

Annexure to Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS

A. Industry Structure, Developments and Outlook :

The company is one of the leading manufacturers of quality aluminium extrusions for the last 24 years. The major consuming sector of the company's products, is housing and construction. The company has produced 5196 metric tonnes of aluminium extrusions during the year under review which is the highest so far since inception.

The demand in construction sector is poised to grow further. The improving affordability supported by lower rate of interest rates is driving growth. This coupled with growing acceptance of aluminium for construction and increase in demand for quality products would ensure the industry's growth significantly. The Government is also considering to allow 100% FDI in retail sector and once it is implemented there will be tremendous surge in construction with newer designs that will improve the usage of aluminium in construction. At the same time, the customers' preference towards quality and timely delivery is also noticeable in line with company's philosophy. With all these, the company finds itself in a better place compared to competitors with retaining large market share showing better performance in the coming years.

B. Opportunities and Threats :

Opportunities :

With the implementation of the Tenth Five-year Plan the Government of India has placed more emphasis on the construction activities. The commitment of statutory authorities in concentrating on the forestation to a greater extent so also in discouraging use of wood and timber for any sort of constructions has in fact resulted in acceptance of aluminium products as the only economic and durable alternative in the building and construction projects.

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.

Aluminium, because of its inherent qualities, like strength to weight ratio, corrosion resistance, aesthetics, versatility, etc., scores over other materials. The aluminium extrusions have a great potential as many new applications are being explored every year.

The implementation of the Government allowing 100% FDI in retail sector will see tremendous surge in construction with newer designs that will improve the usage of aluminium in construction.

The long pending issue of VAT was also settled during the year and finally the industry could see its implementation. The Directors hope that this step will improve prospects of the industry in general and the company in particular, in the long run.

Threats:

The supply of primary aluminium in domestic market is controlled by a few large industrial suppliers who taking advantage of the fluctuating LME prices increase their prices regularly. These frequent price increases are not possible to be passed on to the consumers because of competition.

The ever growing stiff competition in the market creates pressure on margins particularly with rising petroleum prices.

C. Risks and Concerns :

- Large share of unorganised and semi-organised units.
- Supply of raw material controlled by 2-3 large companies only, which causes vulnerability.

D. Internal Control System 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 defined levels of authority, policy, guidelines and procedures.

E. Discussion on Financial Performance:

During the year the net profit of the company is Rs.115.85 lakhs compared to Rs. 31.41 lakhs in the previous year. There has also been a sharp increase in turnover and the company achieved turnover of Rs.8048.96 lakhs as against Rs.5873.51 lakhs in the previous year.

Exports have shown a marginal increase compared to earlier years. The company's timely change in its strategy by tapping developed Western countries has improved performance. The company is getting repeat orders from these customers and the quality has been well accepted. The exports will show further increase in coming years with rising confidence of customers.

F. Industrial Relations, Human Resources / Training:

The company has always valued its workforce as their biggest asset. The company has a pool of competitive, dedicated and enthusiastic personnel which is the driving force behind its accelerated growth. The company's policies and practices ensure a favourable working environment with innovation and motivation. 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.