to expire, it explored a parallel distribution network and, in 2006 and 2007, set up its own distribution. Some Belovo distributors became SKM distributors, but as separate legal entities. The separation from Belovo was smooth, and SKM continued to enjoy a good business relationship with Belovo. The end customers had no problems with the new arrangement, and for SKM, business continued as usual.

By 2016, SKM had customers in Japan, Russia, and other European countries (see Exhibits 3 and 7). While each country and buyer had its own specifications, most followed the American Egg Board specifications,[[7]](#footnote-7) which specified acceptable moisture and protein content, microbial presence (no pathogens), and pesticide and antibiotic residues. SKM had built excellent relationships with its overseas customers and exported to well-established companies with a strong market presence, such as Matsuda-Sangyo, Kewpie, and Nippon Shinyaku Co. Ltd. in Japan, and GC Hahn & Co. (later Tate & Lyle) in Germany. During the separation from Belovo in 2006, it set up SKM Eggs Europe in Utrecht, the Netherlands, to manage its European operations. In Russia, which had originally been served by GC Hahn & Co., SKM set up its own branch to mitigate credit risk. There were many instances where SKM was accorded purchase preference owing to the relationships it had built up over the years.

INITIAL PHASE AND TURBULENCE (1997–2015)

In the two decades after going public, the business experienced three turbulent phases triggered by macroeconomic factors that created volatility in the business. The first of these, in 1997, related to servicing the debt for the project. Interest rates of approximately 20 per cent affected the profitability of the new venture, and severe losses had to be carried forward. During this initial period, the company also faced challenges with capacity utilization because of residual pesticides and antibiotics that were not accepted by overseas customers. The company overcame this initial turbulence by holding information seminars during 1997–1999, inviting buyers and building confidence. Once customers were convinced and volumes picked up, the accumulated losses were gradually wiped out.

The second period of turbulence came in FY 2004–05, when the introduction of egg white muffins in the United States led to an increased consumption of egg whites in the United States. Egg prices shot up in the United States, and a glut in the egg yolk market depressed global egg prices. SKM addressed this turbulence by focusing on egg whites in Europe.

The third period of turbulence resulted from the avian flu in 2015, which led to an 80 per cent increase in egg prices in the United States (see Exhibit 1) and a reduction in the consumption of egg products there and globally. The consequence was an oversupply in the market, which led to a price and market collapse. Although market stability returned after the 2015 cycle (see Exhibit 1), this cycle resulted in a 20 per cent drop in revenue estimates for SKM Egg products in FY 2016–17.

SKM’s productivity improved over the years (see Exhibit 8), and by June 2016, the company processed 1.8 million eggs per day (compared with 1 million per day when operations commenced), with more or less the same installed equipment. It made some balancing investments, for example, in egg breaking, holding tanks, and modifications to the boiler to step up thermal efficiencies. SKM had significantly reduced its raw material and process costs over these past five years, thus improving profitability.

PRODUCTS

SKM’s main products were egg powder, liquid eggs, and bakery mix. The range of SKM products were functionally superior, blended well with other ingredients, and were widely used in various food applications that earned the confidence of customers in Europe, Japan, and other Asian countries. SKM believed in listening to customers on product improvement.

**SKM’s range of egg powders were widely used in bakery, pasta, noodle, meat and fish products, and mayonnaise. The powder had improved functional properties, and was convenient for use with other ingredients, which made it superior.** **The product consisted of whole egg powder, egg yolk powder, and egg albumen powder.**

Liquid eggs were convenient to use, pasteurized, and hygienically packed. Functionally, they were similar to shell eggs. Liquid eggs consisted of whole egg liquid, egg yolk liquid, egg albumen liquid, and customized egg liquids. SKM was also able to supply customized liquids with ingredients on specific requests.

**For bakery applications, SKM had developed a specialized range of spray-dried egg blends, which were either co-dried or dry-blended with sugar, salt, flour or other ingredients. These products were used in items such as cheesecake, biscuits, cakes, sponge cake, and Swiss rolls. Customers could find the details, functionality, and usage guidelines for SKM’s products on the company’s website.** Customers could collaborate on new recipes, which were formulated either as co-dried or as dry blend products.

PROCESSes

SKM followed the general principles and guidelines outlined in food industry management practices such as current Good Manufacturing Practice, Sanitation Standard Operating Procedure, and the Codex Alimentarius, which formed part of the Hazard Analysis and Critical Control Points approach to food safety. Its activity was monitored and controlled by a newly developed tracking system that managed food safety and traceability.

To conform to the American Egg Board specifications[[8]](#footnote-8) that most buyers specified, SKM used only microbiologically tested eggs for breaking and could break 1.8 million eggs a day to produce 6,500 tonnes of finished products in a year. Egg whites consisted of about 90 per cent water, in which were dissolved about 10 per cent proteins (including albumins, mucoproteins, and globulins). Unlike egg yolks, which were high in lipids (fats), egg whites contained almost no fat, and their carbohydrate content was less than 1 per cent. Egg whites contained just over 50 per cent of the protein in the egg; therefore, processing them involved removing a large quantity of water/moisture (80 per cent or more) and was power-intensive.

Zoning

SKM had an effective program for preventing microbial cross-contamination within the factory premises. Critical areas of the process were categorized into red, white, and neutral zones, and each zone had different consumables, including cleaning tools.

****Hygiene****

Cleanliness within the processing area was of paramount importance. The premises and equipment were regularly cleaned and disinfected, and workers were required to shower before entering the processing hall, where they wore disinfected clothes, headgear, and shoes. Regular swabs were taken on the process equipment, floors, walls, and personnel. Air was monitored periodically for contamination using the gravimetric-plate exposure method.

****PLANT, CERTIFICATIONS, and COMPLIANCE****

The SKM plant, built on a 30-acre (12-hectare) facility 15 kilometres from Erode in Tamil Nadu, had been certified by both the International Organization for Standardization (ISO 22000) and BRC Global Standards to make quality egg products, and its products were certified as halal. The state-of-the-art quality assurance laboratory equipped with sophisticated instruments was also ISO 17025 accredited, and the processing plant’s construction and machinery installations conformed to European Union and United States Department of Agriculture regulations. The quality and safety of the raw materials were ensured through backward integration of the group’s own layer farm and feed mill.

SKM’s poultry farm was also ISO 22000-certified. Bio-security was maintained, and its poultry farms were registered under establishment as per the norm of the European Union.

Triple Bottom Line and Environmental Protection

Because Shivkumar and his family, including his father and siblings, came from an agrarian background and were concerned about environmental protection and preservation, they were strong believers in the triple bottom line and the philosophy of environmental protection. SKM had already progressed significantly in terms of environmental sustainability and greening business processes.

The company frequently went beyond statutory compliance. For example, it housed utilities in a separate building to eliminate the possibility of any contaminants in the processing area. It also drew 50 per cent of its power requirements from wind energy sources, although this was not mandatory. Because processing egg products involved removing 80 per cent or more of the moisture in eggs, the company’s effluent treatment facilities (ETF) were important. The ETF at SKM processed 175,000 litres of liquid effluent and was able to reuse 150,000 litres (85 per cent) of treated water, thus losing only 25,000 litres per day.

CHALLENGES AHEAD

Similar to the price of many commodities, the price of eggs fluctuated by as much as 20 per cent (plus or minus) in a five- to seven-year cycle (see Exhibit 1). The price of egg products did not adjust to this wide fluctuation. The global price of egg products was also affected by other major factors, including U.S. agricultural policy, competition from other countries, consumer attitudes and preferences, changes in recipes, currency fluctuations, and risk.

Shivkumar was ready to take on the challenges that faced him going forward. These included initiating policy discussions at the federal and state levels through trade bodies such as the National Egg Coordination Committee, the Federation of Indian Chambers of Commerce and Industries, and the Confederation of Indian Industry on favourably considering and encouraging genetically modified (GM) crops. GM crops could counter U.S. advantages that were based on that country’s robust production of high-nutrient, GM varieties of soya and corn. Supporting the use of GM crops would need to be seen in the context of popular but unscientific activism against GM crops in developing countries such as India, which paradoxically needed GM crops to feed their growing populations.

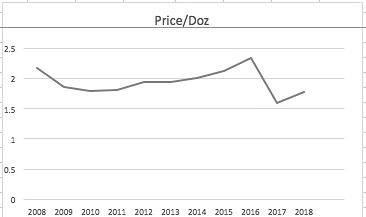
SKM would also need to offer financial support to farmers for the purchase of feed ingredients, to offset the cost of the procurement of eggs. SKM saw potential opportunities to consolidate the purchase and importing of feed materials, tapping into scale advantage, since farmers made their own feed by buying ingredients locally and dry mixing compounded feed.

Other challenges included the possible opening up of the Indian market to imported eggs and egg products from the United States and other source countries, when necessary, for value addition. In terms of SKM’s exports, there were challenges relating to the expansion of operations through SKM Europe and in the Middle East and Africa, areas that had a low per capita consumption of eggs.[[9]](#footnote-9)

SKM would also benefit from opening up and tapping into the domestic market[[10]](#footnote-10) for value-added egg products in India, where per capita consumption of eggs was a low 2.4 kilograms, compared with 13.9 kilograms in the United States and more than 10 kilograms in Europe and the United Kingdom.[[11]](#footnote-11) The company needed to consider which competitive advantages needed to be built.

Shivkumar had initiated the process of prioritizing these options in consultation with his father and other board members. Now he was also looking at consulting with students from eminent business schools.

EXHIBIT 1: the price of U.S. Grade A Large Eggs, Farm Prices per dozen, 2008–2017 (In US$)



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

2.5

2

1.5

1

0.5

0

Price/Dozen

US$

Year

Source: Created by case authors using data from the U.S. Bureau of Labor Statistics, March 16, 2018, accessed March 19, 2018, https://data.bls.gov/timeseries/APU0000708111.

EXHIBIT 2: SKM Egg products Export (INDIA) Limited’s Profit & Loss Statements, 2012–2016 (in ₹ millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Mar-16** | **Mar-15** | **Mar-14** | **Mar-13** | **Mar-12** |
|  | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |
| INCOME | |  |  |  |  |
| Total Operating Revenues | 2,695.8 | 2,713.4 | 2,393.8 | 1,933.8 | 1,265.3 |
| Other Income | 131.1 | 158.1 | 10.6 | 70 | −21.8 |
| Total Revenue | 2,826.9 | 2,871.5 | 2,404.3 | 2,003.8 | 1,243.4 |
| EXPENSES | |  |  |  |  |
| Cost of Materials Consumed | 1,804.4 | 1,946.4 | 1,589.2 | 1,358.7 | 1,038.5 |
| Purchase of Stock in Trade | 0 | 0 | 0.74 | 4.6 | 0 |
| Operating and Direct Expenses | 169.6 | 168.9 | 142.2 | 139.8 | 0 |
| Changes in Inventories of FG, WIP, and Stock in Trade | 12 | −106.6 | 51.4 | −101.1 | 16.6 |
| Employee Benefit Expenses | 159.6 | 142.9 | 84.6 | 72.1 | 59.9 |
| Finance Costs | 25.4 | 50.4 | 83.6 | 117.6 | 115.3 |
| Depreciation and Amortization Expenses | 120.8 | 133.1 | 126.3 | 184.5 | 90.1 |
| Other Expenses | 203.7 | 188.1 | 222.3 | 172.6 | 94.5 |
| Total Expenses | 2,495.4 | 2,523.2 | 2,307 | 1,990.2 | 1,414.9 |
|  | | | | | |
| Profit/Loss Before Tax | 331.5 | 348.3 | 97.4 | 13.7 | −171.5 |
| Tax Expenses, Continued Operations | |  |  |  |  |
| Current Tax | 122.3 | 46.7 | 0 | 0 | −1.3 |
| Deferred Tax | −17.3 | 49.7 | 29.3 | 3.3 | −54 |
| Total Tax Expenses | 105 | 96.4 | 29.3 | 3.3 | −55.3 |
|  |  |  |  |  |  |
| Profit/Loss for the Period | 226.5 | 251.9 | 68.1 | 10.3 | −116.2 |

Note: FG = finished goods; WIP = work in progress; US$1.00 = ₹67.47 as of June 2016.

Source: Created by case author using data from “SKM Egg Products Export (India),” Money/Control, accessed February 13, 2018, www.moneycontrol.com/financials/skmeggproductsexportindia/balance-sheetVI/SKM#SKM.

EXHIBIT 3: SKM Egg products Export (INDIA) Limited’s Sales Contributions by Country, 2016–2017 and 2015–2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2016–2017** |  |  | **2015–16** |  |
| Country | % |  | Country | % |
| Japan | 30.32 |  | Japan | 31.66 |
| Russia | 28.28 |  | Germany | 26.88 |
| Indonesia | 9.42 |  | Netherlands | 16.41 |
| Thailand | 6.45 |  | Indonesia | 6.77 |
| Nigeria | 6.38 |  | Thailand | 4.44 |
| Vietnam | 3.41 |  | UAE | 3.14 |
| Netherlands | 5.42 |  | Taiwan | 2.98 |
| UAE | 5.79 |  | Saudi Arabia | 2.83 |
| Taiwan | 1.30 |  | Nigeria | 1.97 |
| Germany | 1.88 |  | Vietnam | 1.79 |
| Saudi Arabia | 0.55 |  | Russia | 0.78 |
| Malaysia | 0.26 |  | Malaysia | 0.24 |
| Philippines | 0.29 |  | Philippines | 0.09 |
| Korea | 0.25 |  | Singapore | 0.02 |
| Singapore | 0.02 |  | Korea | 0.01 |
| **Grand Total** | **100.00** |  | **Grand Total** | **100.00** |

Note: UAE = United Arab Emirates

Source: Company documents.

EXHIBIT 4: SKM Egg products Export (INDIA) Limited’s Product Sales Contributions

|  |  |
| --- | --- |
| **Product Group** | **%** |
| Egg Albumen Powder | 21.500 |
| Egg Yolk Liquid 11% SALT | 2.980 |
| Egg Yolk Powder | 49.920 |
| Food Stabilizer (MAY-O-MAX) | 0.017 |
| Whole Egg Powder | 25.580 |

Source: Company documents.

EXHIBIT 5: Global Egg Production, 2015

|  |  |  |
| --- | --- | --- |
| **Rank** | **Country** | **Production**  **(in thousands of metric tons)** |
| 1 | China | 29,990 |
| 2 | United States | 5,786 |
| 3 | India | 4,356 |
| 4 | Mexico | 2,638 |
| 5 | Japan | 2,521 |
| 6 | Russia | 2,500 |
| 7 | Brazil | 2,371 |
| 8 | Indonesia | 1,387 |
| 9 | Turkey | 1,045 |
| 10 | Ukraine | 1,007 |
| 11 | Iran | 930 |
| 12 | France | 908 |
| 13 | Germany | 790 |
| (tie) | Italy | 790 |
| (tie) | Thailand | 790 |
| 16 | Colombia | 729 |
| 17 | Spain | 690 |
| 18 | Malaysia | 678 |
| 19 | United Kingdom | 653 |
| 20 | Nigeria | 650 |

Source: Adapted from “Top 20 Countries for Egg Production in 2015,” WATT AgNet, accessed February 13, 2018, www.wattagnet.com/Top-20-countries-for-egg-production-in-2015.

EXHIBIT 6: india’s Egg Processing Players, 1995

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Existing Players—Project Capacity and Cost (at the time of set-up) | | | | |
| Player | Capacity | Location | Year Established | Cost (₹ millions) |
| SKM Eggs | 1.8 million eggs/day—6,500 tons powder/year | Tamil Nadu | 1997 | 355 |
| Venkateswara Hatcheries | 1.8 million eggs/day | Andhra Pradesh | 1995 | 370 |
| Ovobel Foods | 200 tons powder/year | Karnataka | 1993 | 175 |
| Western Foods | 772 tons powder/year | Ambala, Punjab | 1992 | 71 |
| Note: There are few egg powder processing units in India. SKM eggs is the biggest player in the Industry. (Other players apart from the ones mentioned above are Indo-Dutch Proteins, Hyderabad; Foods & Inn, Mumbai; and AG Foods, Ludhiana) | | | | |

Source: Created by case authors using data from Government of Gujarat, Establishment of Egg Powder Unit, 11, 2017, accessed February 13, 2018, https://gaic.gujarat.gov.in/writereaddata/images/pdf/10-Egg-Powder-Unit.pdf.

EXHIBIT 7: SKM Egg products Export (INDIA) Limited’s Top 10 Customers in 2015–2016

|  |  |
| --- | --- |
| Customers | % Contribution |
| SKM Japan Co. Ltd., Japan | 28.03 |
| G.C. Hahn & Co. Ltd., Germany | 30.61 |
| SKM Europe Ltd., Netherlands | 18.69 |
| OVO Japan Co., Ltd. | 5.53 |
| Nippon Shinyaku Co., Ltd. | 2.49 |
| Connell Bersaudara Chemindo, PT, Indonesia | 5.12 |
| Jim’s Group Co. Ltd., Thailand | 2.37 |
| Sumimoto Technology Corporation, Vietnam | 2.04 |
| Gem Font Corporation, Taiwan | 2.54 |
| Mondelez Indonesia Manufacturing PT, Indonesia | 2.58 |
| Total | 100.00 |

Source: Company documents.

EXHIBIT 8: SKM Egg products Export (INDIA) Limited’s Cost Structure—5 Years

(in %)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Fiscal Year** | **2015–16** | **2014–15** | **2013–14** | **2012–13** | **2011–12** | **5-Yr. Average** |
| Cost of Materials Consumed | 66.93 | 71.73 | 66.39 | 70.26 | 82.08 | 71.48 |
| Purchase of Stock in Trade | 0.00 | 0.00 | 0.31 | 2.38 | 0.00 | 0.54 |
| Operating and Direct Expenses | 6.29 | 6.22 | 5.94 | 7.23 | 7.47 | 6.63 |
| Changes in Inventories of FG, WIP, and Stock in Trade | 0.45 | −3.93 | 2.15 | −5.23 | 1.31 | −1.05 |
| Employee Benefit Expenses | 5.92 | 5.27 | 3.53 | 3.73 | 4.73 | 4.64 |
| Finance Costs | 0.94 | 1.86 | 3.49 | 6.08 | 9.11 | 4.30 |
| Depreciation and Amortization Expenses | 4.48 | 4.91 | 5.28 | 9.54 | 7.12 | 6.26 |
| Other Expenses | 7.56 | 6.93 | 9.29 | 8.93 | 7.47 | 8.03 |
| Total Expenses | 92.57 | 92.99 | 96.37 | 102.92 | 118.94 | 100.00 |
|  |  |  |  |  |  |  |
| Profit/(Loss) Before Tax | 12.30 | 12.84 | 4.07 | 0.71 | −21.04 | 1.48 |

Note: FG = finished goods; WIP = work in progress

Source: Company documents.

1. ₹ = INR = Indian rupee; ₹67.47 = US$1.00 as of June 2016; all currency amounts are in ₹ unless otherwise specified. [↑](#footnote-ref-1)
2. “About Us,” Make in India, accessed February 14, 2018, www.makeinindia.com/about. [↑](#footnote-ref-2)
3. Rajesh Mehta and R. G. Nambiar, “The Poultry Industry in India,” Paper delivered at the FAO conference on Poultry in the 21st Century (Rome: Food and Agriculture Organization, 2007), accessed February 14, 2018, www.fao.org/WAICENT/FAOINFO/AGRICULT/againfo/home/events/bangkok2007/docs/part1/1\_5.pdf. [↑](#footnote-ref-3)
4. “Egg Production Estimates during 2014–15,” Open Government Data Community, India, October 17, 2016, accessed February 13, 2018, https://community.data.gov.in/egg-production-estimates-during-2014-15/. [↑](#footnote-ref-4)
5. D. C. Stalin, S. Nadarajan, and X. A. Thanaraj, “Poultry Industries and Its Impact on Price of Eggs in Salem District,” working paper, 2014. [↑](#footnote-ref-5)
6. ₹40 = US$1.00 in 1995. [↑](#footnote-ref-6)
7. American Egg Board, “Dried Egg Specifications,” accessed February 14, 2018, www.aeb.org/food-manufacturers/eggs-product-overview/egg-products-specifications/42-dried/128-specifications-dried-eggs. [↑](#footnote-ref-7)
8. American Egg Board, “Dried Egg Specifications,” accessed February 14, 2018, www.aeb.org/food-manufacturers/eggs-product-overview/egg-products-specifications/42-dried/128-specifications-dried-eggs. [↑](#footnote-ref-8)
9. “List of World Countries by Egg Consumption,” StatsMonkey, accessed February 14, 2018, https://www.statsmonkey.com/table/20602-list-of-countries-by-egg-consumption-per-capita.php. [↑](#footnote-ref-9)
10. Regulatory and compliance issues would be much easier for domestic operations than for exports. Branding and brand building, however, would need additional resources. [↑](#footnote-ref-10)
11. “List of World Countries by Egg Consumption,” op. cit. [↑](#footnote-ref-11)