

ALKA INDIA LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion & Analysis Report Pursuant to Clause 49 of Listing Agreement.

❖ Industry Structure and Development:

The Company's products can be classified under the Textile and Bullion segment of the industry. The Company is taking all necessary steps to maximize the profitability of the Company. As a result of the merger of Janice Textiles Limited with the company it would increase the production capacity and also the profitability of the Company. Looking to the huge scope available in bullion sector both domestically and in International Market Company has entered in bullion segment of its business from the year 2004-05.

❖ Opportunities and Threats:

- ✓ Our product is intermediary product for user industries and the development will be based on dependant other industries.
- ✓ The Company is making continuous efforts to produce different grades of products to meet the requirement of its customers.
- ✓ The Company is making efforts for exploring other avenues to increase its sales of different varieties of Garments.
- ✓ Any changes in international price of its products and fluctuations in foreign exchange will have effect on the profitability of the Company.
- ✓ In Bullion Segment the Company deals in gold and silver.

❖ Segment or Product wise performance:

The Company operates in two-business segment, i.e. Textile comprising cotton, yarn, fabrics etc. and bullion comprising gold & silver.

Description	(Rs. In Lacs)					
	Textile		Bullion		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Sales	13188.87	11013.04	24480.11	0	37668.98	11013.04
Other Income	19.30	38.85	0.70	0	20.00	38.85
Segment Results	497.33	474.21	-267.03	0	230.30	474.21
Unallocated Expenses	0	10.78	0	0	222.48	10.78
Net Profit	0	463.43	0	0	7.82	463.43
Segment Assets	11423.28	9722.19	135.64	0	11558.92	9722.19
Unallocated Corporate Assets	0	0	0	0	42.70	53.47
Total Assets	—	—	—	—	11601.62	9775.66
Segment Liabilities	2987.79	2184.83	1015.18	0	4002.97	2184.83
Unallocated Corporate Liabilities	0	847.96	0	0	847.96	847.96
Total Liabilities	—	—	—	—	4850.93	3032.79
Capital Expenditure	0	0.28	0	0	15.50	0.28
Depreciation					58.02	56.54
Non cash Expenses Other than depreciation	0	10.78	0	0	10.78	10.78

❖ Outlook:

The outlook for the Company appears bright on a long term basis. The merger of Janice Textiles Limited with the Company would increase its production capacity and also the profitability as a result the Company is hopeful that its performance in the years to come would be encouraging. The Company aggressively entered into bullion segment of its business from the year 2004-05 looking that there is a huge scope available in bullion sector both domestically and in International Market.

❖ Risk and Concerns:

The Company is exposed to a number of risks. Some key risks have been mentioned below:

1. The Raw Material prices are market driven being an agricultural product and any natural calamity such as drought/flood will affect the profitability of the company.
2. Any change in the fashion will also have bearing on the profitability of the Company.
3. Any change in prices of gold and silver in the international market affects the domestic market too, which in turn affect the volume of activity and the profitability of the Company.

❖ Internal Control system and their adequacy.

The Company has a good system of internal controls in all spheres of its activity. The internal control system is supplemented by effective internal audit headed by the Internal Auditor, a qualified Chartered Accountant. All the staff of the internal audit department are well trained in internal control procedures and well versed with computerized environment. The Management regularly reviews the findings of the internal auditor and effective steps to implement the suggestions/observations of the Auditors are taken and monitored regularly. In the opinion of the Board, an effective internal control system adequate to the size of the Company is in place.

❖ Financial Performance.

For the year 2004-05 Net Profit after Tax is Rs. 07.82 Lacs against Rs. 463.43 Lacs during the previous year.

❖ Human Resources/Industrial Relations.

The Company is regularly conducting seminars and workshops to improve the safety and maintenance of the factory. The Company is deputing employees for attending seminars, for updating their skills and knowledge.