

*36th  
Annual Report  
2008-09*

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**G 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; Co.

Cost Accountants

90, Vikas Puri, Near KMV College,

Jalandhar-Punjab

**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****NOTICE**

Notice is hereby given that the 36th Annual General Meeting of the members of the Company would be held on Wednesday, the 30th day of September, 2009 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, 2009 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. Jagdish Chand Garg who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Sh. Sanjiv Garg who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Sh. Davinder Garg who retires by rotation and being eligible offers himself for reappointment.
5. To appoint auditors and to fix their remunerations, M/s Dass Khanna & Co., Chartered Accountants Ludhiana, who retires on the conclusion of this meeting being eligible offer themselves for reappointment.

**For and on behalf of the Board**

**Place: LUDHIANA.**

**JAGDISH CHAND GARG**

**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, 2009 to 30th September, 2009 (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/RTA.

**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 Chand Garg	Sh. Sanjiv Garg	Sh. Davinder Garg
Date of Birth	14.07.1935	10.11.1960	25.05.1964
Date of Appointment	Since Inception	19.01.1988	19.01.1988
Qualification	Matric	B.Com	B.A
Expertise in Specific Area	Industrial & Business experience of about 35 yrs in Iron & Steel Industry	Industrial & Business experience of about 25 yrs in Iron & Steel Industry	Industrial & Business experience of about 20 yrs in Iron & Steel Industry
Directorship in other Companies	Garg Acrylics Ltd. Gargsons Investments (P) Ltd.	Raja Devi Investments Pvt. Ltd. Gargsons Investments Pvt. Ltd. Om Yarn Plus Pvt. Ltd.	Garg Fincap Ltd. Avtar Exports (P) Ltd.
Chairman/Member of Committees of other Companies	Member of Shareholders/Investors Grievances Committee & Remuneration Committee of Garg Acrylics Ltd.		

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

The Members of  
Garg Furnace Limited

The Directors of your company have pleasure in presenting the 36<sup>th</sup> Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2009.

**FINANCIAL RESULTS**

(Rupees in Lacs)

	<u>2008-09</u>	<u>2007-08</u>
Operating Income	16092.20	17861.06
Profit before depreciation, Interest & tax	324.85	313.95
Interest & Financial Expenses	148.45	142.06
Profit before depreciation & tax	176.40	171.89
Depreciation	62.18	59.89
Profit before tax	114.22	112.00
Provision for tax -Current Tax	13.75	41.00
-Deferred Tax Asset (Liability)	(0.68)	5.92
-Fringe Benefit Tax	3.85	3.20
Profit after Tax	95.94	73.72
Prior year Tax adjustments	(0.02)	0.49
Balance brought forward	<u>278.96</u>	<u>405.75</u>
	<u>374.88</u>	<u>478.96</u>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	200.00	200.00
Balance carried over to Balance Sheet	<u>174.88</u>	<u>278.96</u>
	<u>374.88</u>	<u>478.96</u>

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

During the year under review, the world wide sluggish business environment has hit the export hard and has also impacted the domestic market. The demand of steel was low in all sectors from capital goods industry to auto mobiles to construction. In the last quarter, the economic indicators have shown improvement and it is expected that the steel industry would perform well in the coming years.

**B) PRODUCTION AND SALES REVIEW**

During the year under review, the company has produced 43450.044 metric tonnes of Steel products. Due to lower demand for steel products, the operating receipts of the company has decreased to 160.92 Crores from 178.61 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 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.

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**GARG FURNACE LIMITED**


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**E) HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATION**

During the year, the company has employed 173 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, Delhi Stock Exchange Limited, DSE House, 3/1, Asaf Ali Road, New Delhi & Bombay Stock Exchange Limited, Dalal Street, Mumbai. The listing fee dues of the Bombay Stock Exchange Limited & Delhi Stock Exchange Limited have been paid up to financial year 2009-10 and 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. Jagdish Chand Garg, Sh. Sanjiv Garg & Sh. Davinder 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, 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 31.03.2009 and of the profits of the company for the year ended 31.03.2009.
- 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 & Co., Cost Accountants, Jalandhar as the Cost Auditors of the Company for the year 2008-09. 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, 2009 was Rs. 6.50 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

JAGDISH CHAND GARG

**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, 2009.

**I. CONSERVATION OF ENERGY**

- a) Energy conservation measures : 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**

	<u>Current Year</u>	<u>Previous Year</u>
<b>1. Electricity</b>		
a) Purchased		
Units (KWH)	29604556	34313304
Total amount	Rs. 126338129.00	Rs. 145882686.00
Rate per unit	Rs. 4.27	Rs. 4.25
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	72960	24380
Units per litre of diesel	3.80	3.80
Oil Cost/unit	Rs. 8.01	Rs. 9.25
ii) Through Steam Turbine	Nil	Nil
<b>2. Furnace Oil</b>		
Quantity (Ltrs)	1582900	1717480
Total Amount	Rs. 37462241.00	Rs. 35316058.00
Average Rate per Ltr.	Rs. 23.67	Rs. 20.57

**B. CONSUMPTION PER UNIT OF PRODUCTION**

	<u>Products</u>		
Electricity (KWH)	Steel Ingots, Rounds, Castings/Wire Rod	681 Units*	672 Units*
Furnace Oil	Rounds/Castings/Wire Rod	71 Ltrs.*	62 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**

	<u>2008-2009</u>	<u>2007-2008</u>
Total Foreign Exchange earned	Rs. 26,15,112.00	Rs. 4,14,366.00
Used (CIF Value of Imports)	Rs. 7,92,01,181.00	Rs. 5,23,92,355.00



**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
Promoter Non-Executive Directors	Rajiv Garg	
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/Chairman		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Jagdish Chand Garg	7	Present	2	2	None
Sanjiv Garg	7	Present	3	None	None
Davinder Garg	7	Present	2	None	None
Rajiv Garg	7	Present	3	2	1
Ashwani Kumar	5	Present	3	1	None
Arun Kumar Singh	6	Present	None	None	None
Vivek Kaushal	6	Present	None	None	None
Ashwani Kumar Aggarwal	5	Present	None	None	None

During the year, 7 Board Meetings were held as against the minimum requirement of 4 meetings. The dates on which the meetings were held are: 30.04.2008, 31.07.2008, 18.08.2008, 02.09.2008, 31.10.2008, 31.01.2009 & 09.02.2009.

**3. AUDIT COMMITTEE**

The Audit Committee comprises of three independent, Non Executive Directors viz Sh. Ashwani Kumar, Chairman, Sh Arun Kumar Singh & Sh Vivek Kaushal. The terms of reference of the Audit Committee are as contained in Corporate Governance Clause of the listing agreement. The Audit Committee met five times during the year. The dates on which meeting were held are 30.04.2008, 31.07.2008, 02.09.2008, 31.10.2008 & 31.01.2009. All the members of the Audit Committee have attended all the meetings.

**4. REMUNERATION COMMITTEE**

The Board of the company has constituted a Remuneration Committee comprising of 3 Independent Non Executive Directors viz. Sh Ashwani Kumar Aggarwal, Chairman, Sh Arun Kumar Singh & Sh Vivek Kaushal.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Wholtime Directors based on performance.

The remuneration policy is directed towards rewarding performance based on review of achievement on a periodic basis.

Detail of Remuneration paid to the Directors during the financial year is as given below:-



## GARG FURNACE LIMITED

a) Executive Directors

<u>Name</u>	<u>Designation</u>	<u>Salary</u>	<u>Allowances</u>	<u>Total</u>
Sh Jagdish Chand Garg	Chairman	Rs. 4,80,000	-	Rs. 4,80,000
Sh Sanjiv Garg	Managing Director	Rs. 4,80,000	-	Rs. 4,80,000
Sh Davinder Garg	Whole Time Director	Rs. 4,80,000	-	Rs. 4,80,000

b) Non Executive Directors

Non Executive Directors have not been paid any remuneration/fees during the year.

5. **SHAREHOLDING**

Non-Executive Independent Directors do not hold any shares in the Equity Capital of the Company

6. **SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

The Board of the Company has constituted a Shareholder's/Investor's Grievances Committee comprising of Sh. Ashwani Kumar (Chairman), Sh Sanjiv Garg and Sh Davinder Garg. The Committee inter alia approves issue of duplicate certificates and oversees and review all matters connected with securities transfer. The committee also looks into redressal of Shareholder's complaints like transfer of shares, non receipt of Balance Sheet, Non receipt of declared dividends etc. The Board of Directors have delegated the power of approving transfer of securities to the Managing Director.

The Board has designated Sh. Jaspal Singh Executive Secretarial Department as Compliance Officer. The total number of letters/complaints received and replied to the satisfaction of shareholders during the year ended 31st March, 2009 were 9. Outstanding letters/complaints as on 31st March, 2009 were nil. No request for transfer/dematerialisation were pending for approval as on 31st March, 2009.

7. **GENERAL BODY MEETINGS**

Detail of last three Annual General Meetings

<u>Meeting</u>	<u>Day</u>	<u>Date</u>	<u>Time</u>	<u>Venue</u>	<u>No. of Special Resolutions</u>
33rd AGM	Saturday	30.09.2006	9.30 AM	Registered Office	-
34th AGM	Saturday	29.09.2007	9.30 AM	at Kanganwal Road,	-
35th AGM	Tuesday	30.09.2008	9.30 AM	VPO Jugiana, G.T. Road, Ludhiana.	1

During the financial year 2008-09 vide notice dated 09-02-2009 three special resolutions have been passed through Postal ballot. Further, no special resolution requiring approval through Postal Ballots is being sent for shareholder's approval along with this Annual Report.

8. **DISCLOSURES**

During the year, there was no material/significant transaction with the directors or the management, or relatives etc that have any potential conflict with the interest of the company at large. Also there has not been any non-compliance by the company in respect of which Penalties or Strictures were imposed by the Stock Exchange or SEBI or any other Statutory Authority during the last three years. The management has not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and that it has provided protection to the "Whistle Blower" from unfair termination and other unfair or prejudicial employment practices.

9. **MEANS OF COMMUNICATION**

The company communicates with the shareholders at large through its Annual Reports, Publication of financial results and by filing of various reports and returns with the Statutory Bodies like Stock Exchange and the Registrar of Companies. The quarterly results are published in the English Daily "Financial Express" & Punjabi daily "Desh Sewak".

The management discussion & Analysis forms part of Annual Report, which is mailed to the shareholders of the company.