

34th Annual Report 2006-07

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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

COST AUDITORS

M/s. Verma Verma & Associates
 Cost Accountants
 E-255, Panj Peer,
 Bagh Karam Baksh, Jalandhar

BANKERS

Punjab & Sind Bank
 Sabun Bazar Ludhiana

REGISTERED OFFICE & WORKS

Kanganwal Road,
 Near Old 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 34th Annual General Meeting of the members of the Company would be held on Saturday, the 29th day of September, 2007 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 Business Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date together-with reports of Director's and Auditors thereon.
2. To appoint a director in place of Sh. Davinder Garg who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Sh. Rajiv Garg who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Sh. Arun Kumar Singh who retires by rotation and being eligible offers himself for reappointment.
5. To appoint auditors and to fix their remunerations, M/s Dass Khanna & Company, Chartered Accountants Ludhiana, who retires on the conclusion of this meeting being eligible offer themselves for reappointment.

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. 01.08.2007 on the following terms and conditions: -

1. Salary : Rs. 32000/- (Rupees Thirty Two Thousand Only)
2. Commission : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 200,000/- p.a.
 1. House Rent Allowance @ 25% of the salary.
 2. Expenditure incurred/re-imbursed by Company on Gas, Electricity, Water & Furnishing will be subject to a ceiling of 10% of the salary.
 3. 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.
 4. Leave Travel Concession for self, spouse, dependant children and dependant 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.
 5. Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 6. Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.
 7. Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 5,00,000/-.

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 Chairman cum Managing Director.

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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. 01.08.2007 on the following terms and conditions: -

1. Salary : Rs. 32000/- (Rupees Thirty Two Thousand Only)
2. Commission : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 200,000/- p.a.
 1. House Rent Allowance @ 25% of the salary.
 2. Expenditure incurred/re-imbursed by Company on Gas, Electricity, water & Furnishing will be subject to a ceiling of 10% of the salary.
 3. 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.
 4. Leave Travel Concession for self, spouse, dependant children and dependant 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.
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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.

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. 01.08.2007 on the following terms and conditions: -

1. Salary : Rs. 32000/- (Rupees Thirty Two Thousand Only)
2. Commission : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 200,000/- p.a.
 1. House Rent Allowance @ 25% of the salary.
 2. Expenditure incurred/re-imbursed by Company on Gas, Electricity, Water & Furnishing will be subject to a ceiling of 10% of the salary.
 3. 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

GARG FURNACE LIMITED

- three years.
4. Leave Travel Concession for self, spouse, dependant children and dependant 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.
 5. Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 6. Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.
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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.

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For and on behalf of the Board

Place : LUDHIANA.
Dated : 28.08.2007

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 Register of the Company will remain closed from 28th September, 2007 to 29th September, 2007 (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. Members are requested to bring the copy of Annual Report alongwith them at the 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 to 8 is annexed hereto and forms part of the Notice.

For and on behalf of the Board

Place : LUDHIANA.
Dated : 28.08.2007

JAGDISH CHAND GARG
CHAIRMAN

GARG FURNACE LIMITED

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 172(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

The company has made steady progress over the years. Keeping in view, the efforts put in by Sh. Jagdish Chand Garg towards the development of the company, the Board of Directors in its meeting held on 31-07-2007 approved his re-appointment as Chairman cum Managing Director of the Company for a period of 5 years w.e.f. 01-08-2007 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 company has made steady progress over the years. 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 31-07-2007, approved his re-appointment as Managing Director of the company for a period of 5 years w.e.f 01.08.2007 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 company has made steady progress over the years. 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 31-07-2007, approved his re-appointment as Whole Time Director of the company for a period of 5 years w.e.f 01.08.2007 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.

Information pursuant to corporate Governance clause of Listing Agreement(s) Regarding the Directors new appointment, seeking re-appointment in the A.G.M.

Name of the Director	Sh. Jagdish Chang Garg	Sh. Sanjiv Garg	Sh. Davinder Garg	Sh. Rajiv Garg	Sh. Arun Kumar Singh
Date of Birth	14.07.1935	10.11.1960	25.05.1964	02.07.1966	29.03.1966
Date of Appointment	Since Inception	19.01.1988	19.01.1988	19.01.1988	15.03.2003
Qualification	Matric	B.Com	B.A.	B.Com	B.Tech (T.T.)
Expertise in Specific Area	Industrialist & Business experience of about 33 years in Iron & Steel Industry. Industrialist & Business	Industrialist & Business experience of about 23 years in Iron & Steel Industry.	Industrialist & Business experience of about 18 years in Iron & Steel Industry.	Industrialist & Business experience of about 18 years in Iron & Steel Industry.	Production Manager having experience of 12 Years.
Directorship in other Companies	Garg Acrylics Ltd., Gargsons Investments Pvt. Ltd.	Raja Devi Investments Pvt. Ltd. Gargsons Investments Pvt. Ltd.	Garg Fincap Ltd.	Garg Acrylics Ltd. Garg Fincap Ltd. Haryana Milk Foods Ltd.	Nil
Chairman/Member of Committees of other Companies	Member of Shareholders /Investors Grievances Committee & Remuneration Committee of Garg Acrylics Ltd.	-		Chairman of Shareholders /Investors Grievances Committee & Member of Audit Committee of Garg Acrylics Ltd.	Nil

GARG FURNACE LIMITED

DIRECTORS' REPORT

The Members of

Garg Furnace Limited

The Directors of your company have pleasure in presenting the 34th Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2007.

FINANCIAL RESULTS

	(Rupees in lacs)	
	<u>2006-07</u>	<u>2005-06</u>
Operating Income	17790.77	15219.08
Profit before depreciation, Interest & tax	263.37	324.53
Interest & Financial Expenses	109.37	41.60
Profit before depreciation & tax	154.00	282.93
Depreciation	58.19	54.70
Profit before tax	95.81	228.23
Provision for tax -Current Tax	43.00	81.00
-Deferred Tax Asset	1.16	2.82
-Fringe Benefit Tax	2.35	2.25
Profit after Tax	51.62	147.80
Prior year Tax adjustments	3.82	8.96
Balance brought forward	407.95	301.19
	<u>455.75</u>	<u>457.95</u>
APPROPRIATIONS		
Transfer to General Reserve	50.00	50.00
Balance carried over to Balance Sheet	405.75	407.95
	<u>455.75</u>	<u>457.95</u>

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) STEEL INDUSTRY - PERSPECTIVE

Demand of steel in the domestic market was strong with double digit growth in automobiles, capital goods and consumer durable segments. Domestic Steel prices moved in tandem with the international prices.

It is expected that steel industry would perform well in the coming year.

B) PRODUCTION AND SALES REVIEW

During the year under review, the company has produced 51134.805 Metric tonnes of Steel products. The operating receipts of the company has increased to 178 Crores from 152 Crores 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 160 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.

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LISTING

The company's equity shares are listed at 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 have been paid up to financial year 2007-08 and of Delhi Stock Exchange & Ludhiana Stock Exchange have been paid upto financial year 2002-03.

DEMATERIALISATION

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- 110024.

TEL: 29833777, 29847136

FAX: 29918352

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

DIRECTORS

Sh. Davinder Garg, Sh. Rajiv Garg and Sh. Arun Kumar Singh 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, 1956, 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 judgments 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 31.03.2007 and of the profits of the company for the year ended 31.03.2007.
- 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 reappointment 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 2006-07. 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, 2007 was Rs. 32.75 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.

GARG FURNACE LIMITED

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.

JAGDISH CHAND GARG

Dated: 28.08.2007

CHAIRMAN

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, 2007.

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)(in Units)	31241477	36132166
Total amount	Rs. 129511463.00	Rs. 149723699.00
Rate per unit	Rs. 4.15	Rs. 4.14
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	25420	20780
Units per litre of diesel	3.80	3.60
Oil Cost/unit	Rs. 9.21	Rs. 8.97
ii) Through steam Turbine	Nil	Nil
2. Furnace Oil		
Quantity (Ltrs)	1870745	2069845
Total Amount	Rs. 32158104.00	Rs. 34311381.00
Average Rate per Ltr.	Rs. 17.19	Rs. 16.57

B. CONSUMPTION PER UNIT OF PRODUCTION

	Products	
Electricity (KWH)	Steel Ingots, Rounds, Castings/Wire Rod	611 Units(*)
Furnace Oil & Diesel	Rounds, Castings/Wire Rod	578 Units(*)
		62 Ltrs.
		68 Ltrs.

(*) Consumption for separate products is not feasible.

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are 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

	2006-2007	2005-2006
Total Foreign Exchange earned	Nil	Nil
Used (CIF Value of Imports)	Rs. 9,61,23,871.00	Rs. 31,75,32,417.00