

30th
Annual Report
2002-2003

GARG FURNACE LIMITED

GARG FURNACE LIMITED**MANAGEMENT****BOARD OF DIRECTORS****CHAIRMAN**

Sh. J.C. Garg

MANAGING DIRECTOR

Sh. Sanjiv Garg

DIRECTORS

Sh. Davinder Garg
 Sh. Rajiv Garg
 Sh. Ashwani Kumar
 Sh. Arun Kumar Singh
 Sh. Vivek Kaushal
 Sh. Ashwani Kumar Aggarwal

AUDITORS

M/s. Dass Khanna & Co.
 B-XXX, 711, 1st Floor,
 Gurdev Nagar, Pakhowal Road.
 Ludhiana - 141 001

BANKERS

Punjab & Sind Bank
 Sabun Bazar Ludhiana

REGISTERED OFFICE & WORKS

Kanganwal Road,
 Near Octroi Post Ambala Side
 V.P.O Jugiana. G.T. Road,
 Ludhiana - 141 120.

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GARG FURNACE LIMITED

NOTICE

Notice is hereby given that 30th Annual General Meeting of the Members of the company would be held on Tuesday, the 30th day of September, 2003 at 09.30 A.M at Regd. Office at Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended on that date. together with the reports of Directors and Auditors thereon.
2. To appoint a director in place of Sh Ashwani Kumar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Sh. Sanjiv Garg who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration, M/s Dass Khanna & Co., Chartered Accountants Ludhiana, who retire on the conclusion of this meeting, being eligible offer themselves for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.
 "RESOLVED that Sh Ashwani Kumar Aggarwal, who was appointed as an Additional Director of the company w.e.f 15.03.2003 under Article 109 of the Articles of Association of the company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the company, liable to retire by rotation."
6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.
 "RESOLVED that Sh Arun Kumar Singh, who was appointed as an additional Director of the company w.e.f 15.03.2003 under Article 109 of the Articles of Association of the company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the company, liable to retire by rotation."
7. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.
 "RESOLVED that Sh Vivek Kaushal, who was appointed as an Additional Director of the company w.e.f 15.03.2003 under Article 109 of the Articles of Association of the company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the company, liable to retire by rotation."

For and on behalf of Board of Directors

Place: Ludhiana.
Dated: 26.08.2003.

JAGDISH CHAND GARG
CHAIRMAN

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER THE PROXIES ARE EFFECTIVE IT SHOULD BE DEPOSITED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the company will remain closed from Monday, the 29th day of September 2003 to Tuesday, the 30th day of September, 2003 (both days inclusive).
3. Members Seeking any information with regard to Annual accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of Meeting so as to enable the management to keep the relevant information ready.
4. The members are requested to bring the copy of Annual Report along with them at the time of meeting.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 5 to 7 is annexed hereto.
6. **MEMBERS MAY PLEASE NOTE THAT NO GIFTS/COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING OF THE COMPANY.**

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Sh Ashwani Kumar Aggarwal was appointed as an Additional Director at the meeting of the Board of directors held on 15.03.2003. He holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for appointment as Director, liable to retire by rotation.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a member proposing the appointment of Sh Ashwani Kumar Aggarwal as Director of the Company.

Your Directors recommend the resolution for approval.

None of the Directors of the Company except Shri Ashwani Kumar Aggarwal may be deemed to be concerned or interested in this resolution.

GARG FURNACE LIMITED

ITEM NO. 6

Sh Arun Kumar Singh was appointed as an Additional Director at the meeting of the Board of directors held on 15.03.2003. He holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for appointment as Director, liable to retire by rotation.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a member proposing the appointment of Sh Arun Kumar Singh as Director of the Company.

Your Directors recommend the resolution for approval.

None of the Directors of the Company except Shri Arun Kumar Singh may be deemed to be concerned or interested in this resolution.

ITEM NO. 7

Sh Vivek Kaushal was appointed as an Additional Director at the meeting of the Board of directors held on 15.03.2003. He holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for appointment as Director, liable to retire by rotation.

Notice as required under Section 257 of the Companies Act, 1956, together with the requisite deposit has been received from a member proposing the appointment of Sh Vivek Kaushal as Director of the Company.

Your Directors recommend the resolution for approval.

None of the Directors of the Company except Shri Vivek Kaushal may be deemed to be concerned or interested in this resolution.

For and on behalf of Board of Directors

Place: Ludhiana.
Dated: 26.08.2003.

JAGDISH CHAND GARG
CHAIRMAN

Information Pursuant to Corporate Governance clause of the Listing Agreement(s) Regarding the Director's new appointment/ re-appointment in the A.G.M.

Name of the Director	Sh Ashwani Kumar	Sh Sanjiv Garg	Sh Ashwani Kumar Aggarwal	Sh Arun Kumar Singh	Sh Vivek Kaushal
Date of Birth	14.07.1955	10.11.1960	03.12.1957	29.03.1966	01.02.1966
Date of Appointment	02.09.1996	19.01.1988	15.03.2003	15.03.2003	15.03.2003
Qualification	B.Com F.C.A	B.Com	B.Com	B-Tech (T.T)	B.S.C, M.B.A
Expertise in Specific Area	Income Tax & Company Law matters having 20 years of experience.	Industrialist & Business experience of about 20 years in Iron & Steel Industry.	Marketing having business experience of about 20 years.	Production Management having experience of about 10 years.	Marketing having experience of about 10 years.
Directorship in other Companies	Bhushan Ltd, Globe-Trotters P. Ltd, D&M Components Ltd	Gargsons Investments P.Ltd, Bhushan Ltd, Rajadevi Investments P. Ltd	Nil	Nil	Nil
Chairman/Member of Committees of other Companies	Member Audit Committee Bhushan Ltd	Nil	Nil	Nil	Nil

GARG FURNACE LIMITED

DIRECTORS' REPORT

The Members of GARG FURNACE LIMITED

Your Directors have pleasure in presenting the 30th Annual Report and Audited Statement of Accounts for the year ending 31st March, 2003.

FINANCIAL RESULTS

	2002-03	2001-02
	(Rupees in lacs)	
Operating Income	10688.56	12017.85
Profit before depreciation, interest & tax	162.70	122.28
Prior year adjustments (net)	-	16.81
Interest & Financial expenses	38.01	31.26
Profit before depreciation & tax	124.69	107.83
Depreciation	61.26	57.74
Profit before tax	63.43	50.09
Provision for tax -Current	10.00	12.70
-Deferred Tax Asset	14.88	6.54
Profit after Tax	68.31	43.93
Prior year Tax adjustments	-1.48	0.31
Investment Allowance written back	27.30	-
Balance brought forward	154.84	110.60
	<u>248.97</u>	<u>154.84</u>
APPROPRIATIONS		
Transfer to General Reserve	50.00	-
Balance carried over to Balance Sheet	198.97	154.84
	<u>248.97</u>	<u>154.84</u>

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) STEEL INDUSTRY - GLOBAL PERSPECTIVE

The world economy is on its way to slow recovery. There is increase in the Steel demand in the international markets, particularly with increased consumption in China and rest of Asia. Consequently, there was a significant increase in the Steel prices. At the same time quantitative restrictions and/or additional tariff on steel imports were introduced by the U.S and a few other countries in an effort to protect their domestic Steel Industries. The World Crude Steel production has showed an increase of over 6% at 887 million tonnes in Calendar year 2002 as compared to 834 million tonnes in 2001. China is expected to continue to dominate the global steel trade. It has emerged as the single most important market and its ability to sustain its rapid growth will have a fundamental impact on the global supply of Steel and its prices.

B) STEEL INDUSTRY- INDIAN PERSPECTIVE

With most of the end user segments showing improved growth, demand for steel picked up during the year. Domestic production was higher by 8% at 28.9 million tonnes (2001-02 : 26.7 million tonnes). Several factors have re-inforced the Company's belief that the domestic Steel holds promise in the near to mid term. The Reserve Bank of India has projected a growth in GDP of 6% during the current year. The recent budget proposal of Government of India to include 48 new road projects with a total length of over 10,000 KMS under National Highway Development Project, the grant of infrastructure status to mass housing projects argue well for demand for steel in next 4-5 years. Alongside a steep decline in the cost of capital, the better demand environment is expected to provide a favourable backdrop for higher level of investment.

C) PRODUCTION AND SALES REVIEW

During the year under review, the company has manufactured 29424 M.T of Steel Ingots, 17459 MT of Rounds, 6818 MT of Wire Rods & 6325 MT of castings etc. The turnover of the company was Rs. 106.89 crores. Due to better Steel prices, the company has increased its profits to Rs. 68.31 lacs from Rs. 43.93 lacs in the previous year.

D) INTERNAL CONTROL & SYSTEMS

The company has adequate internal control procedures commensurate with its size and nature of its business. These internal policies ensure efficient use and Protection of assets and resources. Compliance with policies ensure reliability of financial and operational reports.

E) RISK AND CONCERNS

The Steel Industry witnesses Cyclical price movements. The fortunes of the industry move up and down in time with the market trend of prices. This phenomenon has become more uncertain and unpredictable with the increased integration of domestic and global markets. The company has taken the cost cutting initiatives, enriching the product mix and strengthened its marketing to cope with the business trend.

F) HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATION

During the year, the company has employed 150 persons. The Industrial Relations remain cordial during the year. The company is continuing its efforts for improvement in the work culture wherein employees can contribute to their fullest potential. The management acknowledges the contribution of all employees in achieving better performance.

GARG FURNACE LIMITED

DIVIDEND

The Board of Directors do not recommend payment of dividend for the year under review.

LISTING

The Company's Equity Shares are listed at The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana, The Delhi Stock Exchange Association Limited, DSE House, 3/1 Asaf Ali Road, New Delhi & The Stock Exchange Mumbai, Dalal Street, Mumbai. The listing dues upto Financial Year 2002-03 have been paid to the said stock exchanges.

DEMATERIALISATION

The company has appointed M/s Skyline Financial Services Private Limited, New Delhi as its Registrar and Share Transfer Agents(RTA). All activities relating to Company's listed securities (Physical & in Demat form) are being undertaken by M/s Skyline Financial Services Private Limited w.e.f 01.04.2003. The Address & Contact Nos. are:-

M/s Skyline Financial Services Pvt Ltd,
123, Vinoba Puri, Lajpat Nagar-II, NEW DELHI- 110 024.
TEL: 26833777, 26847136 FAX: 26918352

The members are advised to send their shares to R.T.A.

DIRECTORS

Sh Ashwani Kumar and Sh Sanjiv Garg retire by rotation and being eligible have offered themselves for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act 2000, the Directors confirm:

- i) That in the preparation of annual accounts, the applicable accounting standard have been followed and wherever required proper explanations relating to material departures have been given.
- ii) That appropriate accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year as at 31.03.2003 and of the profits of the company for the year ended 31.03.2003.
- iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The company has put in place a system of Corporate Governance. A Separate report on Corporate Governance forming part of the Annual Report is annexed hereto. A Certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under the Corporate Governance clause of the Listing Agreement is annexed to the report on Corporate Governance.

AUDITORS

M/s Dass Khanna & Co. Chartered Accountants, Ludhiana retires at the conclusion of ensuing Annual General Meeting. They have indicated their willingness to accept re-appointment and have further confirmed their eligibility u/s 224(1B) of the Companies Act, 1956.

The Auditor's Report is self explanatory and therefore do not call for any further comments. Further, the company is in search of a suitable candidate for appointment as Company Secretary.

COST AUDITORS

The Board of Directors have appointed M/s Verma, Verma & Associates, Cost Accountants, Jalandhar as the Cost Auditors of the Company for the year 2002-03. The approval of the Central Government in this regard has also been received. The Cost Auditors Report will be sent to the Central Government as required under law.

FIXED DEPOSITS

The fixed deposits outstanding as on 31st March, 2003 was Rs. 6.50 lacs. During the year under review there was no deposit which were overdue or unclaimed. The company has complied with the provisions of section 58-A of the Companies Act, 1956 and rules made thereunder.

INDUSTRIAL RELATIONS

The Industrial relations remained cordial through out the year and have resulted in sustained growth of the company.

PARTICULARS OF EMPLOYEES

Information pertaining to employees pursuant to section 217 (2A) of the Companies Act, 1956 is nil.

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

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo as required under Section 217 (1)(e) of The Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Directors) Rules 1988 is annexed and forms part of this report.

ACKNOWLEDGEMENT

The Directors wish to extend their sincere thanks to the Punjab & Sind Bank, Punjab State Electricity Board, Container Corporation of India, other State & Central Government Agencies, Suppliers and Customers for their continued support and co-operation.

The Directors also wish to place on record their deep appreciation for the services rendered by the workers & staff at all levels.

For and on behalf of Board of Directors

Place: Ludhiana.
Dated: 26.08.2003.

JAGDISH CHAND GARG
CHAIRMAN

GARG FURNACE LIMITED

Information pursuant to section 217(1)(e) of The Companies Act, 1956 read with Companies(Disclosure of particulars in the report of Board of Directors) Rules 1988 and forming part of the Director's Report for the year ended 31st March, 2003.

I. CONSERVATION OF ENERGY

- a) **Energy conservation measures taken** : The company has always been conscious of the need to conserve energy and has always attempted various measures for the same wherever possible to achieve reduction in cost of production. The company has taken various measures on suggestions of experts in the areas where energy reduction and fuel & oil conservation is possible.
- b) **Additional Investment and proposals if any, being implemented for reduction of energy consumption.** : No.
- c) **Impact of Measures taken at (a) above for reduction of energy consumption and consequent impact on the cost of production of goods.** : 5% Saving in Energy consumption.
- d) **Total energy consumption per unit of production as per form A of the annexure to the rules in respect of industries specified in schedule thereto.**

A. POWER & FUEL CONSUMPTION

1. Electricity	Current Year	Previous Year
a) Purchased		
Units (KWH)	40328432	44250360
Total amount	Rs. 146495373.00	Rs. 148177426.00
Rate per unit	Rs. 3.63	Rs. 3.35
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	20407	17407
Units per litre of diesel	3.50	3.25
Oil Cost/unit	Rs. 5.67	Rs. 5.38
ii) Through steam Turbine	Nil	Nil
2. Furnace Oil/Diesel Oil		
Quantity (Ltrs)	2440090	2458580
Total Amount	Rs. 29760401.80	Rs. 24193922.30
Average Rate per Ltr.	Rs. 12.20	Rs. 9.84

B. CONSUMPTION PER UNIT OF PRODUCTION

	Products	Current Year	Previous Year
Electricity (KWH)	Steel Ingots, Rounds, Castings/Wire Rod	664 Units(*)	695 Units(*)
Furnace Oil & Diesel	Rounds, Castings/Wire Rod	80 Ltrs.	85 Ltrs.

(*) Consumption for separate products is not feasible.

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption is as under:

- A. Research and Development (R&D) Nil
- B. Technology absorption, adoption and innovation Nil

The manufacturing process is based on the indigenous know-how. We are adopting water cooling system with heat exchanger and colloid-A-Tran equipment for improvement in the working of the plant.

III. FOREIGN EXCHANGE EARNING AND OUT GO

	2002-2003	2001-2002
Total Foreign Exchange earned	Nil	Nil
Used (CIF Value of Imports)	Rs. 13,49,52,203.00	Rs. 17,40,57,763.00

GARG FURNACE LIMITED

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY

The company believes in and practices good corporate Governance. The company's essential character is shaped by the very values of transparency, professionalism and accountability. The company continuously endeavours to improve on these aspects on an ongoing basis.

2. BOARD OF DIRECTORS

The Board of Directors consists of 8 directors. The composition and category of Directors are as follows:

<u>Category</u>	<u>Name of Directors</u>
Promoter/Executive Directors	Jagdish Chand Garg - Chairman Sanjiv Garg - M.D Davinder Garg - Executive Director Rajiv Garg - Executive Director
Independent/Non Executive Directors	Ashwani Kumar Arun Kumar Singh Vivek Kaushal Ashwani Kumar Aggarwal
Nominee/Institutional Directors	Nil

Attendance of each director at the Board Meeting, last Annual General Meeting and number of other directorship and chairmanship/ Membership of Committee of each Director in various companies.

Name of Director	Attendance Particulars		No. of other directorships and Committee membership/Chairmanship		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Jagdish Chand Garg	13	Present	2	2	None
Sanjiv Garg	13	Present	3	None	None
Davinder Garg	13	Present	1	None	None
Rajiv Garg	13	Present	3	2	1
Ashwani Kumar	9	No	3	1	None
Arun Kumar Singh *	Nil	No	None	None	None
Vivek Kaushal *	Nil	No	None	None	None
Ashwani Kumar Aggarwal *	Nil	No	None	None	None

* Appointed as an Additional Director w.e.f 15.03.2003.

During the year, 13 Board Meetings were held as against the minimum requirement of 4 meetings. The dates on which the meetings were held are : 3.4.2002, 30.4.2002, 28.5.2002, 29.5.2002, 31.7.2002, 26.8.2002, 30.8.2002, 31.10.2002, 28.11.2002, 29.11.2002, 31.1.2003, 24.2.2003, 15.3.2003.

3. AUDIT COMMITTEE

The Board of Company has constituted an Audit Committee comprising three independent, Non Executive Directors viz Sh Ashwani Kumar Chairman, Sh Arun Kumar Singh & Sh Vivek Kaushal. The Audit Committee has been formed on 15.03.2003, and only one meeting was held in 2002-03. All the members have attended the meeting held on 20.03.2003.

The terms of reference stipulated by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement, as follows:-

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
 - i) Any changes in accounting policies and practices.
 - ii) Major accounting entries based on exercise of judgment by management.
 - iii) Qualifications in draft audit report.
 - iv) Significant adjustment arising out of audit.
 - v) The going concern assumption.
 - vi) Compliance with Accounting Standards.
 - vii) Compliance with Stock Exchange and legal requirements concerning financial statements.
 - viii) Any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.