38th ANNUAL REPORT 2010-11

GARG FURNACE LIMITED

MANAGEMENT

BOARD OF DIRECTORS

CHAIRMAN & M.D.	:-	Sh. J. C. Garg
MANAGING DIRECTOR	:-	Sh. Davinder Garg
WHOLE TIME DIRECTOR	:-	Smt. Vaneera Garg
	:-	Sh. Toshak Garg
DIRECTOR (PROMOTER)	:-	Sh. Sanjiv Garg
DIRECTOR (INDEPENDENT)	:-	Sh. Yogi Raj Aggarwal
	:-	Sh. Steven Soni
	:-	Sh. Pawan Kumar Garg
	:-	Sh. Sushil Singla
	:-	Sh. Vivek Kaushal
AUDITOR	:-	M/s. Dass Khanna & Co. B-XXX, 711, Ist Floor, Gurdev Nagar, Pakhowal Road, L U D H I A N A - 141 001.
COST AUDITOR	:-	Khushwinder Verma & Associate H. No. S-200, Basant Vihar Colony, Noorwala Road, L U D H I A N A.
BANKERS	:-	Punjab & Sind Bank Sabun Bazar, L U D H I A N A.
REGISTERED OFFICE & WORK	:-	Kanganwal Road, Near Old Octroi Post Ambala Side, V.P.O. Jugiana, G. T. Road, L U D H I A N A - 141 120.

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NOTICE

Notice is hereby given that the 38th Annual General Meeting of the members of the company would be held on Friday, the 30th day of September, 2011 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, 2011 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.Davinder Garg, who retires by rotation and being eligible offers himself for reappointment

3 To appoint a director in place of Smt. Vaneera Garg, who retires by rotation and being eligible offers herself for reappointment.

4. To appoint a director in place of Sh. J.C.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 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 Sh. Sushil Singla who was appointed as an additional director by the board of directors under Section 260 of the Companies Act 1956 on 11/05/2011, to hold office upto the date of ensuing 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 Sh. Pawan Kumar Garg who was appointed as an additional director by the board of directors on 30/07/2011 under Section 260 of the Companies Act 1956, to hold office upto the date of ensuing 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

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

RESOLVED THAT Sh. Stevon Soni who was appointed as an additional director by the board of directors on 30/07/2011 under Section 260 of the Companies Act 1956, to hold office upto the date of ensuing 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.

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:-
RESOLVED THAT Sh. Yogi Raj Agganwal who was appointed as an additional director by the board of directors on 30/07/2011 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.

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

RESOLVED THAT Sh. Toshak Garg who was appointed as an additional director by the board of directors on 30/07/2011 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.

11. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special 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 increased salary of Sh. Davinder Garg Managing Director of the company w.e.f 01-04-2011 of Rs.70000 P.M from Rs. 50000.00 PM, for his remaining tenure, who was appointed by the members for a period of 5 years w.e.f. 01-08-2010.

RESOLVED FURTHER THAT the rest of terms and condition for the appointment of Sh.Devinder Garg as Managing Director shall remain same as detailed hereunder:-

1. Salary : Rs. 70000/- per month (Rupees Seventy 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:

1 No sitting fees will be paid for attending the meeting of Board of Directors 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 Managing Director.

12. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special 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 appointment of Sh. Toshak Garg as whole time Director of the company for 3 years w.e.f 01-09-2011 on a remuneration as per detail as given hereunder.

1. Salary : Rs. 30000/- per month (Rupees Thirty Thousand Only)
2 Commissions : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 50,000/- P.a.

i) 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.
ii) 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.
iii) Provident fund Contribution as per the Law
iv) 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:

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

5 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.

6 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.

For and on behalf of the Board

Sd/-
Davinder Garg
Managing Director

Place: LUDHIANA
Date : 29-08-2011

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 then 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. 2,3,4,6,7,8,9 & 10 is also given hereunder and is part of this Notice.

3. The Register of Members and Share Transfer Register of the Company will remain closed from 29" September, 2011 to 30th September, 2011 (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 arongwith them at the meeting.

6 Members are requested to notify immediately any change in their address & Email Address to the company/RTA.

For and on behalf. of the Board

Sd/-
DAVINDER GARG
Managing Director

Date : 29/08/2011

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

ITEM NO. 6 to 10

Sh. Sushil Singla has appointed as an additional director by Board of directors w.e.f 11/05/2011, and Sh. Pawan Garg, Sh. Stevon Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg have appointed as additional directors by Board of directors w.e.f, 30/07/2011 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. They all shall hold offices 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 candidatures of Sh. Sushil Singla. Sh. Pawan Garg, Sh. Stevon Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg as directors of the company. Further the company has received declarations from Sh. Sushil Singla. Sh. Pawan Garg, Sh. Stevon Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg certifying that they are not disqualified in terms of section 274 (1) (g) of the Act.

None of the directors are concerned or interested in the appointment of Sh. Sushil Singla. Sh. Stevon Soni, Sh. Yogi Raj Aggarwal and Sh. Pawan Kumar Garg. But Sh. Davinder Garg, Sh. Jagdish Chand Garg & Smt.Vaneera Garg being relatives of appointees is concerned and interested in the appointment of Sh.Toshak Garg.

ITEM No. 11:

The board of directors has increased the salary of Sh. Davinder Garg from Rs. 50000.00 PM. to Rs.70000.00 PM w.e.f 01/04/2011 in their meeting held on 29/08/2011 as recommended by remuneration committe. Sh. Davinder Garg was appointed as Managing Director of the company by the members w.e.f on 31-07-2010 for a period of 5 years. The salary has increased for the remaining tenure of Sh.Davinder Garg as Managing Director of the company. The rest of terms and condition for the appointment of Sh.Devinder Garg as Managing Director shall remain same as mentioned in the draft resolution attached here to in this regard.

An abstract of which in terms of section 302 of the Act are being sent to the members along with notice of the meeting. The increased salary of Sh. Davinder Garg is subject to approval of members. Accordingly your approval is solicited.

Except Sh. Jagdish Chand Garg and Smt. Vaneera Garg, Sh.Toshak Garg being relative of Sh. Davinder Garg none of the other Directors is concerned or interested in the resolution.

ITEM No. 12:

The board of directors of the company in its meeting held on 28/08/2011 has appointed Sh.Toshak Garg as whole time director w.e.f 01/09/2011 on a remuneration & other term and conditions mentioned in the resolution as recommended by remuneration committe, An abstract of which in terms of section 302 of the Act are being sent to the members along with notice of the meeting.

The appointment of Sh. Toshak Garg is subject to approval of members. Accordingly your approval is solicited. Except Sh. Jagdish Chand Garg and Smt. Vaneera Garg, Sh. Davinder Garg being relative of Sh. Toshak Garg none of the other Directors is concerned or interested in the resolution.

For and on behalf of the Board

Sd/-

Davinder Garg

Managing Director

Place: LUDHIANA

Date: 29-08-2011

Informations pursuant to corporate governance clause of listing agreement(s) regarding the directors new appointment, seeking re-appointment in AGM.

Name of the Director Date of Birth	Sh. Jagdish Chand Garg 14.07.1935	Sh. Davinder Garg 25.05.1969	Smt. Vaneera Garg 25.05.1965	Sh.Pawan Garg 25/01/1960	Sh.Sushil Singla 14/10/1962	Sh. Sawan Sonl 06/10/1967	Sh. Yogi Raj Aggarwal 30/07/1975	Sh. Toshak Garg 17/11/1990
Date of Appointment Qualification	Since Inception Matric	19.01.1988 B.A.	01.05.2010 B.A.	30/07/2011 BE	11/05/2011 CA	30/07/2011 LLB	30/07/2011 CA	30/07/2011 B-Tech
Expertise in Specific Area	Industrial and Business experience of about 57 yrs in Iron & Steel Industry.	Industrial and Business experience of about 22 yrs in Iron & Steel	Business experience of about 15 yrs in Iron & Steel	Industrial and Business experience of about 22 yrs in Iron & Steel Industry.	Practicing Chartered Accountant Since 1985	Advocate in Distt Court Ludhiana Since 1989	Practicing Chartered Accountant Since 1995	NIL
Directorship in other Companies	Nil	Garg Fincap Ltd., Avtar Export(P) Ltd., Vaaneera Steels Ltd	Avtar Export(P) Ltd., Vaaneera Steels Ltd/GAL Cotex Pvt Limited	Nil	Shiva Textiles Ltd., Bhawani Industries Ltd., Yogindera Worsted Ltd., Shiva Speciality Yarns Ltd., Himachal Fibres Ltd.,	Nil	Nil	Vaaneera Steels Ltd
Chairman/Member of committees of other Companies	Nil	Nil	Nil	Nil		Nil	Nil	Nil

DIRECTOR'S REPORT

The Members of
Garg Furnace Limited

The Directors of your company have pleasure in presenting the 38th Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2011.

1. **FINANCIAL RESULTS**

	(Rupees in Lacs) 2010-11	2009-10
Operating Income	18692.00	15535.13
Profit before depreciation, Interest & tax	418.24	398.61
Interest & Financial Expenses	147.89	164.97
Profit before depreciation & tax	270.35	233.64
Depreciation	80.83	71.72
Profit before tax	189.51	161.92
Provision for tax -Current Tax	61.20	27.52
-Deferred Tax Asset	4.97	3.92
-Fringe Benefit Tax	0.00	0.00
Profit after Tax	123.34	130.48
Prior year Tax adjustments	0.00	1.60
Balance brought forward	156.97	174.88
	280.31	306.97
APPROPRIATIONS		
Transfer to General Reserve	130.00	150.00
Balance carried over to Balance Sheet	150.31	156.97
	280.31	306.97

2. **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A) **STEEL INDUSTRY - PERSPECTIVE**

The Economic Survey revealed that some of the key macro economic indicators have revived especially during the second half of the year compared to the previous year. Demand for the steel has improved in the capital goods industry, construction & Automobiles. 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 38789.00 Metric tonnes of Steel products. The operating receipts of the company has increased to 186 Crores from 155 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 132 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.

F) **EXPANSIONS**

66 KVA Substation :

During the year the company has initiated the process of installation of 66 KVA Substation. The company will get the benefit of lower transmission losses and regular supply of power. The subsation has been successfully installed in the month of May-2011. In the month of May 2011 the company has also got permission for purchasing power through power exchange. This will enable the company to get the power at competitive rates and will result in reduced cost of power.

CO2 Mig Wire Plant :

During the year the company has started the process of installation of CO2 Mig Wire plant the products to be manufactured are in acute demand on pan India basis. With the production of these products management foresees the increase in top line and bottom line.

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 Exchanges have been paid up to the financial year under review.

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.f01.04.2003. The Address & Contact Nos. are:

M/s Skyline Financial Services Pvt Ltd,
246,1st Floor,Sant Nagar,
East of Kailash, NEW DELHI- 110064.
TEL: 26292682, 26292683
FAX: 26292681
Email-admin@skylinerta.com

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

DIRECTORS

Sh. Ashwani Kumar has resigned w.e.f 04.05.2011, Sh. Arun Kumar Singh & Sh. Ashwani Kumar Aggarwal have resigned w.e.f 01.05.2011 from the board of directors of the company. The board places on record their sincere appreciation for the valuable services rendered by outgoing directors. To have equal number of independent directors on the board, the board of directors has appointed Sh. Sushil Singla w.e.f,11/05/2011, and Sh. Pawan Garg, Sh. Steven Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg w.e.f 30/07/2011 as additional directors on the board. They all shall hold office upto the ensuing annual general meeting of the company.The company has received notices together with the requisites deposits from the members of the company under section 257 of the Companies Act 1956, proposing the candidature of Sh. Sushil Singla, Sh. Pawan Garg, Sh. Steven Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg as directors of the company.The Members welcome Sh. Sushil Singla, Sh. Pawan Garg, Sh. Steven Soni ,Sh Yogi Raj Aggarwal & Toshak Garg on the Board. Sh. Davinder Garg, Smt Vaneera Garg & Sh. J.C Garg retire by rotation and being eligible have offered themselves for re-appointment.

In term of clause 49 of the listing Agreement with the stock Exchange, the details of directors to be appointed/re-appointed are mentioned in the accompanying Notice of the forthcoming Annual General Meeting.

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 31.03.2011 and of the profits of the company for the year ended 31.03.2011.

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 has appointed M/s Khuswinder Kumar & Associates, Cost Accountants, Ludhiana as the Cost Auditors of the Company for the year 2010-11. 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

During the year under review the company has neither accepted nor intend to accept any public deposit within the provisions of section 58-A of the Companies Act, 1956 and rules made thereunder. There are no outstanding / unclaimed deposit from the public.

INDUSTRIAL RELATIONS

The Industrial relations remained cordial through out the year and have resulted in sustained growth of the company.

PARTICULARS OF EMPLOYESS

Information pertaining to employees pursuant to section 217 (2A) of the Companies Act, 1956 is nil.

CONSRVATION 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.

ACKNOWLEDGMENT

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

Sd/-

Place: LUDHIANA.
Date: 29.08.2011

(JAGDISH CHAND GARG)
CHAIRMAN