



*37<sup>th</sup>*  
*ANNUAL REPORT*  
*2009-10*

**GARG FURNACE LIMITED**

**MANAGEMENT****BOARD OF DIRECTORS****CHAIRMAN**

Sh. J.C. Garg

**MANAGING DIRECTOR**

Sh. Davinder Garg

**DIRECTORS**

Sh. Sanjiv Garg

Smt. Vaneera 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 Meenu &amp; Associates

H. N. 600, Urban Estate, Phase-II,

Dugri Road, Ludhiana -141013

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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## NOTICE

Notice is hereby given that the 37th Annual General Meeting of the members of the Company would be held on Thursday, the 30th day of September, 2010 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, 2010 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. Ashwani Kumar Aggarwal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Sh. Arun Kumar Singh who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Sh. Vivek Kaushal 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.

### SPECIAL BUSINESS

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

RESOLVED THAT Smt. Vaneera Garg who was appointed as an additional director by the board of directors under Section 260 of the Companies Act 1956, to hold office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956, be and is hereby appointed a director of the company, liable to retire by rotation under the Article of Association of the Company.

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

RESOLVED THAT pursuant to 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-designation of Sh. Davinder Garg existing Wholetime Director of the Company as Managing Director of the company for a period of 5 years w.e.f. 01-08-2010 on a remuneration as detailed hereunder:-

1. Salary : Rs. 50000/- per month (Rupees Fifty Thousand Only)
2. Commission : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 100,000/- p.a.
  - i) Expenditure incurred/reimbursed by Company on Gas, Electricity, Water & Furnishing subject to a ceiling of 10% of the salary.
  - ii) 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.
  - iii) 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.
  - iv) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
  - v) Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.
  - vi) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 10,00,000/-.

FURTHER:

- \* No sitting fees will be paid for attending the meeting of Board of Directors or Committee thereof.
- \* 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.
- \* 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 and if thought fit, to pass with or without modification(s) the following resolution as an ordinary Resolution:-

RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 311, sechedule 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-designation of Sh. Jagdish Chand Garg existing Wholetime Director of the Company as Chairman and Managing Director for a period of 5 years w.e.f. 01-08-2010 on a remuneration as detailed hereunder:-

- |                |   |  |
|----------------|---|--|
| 1. Salary      | : | Rs. 55000/- per month (Rupees Fifty Five Thousand Only)  |
| 2. Commission  | : | NIL  |
| 3. Perquisites | : | The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 100,000/- p.a. |
- i) Expenditure incurred/reimbursed by Company on Gas, Electricity, Water & Furnishing subject to a ceiling of 10% of the salary.
  - ii) 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.
  - iii) 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.
  - iv) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
  - v) Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.
  - vi) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 10,00,000/-.

FURTHER:

- \* No sitting fees will be paid for attending the meeting of Board of Directors or Committee thereof.
- \* 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.
- \* 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 CMD.

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

RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 311, sechedule XIII and other applicable provision, if any, of the Companies Act 1956, Smt. Vaneera Garg be and is hereby appointed as Wholetime Director of the Company for a period of 5 years w.e.f. 01-08-2010 on a remuneration as detailed hereunder:-

- |               |   |  |
|---------------|---|--|
| 1. Salary     | : | Rs. 50000/- per month (Rupees Fifty Thousand Only) |
| 2. Commission | : | NIL  |

3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 100,000/- p.a.
- i) Expenditure incurred/reimbursed by Company on Gas, Electricity, Water & furnishing subject to a ceiling of 10% of the salary.
  - ii) 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.
  - iii) 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.
  - iv) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
  - v) Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.
  - vi) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 10,00,000/-.

**FURTHER:**

- \* No sitting fees will be paid for attending the meeting of Board of Directors or Committee thereof.
- \* 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.
- \* 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.

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**"

"RESOLVED THAT in supersession of the resolution passed by the members in their meeting held on 30th day of September 1997, the consent of the Company be and is hereby accorded to the Board of directors, under the provisions of Section 293 (1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 to borrow from time to time, any sum or sums of money as they consider requisite notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Company and its free reserves i.e. reserves not set apart for any specific purpose, provided that the total amount borrowed shall not exceed Rs. 500.00 Crores (Rupees Five Hundred Crores Only)."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**"

"RESOLVED THAT in supersession of the resolution passed by the members in their meeting held on 30th day of September 1997, the consent of the Company be and is hereby accorded to the Board of directors, in terms of Section 293 (1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 to create mortgage and/or charge on all movable or immovable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company for securing the borrowing or financial assistance not exceeding Rs. 500.00 Crores (Rupees Five Hundred Crores Only) by way of loan(s) (in foreign currency and/or rupee currency) and Securities (comprising fully/party convertible debentures and/or non convertible debentures with or without detachable warrants and/or other debt instruments, issued/to be issued by the company, from time to time together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment charges and expenses including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and all other moneys payable by the Company in terms of the Loan Agreement(s), Heads of Agreement(s), Debenture Trust Deed(s) or any other documents, entered into/to be entered into between the Company and the lender(s)/Agent(s) and Trustee(s) in respect of the said loans/borrowings/financial assistance.

“RESOLVED FURTHER THAT for the purpose of giving effect of the above resolution, the Board of Directors be and is hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/agreements as may be required and to all the such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid.”

**For and on behalf of the Board**

**Place: LUDHIANA**  
**Date : 18-08-2010**

**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 information pursuant to corporate Governance clause of listing agreement(s) regarding the directors seeking appointment/reappointment in Annual General Meeting as proposed in Item No. 2, 3, 4, 6, 7 and 8 is also given hereunder and from part of this Notice.
3. The Register of Members and Share Transfer Register of the Company will remain closed from 29th September, 2010 to 30th September, 2010 (both days inclusive)
4. 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.
5. Members are requested to bring the copy of Annual Report alongwith them at the meeting.
6. Members are requested to notify immediately any change in their address to the Company/RTA.

**For and on behalf of the Board**

**Place: LUDHIANA**  
**Date : 18-08-2010**

**JAGDISH CHAND GARG**  
**CHAIRMAN**

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

**ITEM NO. 6**

Smt. Vaneera Garg was appointed as an additional director by Board of directors in their meeting held on 31-07-2010 pursuant to the provisions contained in the Article 109 of the Article of Association of the Company and section 260 of the Companies Act, 1956. She will hold office as director upto the date of ensuing Annual General Meeting of the company. The company has received notices together with requisite deposit from the members of the company under section 257 of the Companies Act, 1956 proposing the candidature of Smt. Vaneera Garg as the director of the company. Further the company has received a declaration from Smt. Vaneera Garg certifying that she is not disqualified in terms of section 274 (1) (g) of the Act.

Except the appointee herself, Sh. Davinder Garg and Sh. Jagdish Charg Garg being the appointee's relative, none of the other Directors is concerned or interested in the appointment.

**ITEM NO. 7**

Sh. Davinder Garg has been promoted as Managing Director of the company by the board of Directors in their meeting held on 31-07-2010. His appointment is for a period of 5 years on the remuneration & others terms and conditions as mentioned in the resolution, an abstract of which in terms of section 302 of the Act has already been sent to the members . His appointment is subject to approval of memembrs. Accordingly your approval is solicited.

## GARG FURNACE LIMITED

Except the appointee himself, Sh. Jagdish Chand Garg and Smt. Vaneera Garg being appointee's relative none of the other Directors is concerned or interested in the appointment.

### ITEM NO. 8

Sh. Jagdish Chand Garg has been promoted & redesignated as Chairman and Managing Director of the company w.e.f. 31.07-2010. His appointment is for a period of 5 years on the remuneration & other terms and conditions as mentioned in the resolution, an abstract of which in terms of section 302 of the Act has already been sent to the members. His appointment is subject to approval of memembrs. Accordingly your approval is solicited.

Except the appointee himself, Sh. Davinder Garg and Smt. Vaneera Garg being appointee's relative none of the other Directors is concerned or interested in the appointment.

### ITEM NO. 9

The Board of Directors of the company in its meeting held on 31-07-2010 had appointed Smt. Vaneera Garg as Wholtime Director of the company for a period of five years w.e.f. 01-08-2010 on remuneration & other terms and conditions as mentioned in the resolution, an abstract of which in terms of section 302 of the Act has already been sent to the members. Her appointment in subject to approval of members. Accordingly your approval solicited.

Except the appointee herself, Sh. Davinder Garg and Sh. Jagdish Charg Garg being the appointee's relative none of the other Directors is concerned or interested in the appointment.

### ITEM NO. 10

The present limit of Rs. 20.00 Crores was sanctioned to the Board u/s 293(1) (d) of the Companies Act, 1956 at the Members Meeting held on 30th September, 1997. In view of the increase in the volume of business activities of the Company, it is proposed to enhance the present borrowing limit from Rs. 20.00 Crores to Rs. 500.00 Crores for which the approval of the members is necessary in terms of Section 293 (1) (d) of the Companies Act, 1956

Your Directors recommend the resolution for your approval.

None of the Directors is in any way, concerned or interested in the said resolution.

### ITEM NO. 11

Since the borrowing of the company are generally required to be secured by way of mortagage or charge on all or any of the movable and immovable properties, both present and future of the company, it is considered necessary to seek the approval of the members for the same under Section 293(1) (a) of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

None of the Directors is in any way, concerned or interested in the said 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. Davinder Garg	Smt.Vaneera Garg	Sh. Arun Kumar Singh	Sh. Vivek Kaushal	Sh. Ahwani Kumar Aggarwal
Date of Birth	14.07.1935	25.05.1964	25.05.1966	29.03.1966	01.02.1966	03.12.1957
Date of Appointment	Since Inception	19.01.1988	01.08.2010	15.03.2003	15.03.2003	15.03.2003
Qualification	Matric	B.A.	B.A.	B.Tech (T.T.)	B.S.C, M.B.A	B.Com
Expertise in Specific Area	Industrialist & Business experience of about 36 years in Iron & Steel Industry.	Industrialist & Business experience of about 21 years in Iron & Steel Industry.	B u s i n e s s experience of about 15 years	Business experience of about 12 years	M a r k e t i n g experience of 12 years	Marketing experience of about 22 years
Directorship in other Companies	Garg Acrylics Ltd.,	Garrg Fincap Ltd. Avtar Export (P) Ltd.	Avtar Export (P) Ltd.	Nil	Nil	Nil
Chairman/Member of Committees of other Companies	Member of Shareholders/ Investors Grievances Committee & Remuneration Committee of Garg Acrylics Ltd.	Nil	Nil	Nil	Nil	Nil

## DIRECTORS' REPORT

The Members of  
Garg Furnace Limited

The Directors of your company have pleasure in presenting the 37<sup>th</sup> Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2010.

### FINANCIAL RESULTS

(Rupees in Lacs)

	<u>2009-10</u>	<u>2008-09</u>
Operating Income	15535.13	16092.20
Profit before depreciation, Interest & tax	398.61	324.85
Interest & Financial Expenses	164.97	148.45
Profit before depreciation & tax	233.64	176.40
Depreciation	71.72	62.18
Profit before tax	161.92	114.22
Provision for tax -Current Tax	27.52	13.75
-Deferred Tax Asset (Liability)	3.92	(0.68)
-Fringe Benefit Tax	0.00	3.85
Profit after Tax	130.48	95.94
Prior year Tax adjustments	1.60	(0.02)
Balance brought forward	<u>174.88</u>	<u>278.96</u>
	<u>306.97</u>	<u>374.88</u>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	150.00	200.00
Balance carried over to Balance Sheet	<u>156.97</u>	<u>174.88</u>
	<u>306.97</u>	<u>374.88</u>

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### A) STEEL INDUSTRY - PERSPECTIVE

The Economic Survey 2009-10 revealed that some of the key macro economic indicators have revived especially during the second half of the year compared to the previous year. the demand for the steel have improved in capital goods industry, construction and Automobiles. It is expected that the steel industry would perform well in the coming year.

#### B) PRODUCTION AND SALES REVIEW

During the year under review, the company has produced 36630 metric tonnes of Steel products. Due to fall in the steel prices, the turnover for the year has decreased to Rs. 155.00 Crores from Rs. 160.00 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.

## **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 Ludhiana Stock Exchange 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 Stock Exchanges have been paid up to financial year 2010-11

## **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 Rajiv Garg has resigned from the Board of Director of the Company w.e.f. 31.07.2010 due to his other engagements. Further, Sh. Sanjiv Garg has resigned from the post of M.D. w.e.f 31.07.2010, however he would continue to serve as Director of the Company. The board place on record their sincere appreciation of the valuable services rendered by both the Directors.

Sh. Ashwani Kumar Aggarwal, Sh. Arun Kumar Singh & Sh. Vivek Kaushal 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 standards 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 31.03.2010 and of the profits of the company for the year ended 31.03.2010.
- 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.

**COST AUDITORS**

The Board of Directors have appointed M/s Meenu & Associates, Cost Accountants, Ludhiana as the Cost Auditors of the Company for the year 2009-10 . 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, 2010 was Nil. 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 Power Corporation Limited, 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 : 18-08-2010**

**JAGDISH CHAND GARG**  
**CHAIRMAN**