

*35th*  
**ANNUAL REPORT**

Report **2007-08** .com



**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 &amp; Co.

B-XXX, 711, 1st Floor,

Gurdev Nagar, Pakhowal Road,

Ludhiana – 141 001

**COST AUDITORS**

M/s Khushwinder Kumar &amp; Associates

Cost Accountants

E-255, Panj Peer

Bagh Karam Baksh, Jalandhar

**BANKERS**

Punjab &amp; 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**


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**NOTICE**

Notice is hereby given that the 35th Annual General Meeting of the members of the Company would be held on Tuesday, the 30th day of September, 2008 at 9:30 A.M. at the Registered Office at Kanganwal Road, V.P.O. Jugiana, G. T. Road, Ludhiana to transact th/e following business: -

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Business Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date together-with reports of Directors and Auditors thereon.
2. To appoint a director in place of Sh. Vivek Kaushal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Sh. Ashwani Kumar Aggarwal who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Sh. Ashwani Kumar 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 a Special Resolution: -

"RESOLVED THAT pursuant to the provisions of Sections 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Articles of Association of the Company and the regulations/guidelines prescribed by the Securities and Exchange Board of India (SEBI) including SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI DIP Guidelines") or any other relevant authority, from time to time, to the extent applicable and subject to such other approvals, permissions, and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board of Directors of the Company (hereinafter referred to as the 'Board' which expression shall also include any Committee thereof formed or to be formed for exercising the powers conferred on the Board by this Resolution), consent, approval and authority of the Company be and is hereby accorded to the Board to issue/offer/allot to following proposed allottees not exceeding 5,60,000/- Warrants convertible into 5,60,000/- Equity Shares of Rs.10/- each at a premium of Rs. 60/- on preferential basis on the following principal terms and on such other terms and conditions and in such manner as the Board may deem fit:

Sr No.	Name of the Investor	No. of Warrants.
1.	Saluja Cottex Pvt. Ltd.	5,60,000

**Issue Price:**

Warrants would be convertible into equity shares of Rs. 10/- each of the Company at a price of Rs. 70/- (Rupees Seventy) in conformity with SEBI Guidelines on Preferential Issue.

**Terms of Payment:**

The issue price of Equity Shares arising out of Warrants shall be Rs. 10/- face value per share at a premium of Rs. 60/- per share. In allotment of the Warrants, the allottees of the Warrants shall be liable to pay Rs. 7/- (Rupees Seven) per Warrant being not less than 10% of the price fixed for the shares arising out of such Warrants.

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**GARG FURNACE LIMITED**


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**Relevant Date:**

The 'Relevant Date' for the purpose of pricing of issue of the shares in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 is 30-08-2008 being the 30<sup>th</sup> day prior to 30th September 2008 (i.e. the 30<sup>th</sup> day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956 to consider the proposed issue).

**Conversion of Warrants into Equity:**

The holder of each such Warrant shall be entitled to apply for and obtain at their sole discretion one Equity Share of Rs. 10/- (Rupees Ten) each at a price of Rs. 70/- (Rupees Seventy) per share (including premium of Rs. 60/- per share) on the date or date(s) within 18 (eighteen) months from the date of allotment of Warrants, as may be decided by the Board. If such option is not exercised in the manner prescribed within the aforesaid period, the Warrants shall lapse to the extent of the shares not so taken and the amount paid on the allotment of such Warrants shall be forfeited.

**Lock-in-Period:**

These Warrants allotted on preferential basis shall be locked-in for a period of one year from the date of allotment. The lock-in period on shares acquired before the expiry of one year, by exercise of option on these warrants, shall be reduced to the extent of the Warrants have already been in lock-in period

**Ranking of Equity Shares:**

The new Equity Shares to be allotted on conversion of Warrants shall rank pari passu in all respects with the then existing Equity Shares of the Company.

**Listing:**

The Board be and is hereby authorized to seek listing of the Equity Shares on conversion of Warrants' at all such Stock Exchanges where the Equity Shares of the Company are already listed.

RESOLVED FURTHER THAT for the purposes of giving effect to the above resolution, the Board be and is hereby authorized to do and perform all such acts, deeds and things as it may, in its absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the issue of the Warrants and conversion into Equity Shares as it may think fit and to accept on behalf of the Company such conditions and modifications, if any, relating to the issue of the equity shares which may be imposed, required or suggested by any regulatory authority and which the Board in its discretion thinks fit and proper".

**For and on behalf of the Board**

Place: LUDHIANA.

Date : 02-09-2008

**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 29th September, 2008 to 30th September, 2008 (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.

**GARG FURNACE LIMITED**

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 is annexed hereto and forms part of the Notice.

**For and on behalf of the Board**

**Place: LUDHIANA.**

**Date : 02-09-2008**

**JAGDISH CHAND GARG  
CHAIRMAN**

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

**ITEM NO. 6**

To meet the ongoing capital expenditure and to strengthen the finances of the company, your director proposes to raise further funds by way of issue of Warrants convertible into equity shares on preferential basis.

Warrants convertible into Equity Shares on a preferential allotment basis is offered for subscription only to the proposed allottee, who has indicated the willingness, subject to necessary approval of shareholders, to subscribe the Warrants convertible into Equity Shares of the face value of Rs 10/- (Rupees ten only) each at a premium of Rs 60/- (Rupees Sixty only) per share determined in conformity with the applicable SEBI Guidelines.

**The information required under clause 13.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, is given below:**

**Object of the Issue**

To augment the resources for ongoing capital expenditure and to strengthen the finances of the company.

**Intention of Promoters/Directors/Key Management persons to Subscribe to the Offer:**

The promoters have no intention of subscribing to the present issue of Warrants convertible into equity shares under preferential allotment.

**The Shareholding Pattern Before and After the Issue**

Category	Pre-Issue		Post Allotment of Equity Shares*	
	Equity Shares	%age	Equity Shares	%age
A. Promoters	25,45,900	73.82	25,45,900	63.51
B. Mutual Funds and UTI	200	0.01	200	0.01
C. Private Corp. Bodies	1,45,905	4.23	1,45,905	3.64
E. Indian Public	7,15,297	20.74	7,15,297	17.84
E. NRIs/OBCs	41,398	1.20	41,398	1.03
F. Proposed Allottees				
1. Saluja Cottex Pvt. Ltd	--	--	5,60,000	13.97
<b>Grand Total</b>	<b>34,48,700</b>	<b>100.00</b>	<b>40,08,700</b>	<b>100.00</b>

\* The above post-allotment of equity shareholding pattern assumes that the investors named in the Resolution will subscribe in the proposed preferential issue of Warrants to the full extent.

**Proposed Time within which the Allotment shall be made**

The allotment of Warrants pursuant to this resolution shall be completed within a period of 15 days of passing of the resolution as required by the applicable SEBI Guidelines.

**GARG FURNACE LIMITED**

The Identity of the proposed allottees and the percentage of post Preferential issued capital that may be held by it

Sr. No.	Name of the Applicant	Pre warrant issue Share Holdings		No. of Warrants Proposed to be allotted	Post issue Equity Share Holdings	%age
		Share	%age			
1.	Saluja Cottex Pvt. Ltd	--	--	560000	560000	13.97

\* The above post-issue shareholding pattern assumes that the investor named in the resolution will subscribe the proposed preferential issue to the full extent.

**Lock-in Period**

The Warrants to be allotted shall be subject to a lock in period of one year from the date of allotment. The lock-in on shares acquired by exercise of these warrants shall be reduced to the extent the warrants have already been locked-in.

A copy of the certificate of M/s Dass Khanna & Co. the Statutory Auditors of the Company certifying that the above said issue is made in accordance with the requirements contained in the SEBI (Disclosure and Investor Protection) Guidelines on preferential issue shall be laid before the shareholders at the meeting.

The preferential allotment of Warrants convertible into Equity Shares will not result in change in control over the Company and the control of the Company will remain with the present promoters.

The Board recommends the resolution for your approval.

None of the Directors is personally concerned or interested in this resolution.

For and on behalf of the Board

Place: LUDHIANA.

Date : 02-09-2008

JAGDISH CHAND GARG  
CHAIRMAN

**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. Vivek Kaushal	Sh. Ahwani Kumar Aggarwal	Sh. Ashwani Kumar
Date of Birth	01.02.1966	03.12.1957	14.07.1955
Date of Appointment	15.03.2003	15.03.2003	02.09.1996
Qualification	B.S.C, M.B.A	B.Com	B.Com F.C.A
Expertise in Specific Area	Marketing having experience of about 10 years	Marketing having business experience of about 20 years	Income Tax & Company Law matters having 25 years of Experience.
Directorship in other Companies	Nil	Nil	Vardhman Inds Ltd, Prime Inds Ltd, Master Trust Ltd., SEL Mfg. Co. Ltd, Shiva Tex Fab Ltd, Supple innovations Ltd, Globe Trotters P Ltd., D&M Components Ltd.
Chairman/Member of Committees of other Companies	Nil	Nil	Nil

**GARG FURNACE LIMITED****DIRECTORS' REPORT**

The Members of  
Garg Furnace Limited

The Directors of your company have pleasure in presenting the 35th<sup>th</sup> Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2008.

**FINANCIAL RESULTS**

(Rupees in Lacs)

	<u>2007-08</u>	<u>2006-07</u>
Operating Income	17861.06	17790.77
Profit before depreciation, Interest & tax	313.95	263.37
Interest & Financial Expenses	142.06	109.37
Profit before depreciation & tax	171.89	154.00
Depreciation	59.89	58.19
Profit before tax	112.00	95.81
Provision for tax -Current Tax	41.00	43.00
-Deferred Tax Asset	5.92	1.16
-Fringe Benefit Tax	3.20	2.35
Profit after Tax	73.72	51.62
Prior year Tax adjustments	0.49	3.82
Balance brought forward	<u>405.75</u>	<u>407.95</u>
	<u>478.96</u>	<u>455.75</u>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	200.00	50.00
Balance carried over to Balance Sheet	<u>278.96</u>	<u>405.75</u>
	<u>478.96</u>	<u>455.75</u>

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****A) STEEL INDUSTRY - PERSPECTIVE**

Indian Steel Industry experienced a strong growth in demand, propelled particularly by the demand for steel in China, the production of crude steel at 53 millions tonnes in 2007 was more than double the production level a decade back in 1998 (23 millions tonnes) portraying the significant growth in the Indian Steel Industry. India now ranks fifth in terms of crude steel production among the top six crude steel producing nation in the world, the others being China, Japan, United States, Russia and South Korea. The finished steel production in India in the current financial year stand at 48 million tonnes registering an increase of 9% over the previous year.

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 51057.934 Metric tonnes of Steel products. The operating receipts of the company has increased to 178.61 Crores from 177.90 Crores in the previous year.

**C) INTERNAL CONTROL SYSTEM**

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



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**GARG FURNACE LIMITED**


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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 170 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 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 2008-09 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. Vivek Kaushal, Sh. Ashwani Kumar Aggarwal, Sh. Ashwani Kumar 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 31.03.2008 and of the profits of the company for the year ended 31.03.2008.
- 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.



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**GARG FURNACE LIMITED**

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**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 Khushwinder Kumar & Associates, Cost Accountants, Jalandhar as the Cost Auditors of the Company for the year 2007-08. 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, 2008 was Rs. 18.00 lacs. During the year under review there was no deposit which was 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 the Board

Place: LUDHIANA  
Date : 02-09-2008

JAGDISH CHAND GARG  
CHAIRMAN