

31st
Annual Report
2003-2004

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 the 31st Annual General Meeting of the members of the Company would be held on Thursday, the 30th day of September, 2004 at 9.30 A.M at the Registered Office at Kanganwal Road, V.P.O 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, 2004 and the Profit & Loss Account for the year ended on that date togetherwith the reports of Director's and Auditors thereon.
2. To appoint a director in place of Sh Jagdish Chand Garg who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Sh. Davinder Garg who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Sh Rajiv Garg who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration. M/s Dass Khanna & Co., Chartered Accountants Ludhiana, who retires on the conclusion of this meeting being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

6. To consider & if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED that in accordance with the provisions of Section 198, 269, 309, 311, Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the company be and is hereby accorded to the re-appointment of Sh Jagdish Chand Garg as Chairman-cum Managing Director of the Company for a period of 5 years w.e.f 01.11.2003 on the following terms and conditions :-

1. Salary : Rs. 12000/- per month(Rupees Twelve Thousand only)
2. Commission : Nil
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs.50,000/- p.a.
 - a) House Rent Allowance @ 25% of the salary.
 - b) Expenditure incurred/re-imbursed by Company on Gas, Electricity, Water & Furnishing will be subject to a ceiling of 10% of the salary.
 - c) Medical re-imburement for self and the family subject to a ceiling of one month salary in a year or three months salary over a period of three years.
 - d) Leave Travel Concession for self, spouse, dependent children and dependent parents once in a year to and from any place in India, subject to the condition that only actual fare and no hotel expenses will be allowed.
 - e) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 - f) Personal Accident Insurance: Premium not to exceed Rs. 5,000/- per annum.
 - g) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 2,50,000/-.

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FURTHER:

1. No sitting fees will be paid for attending the meeting of Board of Director's or Committee thereof.
2. In case of absence or inadequacy of profits in any financial year during the remaining period of his tenure, minimum remuneration as per Section-II of Part-II of Schedule XIII will be paid.
3. Use of car for Company's business and telephone at residence for Company's business will be provided and personal long distance call and use of car for private purposes shall be billed by the Company to Chairman cum Managing Director.

7. To consider & if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Section 198, 269, 309, 311, Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the company be and is hereby accorded to the re-appointment of Sh. Sanjiv Garg as Managing Director of the Company for a period of 5 years w.e.f 01.11.2003 on the following terms and conditions :-

- | | | |
|----------------|---|--|
| 1. Salary | : | Rs. 12000/- per month(Rupees Twelve Thousand only) |
| 2. Commission | : | NIL |
| 3. Perquisites | : | The following perquisites will be allowed in addition to salary subject to a maximum of Rs.50,000/- p.a. |
- a) House Rent Allowance @ 25% of the salary.
 - b) Expenditure incurred/re-imbursed by Company on Gas, Electricity, Water & Furnishing will be subject to a ceiling of 10% of the salary.
 - c) Medical re-imbursement for self and the family subject to a ceiling of one month salary in a year or three months salary over a period of three years.
 - d) Leave Travel Concession for self, spouse, dependent children and dependent parents once in a year to and from any place in India, subject to the condition that only actual fare and no hotel expenses will be allowed.
 - e) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 - f) Personal Accident Insurance: Premium not to exceed Rs. 5,000/- per annum.
 - g) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 2,50,000/-.

FURTHER:

1. No sitting fees will be paid for attending the meeting of Board of Director's or Committee thereof.
2. In case of absence or inadequacy of profits in any financial year during the remaining period of his tenure, minimum remuneration as per Section-II of Part-II of Schedule XIII will be paid.

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3. Use of car for Company's business and telephone at residence for Company's business will be provided and personal long distance call and use of car for private purposes shall be billed by the Company to Managing Director.
8. To consider & if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Section 198, 269, 309, 311, Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the company be and is hereby accorded to the re-appointment of Sh. Davinder Garg as Whole Time Director of the Company for a period of 5 years w.e.f 01.11.2003 on the following terms and conditions :-

- | | | |
|----------------|---|--|
| 1. Salary | : | Rs. 12000/- per month(Rupees Twelve Thousand only) |
| 2. Commission | : | Nil |
| 3. Perquisites | : | The following perquisites will be allowed in addition to salary subject to a maximum of Rs.50,000/- p.a. |
- a) House Rent Allowance @ 25% of the salary.
 - b) Expenditure incurred/re-imbursed by Company on Gas, Electricity, Water & Furnishing will be subject to a ceiling of 10% of the salary.
 - c) Medical re-imbursement for self and the family subject to a ceiling of one month salary in a year or three months salary over a period of three years.
 - d) Leave Travel Concession for self, spouse, dependent children and dependent parents once in a year to and from any place in India, subject to the condition that only actual fare and no hotel expenses will be allowed.
 - e) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 - f) Personal Accident Insurance: Premium not to exceed Rs. 5,000/- per annum.
 - g) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 2,50,000/-.

FURTHER:

1. No sitting fees will be paid for attending the meeting of Board of Director's or Committee thereof.
2. In case of absence or inadequacy of profits in any financial year during the remaining period of his tenure, minimum remuneration as per Section-II of Part-II of Schedule XIII will be paid.
3. Use of car for Company's business and telephone at residence for Company's business will be provided and personal long distance call and use of car for private purposes shall be billed by the Company to Wholetime Director.

9. To consider & if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
- "RESOLVED that in accordance with the provisions of Section 198, 269, 309, 311, Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the company be and is hereby accorded to the re-appointment of Sh. Rajiv Garg as Whole Time Director of the Company for a period of 5 years w.e.f 01.11.2003 on the following terms and conditions :-

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- | | | |
|----------------|---|--|
| 1. Salary | : | Rs. 12000/- per month(Rupees Twelve Thousand only) |
| 2. Commission | : | NII |
| 3. Perquisites | : | The following perquisites will be allowed in addition to salary subject to a maximum of Rs.50,000/- p.a. |
- a) House Rent Allowance @ 25% of the salary.
 - b) Expenditure incurred/re-imbursed by Company on Gas, Electricity, Water & Furnishing will be subject to a ceiling of 10% of the salary.
 - c) Medical re-imbursement for self and the family subject to a ceiling of one month salary in a year or three months salary over a period of three years.
 - d) Leave Travel Concession for self, spouse, dependent children and dependent parents once in a year to and from any place in India, subject to the condition that only actual fare and no hotel expenses will be allowed.
 - e) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 - f) Personal Accident Insurance: Premium not to exceed Rs. 5,000/- per annum.
 - g) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 2,50,000/-.

FURTHER:

1. No sitting fees will be paid for attending the meeting of Board of Director's or Committee thereof.
2. In case of absence or inadequacy of profits in any financial year during the remaining period of his tenure, minimum remuneration as per Section-II of Part-II of Schedule XIII will be paid.
3. Use of car for Company's business and telephone at residence for Company's business will be provided and personal long distance call and use of car for private purposes shall be billed by the Company to Wholetime Director.

For and on behalf of the Board

Place: LUDHIANA.
Dated: 24.08.2004

(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 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 Wednesday, the 29th day of September 2004 to Thursday, the 30th day of September, 2004 (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 10 days before the date of Meeting so as to enable the management to keep the relevant information ready.

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4. The members are requested to bring the copy of Annual Report along with them at the time of meeting.
5. Members are requested to notify immediately any change in their address to the Company.
6. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under item No. 6,7,8 & 9 is annexed hereto and forms part of the Notice.

For and on behalf of the Board

Place: LUDHIANA.
Dated: 24.08.2004

(JAGDISH CHAND GARG)
CHAIRMAN

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

ITEM NO. 6

The Board of Directors in its meeting held on 25th day of August, 1999 appointed Sh Jagdish Chand Garg as Chairman cum Managing Director of the company for a period of 5 years w.e.f 01.09.1999 on a salary of Rs. 8000/- per month and other perquisites upto a maximum of Rs. 50,000/- per annum. His appointment was also approved by the members in their meeting held on 30th September, 1999. During his tenure, the company has made steady progress. Keeping in view, the efforts put in by Mr Jagdish Chand Garg towards the development of the company, the Board of Directors in its meeting held on 31st October, 2003, approved his re-appointment as Chairman cum Managing Director of the company for a period of 5 years w.e.f 01.11.2003 on the remuneration, terms and conditions as mentioned in the resolution, for which your approval is solicited.

Except Sh Jagdish Chand Garg being the appointee himself, Sh Davinder Garg, being the appointee's relative, none of the directors of the company is, in any way concerned or interested in this resolution.

ITEM NO. 7

The Board of Directors in its meeting held on 25th day of August, 1999 appointed Sh Sanjiv Garg as Managing Director of the company for a period of 5 years w.e.f 01.09.1999 on a salary of Rs. 8000/- per month and other perquisites upto a maximum of Rs. 50,000/- per annum. His appointment was also approved by the members in their meeting held on 30th September, 1999. During his tenure, the company has made steady progress. Keeping in view, the efforts put in by Mr Sanjiv Garg towards the development of the company, the Board of Directors in its meeting held on 31st October, 2003, approved his re-appointment as Managing Director of the company for a period of 5 years w.e.f 01.11.2003 on the remuneration, terms and conditions as mentioned in the resolution, for which your approval is solicited.

Except Sh Sanjiv Garg being the appointee himself, Sh Rajiv, being the appointee's relative, none of the directors of the company is, in any way concerned or interested in this resolution.

ITEM NO. 8

The Board of Directors in its meeting held on 25th day of August, 1999 appointed Sh Davinder Garg as Whole Time Director of the company for a period of 5 years w.e.f 01.09.1999 on a salary of Rs. 8000/- per month and other perquisites upto a maximum of Rs. 50,000/- per annum. His appointment was also approved by the members in their meeting held on 30th September, 1999. During his tenure, the company has made steady progress. Keeping in view, the efforts put in by Mr Davinder Garg towards the development of the company, the Board of Directors in its meeting held on 31st October, 2003, approved his re-appointment as Whole Time Director of the company for a period of 5 years w.e.f 01.11.2003 on the remuneration, terms and conditions as mentioned in the resolution, for which your approval is solicited.

Except Sh Davinder Garg being the appointee himself, Sh Jagdish Chand Garg, being the appointee's relative, none of the directors of the company is, in any way concerned or interested in this resolution.

ITEM NO. 9

The Board of Directors in its meeting held on 25th day of August, 1999 appointed Sh Rajiv Garg as Whole time Director of the company for a period of 5 years w.e.f 01.09.1999 on a salary of Rs. 8000/- per month and other perquisites upto

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a maximum of Rs. 50,000/- per annum. His appointment was also approved by the members in their meeting held on 30th September, 1999. During his tenure, the company has made steady progress. Keeping in view, the efforts put in by Mr Rajiv Garg towards the development of the company, the Board of Directors in its meeting held on 31st October, 2003, approved his re-appointment as Whole Time Director of the company for a period of 5 years w.e.f 01.11.2003 on the remuneration, terms and conditions as mentioned in the resolution, for which your approval is solicited.

Except Sh Rajiv Garg being the appointee himself, Sh Sanjiv Garg, being the appointee's relative, none of the directors of the company is, in any way concerned or interested in this resolution.

For and on behalf of the Board

Place: LUDHIANA.

Dated: 24.08.2004

**(JAGDISH CHAND GARG)
CHAIRMAN**

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

Name of the Director	Sh. Jagdish Chand Garg	Sh. Davinder Garg	Sh. Rajiv Garg
Date of Birth	14.07.1935	25.05.1964	02.07.1966
Date of Appointment	Since inception	19.01.1988	19.01.1988
Qualification	Matric	B.A.	B.Com
Expertise in Specific Area	Industrialist & Business experience of about 30 years in Iron & Steel Industry	Industrialist & Business experience of about 16 years in Iron & Steel Industry	Industrialist & Business experience of about 16 years in Iron & Steel Industry
Directorship in other Companies	Garg Acrylics Ltd. Gargsons Investments Pvt. Ltd.	Garg Fincap Ltd.	Garg Acrylics Ltd. Garg Fincap Ltd. Haryana Milk Foods Ltd.
Chairman/Member of Committees of other Companies	Member of Shareholders/ Investor Grievances Committee & Remuneration Committee of Garg Acrylics Ltd.	---	Chairman of Shareholders/ Investors Grievances Committee & Member of Audit Committee of Garg Acrylics Ltd.

GARG FURNACE LIMITED

DIRECTORS' REPORT

The Members of GARG FURNACE LIMITED

Your Directors have pleasure in presenting the 31st Annual Report and Audited Statement of Accounts for the year ending 31st March, 2004.

FINANCIAL RESULTS

	2003-04	(Rupees in lacs)	2002-03
Operating Income	11118.84		10688.56
Profit before depreciation, Interest & tax	208.97		162.70
Interest & Financial expenses	22.35		38.01
Profit before depreciation & tax	186.62		124.69
Depreciation	59.14		61.26
Profit before tax	127.48		63.43
Provision for tax -Current	29.00		10.00
-Deferred Tax Asset	4.04		14.88
Profit after Tax	102.52		68.31
Prior year Tax adjustments	0.07		-1.48
Investment Allowance written back	---		27.30
Balance brought forward	198.97		154.84
	<u>301.56</u>		<u>248.97</u>
APPROPRIATIONS			
Transfer to General Reserve	50.00		50.00
Balance carried over to Balance Sheet	251.56		198.97
	<u>301.56</u>		<u>248.97</u>

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) STEEL INDUSTRY - PERSPECTIVE

The Indian Steel Industry witnessed a turnaround recently. The improved performance of the Steel Sector is primarily due to sharp rise in International prices and increasing exports of steel by Indian Companies. In the Global context, China exerted a major influence on the Global Steel Industry. During last couple of years, the booming Automobile Sector in the country has helped the Indian Steel producers to absorb excess capacity, which was responsible for low and volatile prices in the past. The projected growth of Automobile Industry will provide stability to the Special and Alloy Steel producers in the country. However, the Steel Producers have also to contend with increasing cost of inputs and consequently declining profit margin. Steel Companies with focus on cost control methods with low financial leverage will be better placed to face the impending fresh capacity addition in the industry.

B) PRODUCTION AND SALES REVIEW

During the year under review, the company has manufactured 30018 MT of Steel Ingots, 23306 MT of Rounds, 7462 MT of Wire Rods & 6479 MT of castings etc. The turnover of the company was Rs. 111.19 crores. Due to better Steel prices, the company has increased its net profits to Rs. 102.52 lacs from Rs. 68.31 lacs in the previous year.

C) 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.

D) 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.

E) 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.

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 fee dues of The Stock Exchange, Mumbai has been paid upto Financial Year 2003-04 and of Delhi Stock Exchange & Ludhiana Stock Exchange have been paid upto financial year 2002-03.