40th ANNUAL REPORT 2012-13

GARG FURNACE LIMITED

MANAGEMENT

BOARD OF DIRECTORS

DIRECTORS (PROMOTERS)	:-	Sh. Devinder Garg (Chairman & Managing Director)
	:-	Sh. Toshak Garg (Joint Managing Director)
	:-	Smt. Vaneera Garg (Wholetime Director)
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-XX, 2815, Ist Floor, Gurdev Nagar, Pakhowal Road, LUDHIANA - 141 001.
COST AUDITOR	:-	Meenu & Associates H. No. S-200, Basant Vihar Colony, Noorwala Road, LUDHIANA.
BANKERS	:-	Indian Bank Clock Tower Chowk, Ludhiana.
REGISTERED OFFICE & WORK	:-	Kanganwal Road, Near Old Octroi Post Ambala Side, V.P.O. Jugiana, G. T. Road, LUDHIANA - 141 120.

CONTENTS

Notice is hereby given that the 40th Annual General Meeting of the members of the company to be held on Monday, the 30th day of September, 2013 at 9:30 A.M. at the Registered office of the company at Kanganwal Road V.P.O. Jugiana G T. Road, Ludhiana-141120 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Statement 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 re-appointment

3 To appoint a director in place of Sh. Toshak Garg, who retires by rotation and, being eligible offers himself for re-appointment.

4. To appoint a director in place of Sh. Yogi Raj, who retires by rotation and, being eligible offers himself for re-appointment.

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 BUSINESSES

6. 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 314(1), read with Director's Relatives (Office or place of profit) 2011 and the Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company is hereby accorded for the Remuneration being paid/ to be paid to Mr. Daksh Garg , a relative of promoter Directors of the Company in the capacity of Senior Associate of the Company, w.e.f. Ist June, 2013 amounting to Rs. 30,000/- per month, which may be further increased by the Board of Directors upto a maximum of Rs.50,000/- per month without requiring any fresh approval of the shareholders of the Company.

For and on behalf of the Board

Place: LUDHIANA
Date : 14/08/2013

SD/-
Devinder Garg
Chairman & Managing Director

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 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 28th September, 2013 to 30th September, 2013 (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.

7. Green initiative in Corporate Governance to receive documents through e-mail by registering your e-mail address: The Ministry of Corporate Affairs (MCA) has taken a "Green initiative in the Corporate Governance" by providing an opportunity to the shareholders to register their e-mail address with the Company and changes therein from time to time. The Company will send notices/documents such as Annual Reports and notices by e-mail to the shareholders registering their e-mail address. To support this laudable move of the Government, the members who have not registered their e-mail address, so far, are requested to do so at the earliest, in respect of demat holding through the respective Depository Participant (DP) and in respect of physical holding through the Registrars and Transfer Agents, While every notice/document will be sent through e-mail address registered with the Company, in case you desire to receive any notice/document in physical form, please intimate by e-mail and the same shall be sent to your address registered with the Company/D.P. We solicit your patronage and support in joining hands with the Company to implement the e-governance initiative.

For and on behalf of the Board

SD/-
Devinder Garg
Chairman & Managing Director

Place: LUDHIANA
Date : 14/08/2013

EXPLANATORY STATEMENT FOR ITEM NO. 6 PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM No. 6:

The board of directors of the company in its meeting held on 30/05/2013 has appointed Mr. Daksh Garg a Management graduate & specialized in Marketing as Senior Associate of the Company as recommended by Remuneration Committee of members of board of directors of the Company. Mr. Daksh Garg is relative of promoter directors and is deemed to hold an office or place of profit under Section 314 of the Companies Act, 1956. Therefore, for approval of the members of the Company, the Board of Directors recommends the shareholders to accord their consent to proposed resolution.

Except Smt. Vaneera Garg, Sh. Devinder Garg and Sh. Toshak Garg being relatives of Sh. Daksh Garg, none of the other Directors is concerned or interested in the resolution.

For and on behalf of the Board

Sd/-
Devinder Garg
Chairman & Managing Director

Place: LUDHIANA
Date: 14/08/2013

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

Name of the Director	Sh. Yogi Raj	Sh. Toshak Garg	Sh. Vivek Kaushal
Date of Birth	03/02/1975	17/11/1990	01.02.1966
Date of Appointment	30/07/2011	30/07/2011	15.03.2003
Qualification	CA	B-Tech	B.Sc, MBA
Expertise in Specific Area	Chartered Accountant Professional Experience of about 14 yrs.	1 Year	Marketing experience of 13 Years.
Directorship in other Companies	Nil	Vaneera Industries Ltd	Nil
Chairman/Member of committees of other Companies	Nil	Nil	Nil

DIRECTORS' REPORT

The Members of
Garg Furnace Limited

The Directors of your company have pleasure in presenting the 40th Annual Report on the affairs of the company together with the Audited Accounts for the year ending 31st March, 2013.

1. FINANCIAL RESULTS

(Rupees in Lacs)

	2012-13	2011-12
Operating Income	21163.28	20809.00
Profit before depreciation, Interest & tax	923.21	785.26
Interest & Financial Expenses	592.72	456.76
Profit before depreciation & tax	330.49	328.49
Depreciation	128.52	105.92
Profit before tax	201.97	222.57
Provision for tax -Current Tax	76.57	0.00
-Deferred Tax Asset	32.33	56.94
Profit after Tax	93.07	165.63
Prior year Tax adjustments	(0.00)	(2.77)
Balance brought forward	163.17	150.31
	256.24	313.17
APPROPRIATIONS		
Transfer to General Reserve	100.00	150.00
Balance carried over to Balance Sheet	156.24	163.17
	256.24	313.17

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) BUSINESS REVIEW:

STEEL INDUSTRY – GLOBAL PERSPECTIVE

Globally, the Steel Industry this year remained plagued by over capacities and increased imports. The economic slowdown in 2012 unfavourably impacted infrastructure and construction spending. Steel prices improved in first half of 2012 but declined in the second half due to glut in imports, weak demand in market and tempered growth in industry.

Global Steel demand is anticipated to improve gradually in 2013 as compared to 2012 levels owing to renewed focus on infrastructure spending by Asian countries which will stabilize steel prices.Improvement in steel consumption is envisaged in automotive industry as it is most likely to become localized more and more in country.

INDIAN OUTLOOK

In India Demand for steel is expected to remain muted in the next financial year as compared to 2012-13. The automotive industry is not expected to grow much affecting the fortunes of the industry. Stability in commodity prices coupled with expected drop in crude oil prices will be other contributing factors.

Overall, the future outlook for the steel sector could be positive from third quarter onwards. The steel prices will be competitive as the demand is likely to pick up depending upon revival in economic growth and the government measures to ease infrastructure investment rules. The demand for value added products like bright bar, spherodised annealing steel, normalized steel etc. will boost the demand in engineering and auto sector.

COMPANY'S BUSINESS STRATEGY

As we had predicted last year's annual report,the year 2012-13 was a difficult year with increased capacities among steel mills and slow down in auto sector.As a result we face sqeeuze in margins.This Situation is likely to continue atleast fo the first half of year. The upgradation of Furnace and casting division is under progress.

COMPANY'S FUTURE OUTLOOK
Your Company,however,believes in the future of high quality products. As the country is witnessing the slowdown in growth, the steel industry has slowed down. This is having a serious impact on business sentiments for steel industry, as a result this year the volume will be under stress and also margins for the first half of the year. In addition there will be plants shutdown which has to be taken for project. This will have an impact even on margins; the company hopes to recover its performance from the year 2013-14 onwards.

B) **PRODUCTION AND SALES REVIEW**
During the year under review, the company has produced 33683.178 Metric tons of Steel products. The operating receipts of the company has increased to 211 Crores from 208 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 109 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 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.f 01.04.2003. 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
Mr Toshak Garg, Mr Yogi Raj Aggarwal and Mr Vivek Kaushal retire by rotation and being eligible have offered themselves for reappointment

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 judgements 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 31.03.2013 and of the profits of the company for the year ended 31.03.2013.

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 Meenu & Associates, Cost Accountants, Ludhiana as the Cost Auditors of the Company for the year 2012-13.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.

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

SD/-
Devinder Garg
Chairman & Managing Director

Place: LUDHIANA
Date : 14/08/2013

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, 2013.

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

	Current Year	Previous Year
1. Electricity		
a) Purchased		
Units(KWH)(inUnits)	14491290	19868331
Total amount0	Rs.86223177.00	Rs.113758626.28
Rate per unit	Rs. 5.95	Rs. 5.72
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	27700	24100
Units per litre of diesel	3.80	3.80
Oil Cost/unit	Rs. 12.00	Rs. 10.78
ii) Through steam Turbine	Nil	Nil
2. Furnace Oil		
Quantity (Ltrs)	NIL	762520
Total Amount	NIL	Rs. 26675705.00
Average Rate per Ltr.	NIL	Rs. 34.98
3. Coal		
Quantity (Kgs)	1108235	684019
Total Amount	Rs. 18791382.00	Rs. 8481831.00
Average Rate per Kg	Rs. 16.96	Rs. 12.40

B. CONSUMPTION PER UNIT OF PRODUCTION

	Products	Current Year	Previous Year
Electricity (KWH)	Steel Ingots, Rounds, Castings/Wire Rod/Mig wire	461 Units (*)	499 Units (*
Furnace Oil	Rounds/Castings/Wire Rod	NIL	56 Ltrs.
Coal	Rounds/Castings/Wire Rod	59 Kgs	78 Kgs

(*) 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

	2012-2013	2011-2012
Total Foreign Exchange earned	NIL	NIL
Used (CIF Value of Imports)	**Rs.30,76,13,600.22**	**Rs.24,75,28,184.24**

CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

The Board of Directors consists of 8 directors. The composition and category of Directors as on 31/03/2013 are as follows:-

Category	Name of Directors
Promoter/Executive Directors	Sh.Devinder Garg - Chairman & Managing Director Sh.Toshak Garg - Whole time Director Smt.Vaneera Garg - Whole time Director
Independent/Non-Executive Directors	Sh.Sushil Singla Sh.Pawan Kumar Sh.Stevon Soni Sh.Yogi Aggarwal Raj Sh. Vivek Kaushal
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
Sh.Devinder Garg	8	Present	3	1	None
Smt.Vaneera Garg	8	Present	3	1	None
Sh.Sushil Singla	5	--	5	2	2
Sh.Toshak Garg	8	Present	1	None	None
Sh.Pawan Kumar	4	--	None	2	None
Sh.Stevon Soni	4	--	None	None	None
Sh.Yogi Aggarwal Raj	3	--	None	2	1
Sh Vivek Kaushal	4	--	None	2	None

During the year, 8 Board Meetings were held as against the minimum requirement of 4 meetings. The dates on which the meetings were held are: 15/05/2012, 14/08/2012, 31/08/2012, 15/11/2012, 07/12/2012, 11/02/2013, 13/02/2013, 06/03/2013.

AUDIT COMMITTEE

The Audit Committee comprises of three independent, Non Executive Directors viz Sh.Sushil Singla Chairman, Sh. Vivek Kaushal, Sh. Pawan Garg & Sh. Yogi Raj Aggarwal. 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 15/05/2012, 14/08/2012, 31/08/2012, 15/11/2012, & 13/02/2013, and attended by members as under:

Name of Director	Attendance Particulars
	Board Meeting
Sh.Sushil Singla	5
Sh.Pawan Kumar	3
Sh.Yogi Aggarwal Raj	3
Sh Vivek Kaushal	4