

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE:**

We have examined the compliance of the conditions of Corporate Governance by Bhorka Aluminium Limited for the year ended 31st March, 2003, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges of India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

On the basis of records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee, we state that during the year ended 31st March, 2003, no Investor Grievances were pending for a period exceeding one month.

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

For R.S. AGARWALA & CO.,  
Chartered Accountants

Place: Mysore.  
Date : 30th June, 2003.

**M. GANDHI**  
Partner.

**Annexure to Directors' Report.****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****A. Industry Structure, Developments and Outlook:**

The company is one of the leading manufacturers since 22 years of quality aluminium extrusion in India. The products of the company commands premium and are treated as quality products. The company has produced 4221 metric tonnes of aluminium extrusions during the last year.

The fortunes of the company are directly linked with housing and construction activities as these sectors continue to be major users of aluminium extrusions. Due to improvement in general overall economic condition and also many large commercial and residential complexes being constructed, the industry has shown upward trends in demand and stabilisation in prices. A major shift of customers' preference towards quality and timely delivery is noticeable which are in line with company's philosophy and mission since its inception. In view of the same the company finds itself better placed compared to the competitors in retaining large quality conscious customers, showing better performance.

**B. Opportunities and Threats:****Opportunities:**

The Government of India has projected rise in the construction activities in its Tenth Five-Year Plan putting emphasis on forestation to greater extent and discouraging use of wood and timber for any sort of constructions. Thus, aluminium extrusions is seen as the only viable substitute for wood in buildings with great future. The entire extrusion industry is optimistic of greater demand for aluminium extrusions during the years to come. The company has been receiving repeated orders for the quality product of the company from existing valued customers and new clients too.

Aluminium offers many advantages over other material like high strength to weight ratio, corrosion resistance, aesthetics, versatility, etc. etc. Many new applications of aluminium extrusion are being developed, showing great potential for the industry.

The in-house facility of anodising of extruded aluminium material is a unique feature with the Company which offers value added service to the customers and ensure timely delivery of finished anodised coloured extrusions and has been a great advantage to the company.

**Threats:** The stiff competition in the market and survival measures adopted by some manufacturers has affected the market condition adversely. The higher installed capacity puts pressure on margins due to unhealthy price cuttings, discounts, etc. Due to global recession, the demand has not improved substantially. The raw material prices are not stable as the local producers try to match the price for indigenous products on the basis of landed cost of international products.

#### C. Risks and Concerns:

- Large share of unorganised and semi-organised units.
- Increase in demand depends on overall economic situations.
- Supply of raw material controlled by 2-3 large companies only which causes vulnerability.

#### D. Internal Control Systems and their adequacy:

The company has internal control system commensurate with its size and nature of business, to ensure that all assets are safeguarded and protected against unauthorised use and that all transactions are authorised, recorded and correctly reported. The internal control systems are supplemented by clearly defining levels of authority, policy, guidelines, and procedures.

#### E. Discussions on Financial Performance:

During the year, the net profit of the company has increased to Rs.53.06 lacs compared to Rs.28.78 lacs in the previous year. The company could improve the turnover also to Rs.6161.39 lacs as against Rs.5261.10 lacs in the previous year.

Exports, however, were down due to recessionary trends prevailing in south east countries and also in Sri Lanka. The company faced stiff competition in these countries from Chinese and Taiwanese products.

#### F. Industrial Relations, Human Resources/Training:

The total number of the employees of the company as on 31st March 2003 is 285. The company has always valued its workforce as their biggest asset. The company has a pool of competitive, dedicated and enthusiastic people which is the driving force behind its accelerated growth. The company's policies and practices ensures a favorable working environment with innovation and motivation.

To achieve this the company has always put great emphasis on training and honing the skills of staff at various levels.

The industrial relations continued to remain cordial at all levels of employees during the year.