


36th
Annual Report
2008-09

 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 & Co.

B-XXX, 711, 1st Floor,

Gurdev Nagar, Pakhowal Road,

Ludhiana - 141 001

COST AUDITORS

M/s Khushwinder Kumar & Co.

Cost Accountants

90, Vikas Puri, Near KMV College,

Jalandhar-Punjab

BANKERS

Punjab & 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

CONTENTS	Page No.
Notice	1
Director's Report	2-5
Corporate Governance	6-9
Auditor's Report	10-11
Balance sheet	12
Profit & Loss Account	13
Cash Flow Statement	14
Annexures	15-19
Notes on Accounts	20-27
Balance Sheet Abstract & Company General Business Profile	28

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 36th 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>
APPROPRIATIONS		
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 constuction. 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.

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.

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>
1. Electricity		
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
2. Furnace Oil		
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

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/Wholetime 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.

10. GENERAL SHAREHOLDERS INFORMATION

- i) 36th Annual General Meeting
 - Date : 30th September, 2009.
 - Time : 9.30 A.M
 - Venue : Registered Office: Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana.
- ii) Financial Calendar 2009-10 : (Tentative)
 - First Quarter Results : July, 2009.
 - Second Quarter Results : October, 2009.
 - Third Quarter Results : January, 2010.
 - Forth Quarter Results : April, 2010.
- iii) Date of Book Closure : 29.09.2009 to 30.09.2009
(Both days inclusive)
- iv) Dividend Payment due : Within 30 days after declaration:

v) Listing :

The Securities of the Company are listed on the following Stock Exchanges:-

1. The Ludhiana Stock Exchange Association Limited (LSE), Feroze Gandhi Market, Ludhiana- 141 001.
2. Delhi Stock Exchange Limited(DSE), DSE House, 3/1 Asaf Ali Road, New Delhi- 110 002.
3. Bombay Stock Exchange Limited (BSE), 1st Floor, New Trading Ring, Rotunda Building, P.J.Towers, Dalal Street, Fort, Mumbai- 400 001.

vi) Stock Code:

1. The Ludhiana Stock Exchange Association Limited (LSE),
2. Delhi Stock Exchange Limited(DSE), 6819
3. Bombay Stock Exchange Limited (BSE), 30615

vii) Stock Market price data for the year 2008-2009.

<u>BSE PRICES</u>			<u>BSE SENSEX</u>	
	HIGH (RS)	LOW (RS)	HIGH (RS)	LOW (RS)
April 2008	32.40	26.00	17480	15297
May 2008	32.85	28.85	17735	16196
June 2008	31.40	25.40	16632	13405
July 2008	29.00	25.00	15130	12514
Aug 2008	30.00	24.55	15580	14002
Sept 2008	33.70	23.85	15107	12153
Oct 2008	25.40	14.00	13203	7697
Nov 2008	15.00	13.05	10945	8316
Dec 2008	15.50	12.15	10188	8467
Jan 2009	14.00	11.30	10470	8631
Feb 2009	13.40	09.75	9725	8619
Mar 2009	15.18	12.41	10127	8047

viii) Register & Transfer Agent

The work related to share transfer registry in terms of both physical and electronic mode is being dealt at Single Point with M/s Skyline Financial Services Private Limited, New Delhi as per address given below:-

M/s Skyline Financial Services Pvt Ltd, 123, Vinoba Puri, Lajpat Nagar-II, NEW DELHI- 110024.
TEL: 29833777, 29847136 FAX: 29918352

ix) Share Transfer System

The company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares in physical mode which are lodged for transfer are processed and returned to the shareholders with in the stipulated time.

GARG FURNACE LIMITED

x) Distribution of Shareholding as on 31st March, 2009

Range <u>No. of shares</u>	Share holders		Shares	
	<u>Numbers</u>	<u>% of total</u>	<u>Numbers</u>	<u>% to total</u>
Upto 500	1521	83.53	269017	7.80
501 to 1000	152	8.35	127267	3.69
1001 to 2000	61	3.35	95053	2.76
2001 to 3000	23	1.26	62162	1.80
3001 to 4000	14	0.77	48748	1.41
4001 to 5000	11	0.60	50357	1.46
5001 to 10000	12	0.66	92412	2.68
10001 and above	27	1.48	2703684	78.40
	<u>1821</u>	<u>100.00</u>	<u>3448700</u>	<u>100.00</u>

xi) Dematerialisation of shares

As on 31st March, 2009, 34.71% of the Equity Share Capital comprising 1197100 Equity Shares were dematerialised.

xii) Plant Locations :

Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana- 141 120.

xiii) Address for Correspondence:

Regd. Office : Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana-141 120

Telephone : 0161- 2510213, 813, 913, 4692400-30

Fax : 0161- 2512285

Email : garg@satyam.net.in, gflsharedeptt@yahoo.com

Chairman's Declaration

I Jagdish Chand Garg Chairman of Garg Furnace Limited declare that all Board members and senior Management Personal have affirmed compliance with code of conduct for Board & Senior Management personal for the year ended 31st March 2009.

Auditors' Certificate on Compliance of**Corporate Governance Under Corporate Governance Clause of the Listing Agreement(s)**

To

The Members of
Garg Furnace Limited,

We have examined the compliance of conditions of corporate governance by Garg Furnace Limited for the year ended on March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our informations and according to the explanations given to us, based on the representation made by the directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned listing agreement.

Further, we state that no investor's grievances are pending for a period of one month against the Company as per the records maintained by the Investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For Dass Khanna & Co.
Chartered Accountants**

Place : LUDHIANA.

(RAKESH SONI)

M. No. 83142

GARG FURNACE LIMITED

AUDITORS' REPORT

To

The Members of
GARG FURNACE LIMITED

1. We have audited the attached balance sheet of Garg Furnace Limited, Kanganwal Road, V.P.O. Jugiana, G. T. Road, Ludhiana, as at 31st March 2009, the profit and loss account and also the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the directors, as on 31st March 2009 and taken on record by the Board of Directors, We report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to non-compliance of provisions of Section 383-A of the Companies Act, 1956 regarding appointment of Company Secretary read together with notes thereon as per Annexure-U give the information required by the Companies Act, 1956, in the manner so required and give a

true and fair view in conformity with the accounting principles generally accepted in India.

- a). In the case of the balance sheet, of the state of affairs of the company as at 31st March, 2009.
- b). In the case of the profit and loss account, of the profit for the year ended on that date and.
- c). In the case of the cash flow statement, of the cash flows for the year ended on that date.

For Dass Khanna & Co.
Chartered Accountants

Place : LUDHIANA.

Date : 12-08-2009

(RAKESH SONI)

PARTNER

M. No. 83142

ANNEXURE TO THE AUDITOR REPORT

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE STATEMENT OF ACCOUNTS FOR GARG FURNACE LIMITED AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2009)

- (i) a). The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b). All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c). During the year, the company has not disposed off substantial part of its plant & machinery and hence the going concern status of the company has not been affected.
- (ii) a). The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b). The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c). The company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material.
- (iii) a). The company has not granted any unsecured loan to the party covered in the register maintained under section 301 of the Companies Act, 1956.
- b). Not Applicable
- c). Not Applicable
- d). Not Applicable
- e). The company has taken an interest free unsecured loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. The amount involved in the transaction is Rs. 0.50 Lacs.

GARG FURNACE LIMITED

- f). In our opinion, the terms and conditions on which loan has been taken are not prima facie prejudicial to the interest of the company.
- g). In our opinion and according to the information and explanation given to us, the payment of principal amount as agreed are regular.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business for purchases of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) a). In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register maintained under that section.
- b). In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rs. five lacs or more in respect of each party during the year, have been made at prices which are reasonable having regard to the prevalent market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) a). The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, custom duty, excise duty, cess, service tax and other material statutory dues applicable to it except wealth tax.
- b). According to the information and explanations given to us, undisputed amounts payable in respect of wealth tax amounting to Rs. 2.87 Lacs, was in arrear, as at 31.03.2009 for a period of more than six months from the date they became payable.
- c). According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, excise duty, cess and service tax which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses, further it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to bank.
- (xii) The company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion, the company has not dealt or traded in shares, securities, debentures and other investments.
- (xv) In our opinion, the terms and conditions on which the company has given corporate guarantees for loans taken by others from Banks are not prime facie, prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanation given to us, the term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
- (xx) The company has not raised money through Public Issue during the period covered by our audit.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Dass Khanna & Co.
Chartered Accountants

Place : LUDHIANA.
Date : 12-08-2009

(RAKESH SONI)
PARTNER
M. No. 83142

GARG FURNACE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2009

PARTICULARS	ANNEXURE	AS AT		AS AT	
		31.03.2009		31.03.2008	
		Rs.	P.	Rs.	P.
SOURCE OF FUNDS					
1	SHAREHOLDERS' FUND				
	Share Capital	A	3,44,87,000.00		3,44,87,000.00
	Reserves and Surplus	B	17,76,93,204.21		16,81,00,643.99
	Equity Warrants	C	1,19,20,000.00		0.00
			<u>22,41,00,204.21</u>		<u>20,25,87,643.99</u>
2	LOAN FUNDS				
	Secured Loans	D	12,34,90,006.10		12,49,19,285.29
	Unsecured Loans	E	54,36,022.00		77,76,264.35
			<u>12,89,26,028.10</u>		<u>13,26,95,549.64</u>
3	DEFERRED TAX LIABILITY		64,17,300.00		63,49,553.00
	Total		<u>35,94,43,532.31</u>		<u>34,16,32,746.63</u>
APPLICATION OF FUNDS					
1	FIXED ASSETS	F			
	Gross Block		14,10,36,027.43		13,13,32,318.93
	Less: Depreciation		<u>8,85,52,375.90</u>		<u>8,36,92,029.55</u>
	Net Block		5,24,83,651.53		4,76,40,289.38
	Capital Work in Progress		60,75,945.00		0.00
	Total		<u>5,85,59,596.53</u>		<u>4,76,40,289.38</u>
2	INVESTMENTS	G	<u>2,58,26,445.04</u>		<u>2,58,11,468.26</u>
3	CURRENT ASSETS, LOANS & ADVANCES				
	Inventories	H	9,04,44,865.00		10,14,32,798.00
	Sundry Debtors	I	26,87,45,571.46		44,08,71,108.04
	Cash and Bank Balances	J	1,49,25,900.12		1,18,46,456.50
	Loans and Advances	K	7,79,72,894.53		4,86,97,834.67
			<u>45,20,89,231.11</u>		<u>60,28,48,197.21</u>
4	CURRENT LIABILITIES & PROVISIONS				
	Liabilities	L	17,52,71,740.37		33,02,47,208.22
	Provisions	M	17,60,000.00		44,20,000.00
			<u>17,70,31,740.37</u>		<u>33,46,67,208.22</u>
	NET CURRENT ASSETS (3-4)		27,50,57,490.74		26,81,80,988.99
	Total		<u>35,94,43,532.31</u>		<u>34,16,32,746.63</u>
NOTES ON ACCOUNTS					
U.					

Subject to our separate report of even date

For and on Behalf of the Board

For Dass Khanna & Co.
Chartered Accountants

(Rakesh Soni)
Partner
M.No. 83142

(J.C.Garg)
Chairman

(Sanjiv Garg)
Managing Director

Place : Ludhiana
Dated : 12-08-2009

(Davinder Garg)
Director

(Rajiv Garg)
Director

GARG FURNACE LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
INCOME				
Sales (Gross)	160,77,63,519.00		178,55,00,257.00	
Less: Excise Duty	14,01,32,293.00		16,25,55,220.00	
Sales (Net)	146,76,31,226.00		162,29,45,037.00	
Other Income	N	14,57,221.25		6,05,548.43
Total	146,90,88,447.25		162,35,50,585.43	
EXPENDITURE				
Material Consumed	O	121,97,25,289.52		135,40,80,369.98
Manufacturing Expenses	P	19,26,31,496.89		20,94,08,985.10
Personnel Expenses	Q	1,64,61,807.00		1,57,78,051.00
Administrative and Other Expenses	R	67,20,787.94		61,73,407.25
Financial Expenses(Net)	S	1,48,44,994.30		1,42,06,238.60
Selling Expenses	T	20,56,796.00		67,14,815.29
Depreciation		62,18,333.09		59,88,996.38
Total		145,86,59,504.74		161,23,50,863.60
Profit after Depreciation		1,04,28,942.51		1,11,99,721.83
Prior Year Depreciation Written Back		9,93,447.71		0.00
Profit before tax		1,14,22,390.22		1,11,99,721.83
Provision for Taxation				
- Current Year Tax		13,75,000.00		41,00,000.00
- Fringe Benefit Tax		3,85,000.00		3,20,000.00
- Deffered Tax Asset (Liability)		(67,747.00)		5,92,019.00
Profit after Taxation		95,94,643.22		73,71,740.83
Prior Year Tax Adjustments		-2,083.00		-49,610.00
Balance Brought Forward From Previous Year		2,78,96,213.99		4,05,74,083.16
Amount Available For Appropriation		3,74,88,774.21		4,78,96,213.99
APPROPRIATIONS				
Transferred to General Reserve		2,00,00,000.00		2,00,00,000.00
Balance Carried Over to Balance Sheet		1,74,88,774.21		2,78,96,213.99
Total		3,74,88,774.21		4,78,96,213.99
Basic Earning per share of Rs. 10/- each		2.78		2.12
Diluted Earning per share of 10/-each		2.59		2.12
(Refer Note No.8 of Annexure-U)				

NOTES ON ACCOUNTS

U

Subject to our separate report of even date

For and on Behalf of the Board

For Dass Khanna & Co.
Chartered Accountants

(Rakesh Soni)
Partner
M.No. 83142

(J.C. Garg)
Chairman

(Sanjiv Garg)
Managing Director

Place : Ludhiana
Dated : 12-08-2009

(Davinder Garg)
Director

(Rajiv Garg)
Director

GARG FURNACE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
(A) Cash Flow From Operating Activities :				
Net Profit before tax	1,14,22,390.22		1,11,99,721.83	
Adjusted for :				
Depreciation	62,18,333.09		59,88,996.38	
Interest Received	(19,73,169.00)		(12,95,060.00)	
Interest Charged	1,45,21,919.41		1,33,16,725.01	
Prior Year adjustment	(9,93,447.71)		(76070.00)	
(Profit) Loss on sale of Fixed Assets	1,33,145.97		6,70,948.69	
Operating Profit before working Capital Changes	2,93,29,171.98		2,98,05,261.91	
Adjusted for :				
Trade and other Receivables	14,28,50,476.72		(22,21,58,874.50)	
Inventories	1,09,87,933.00		(2,06,53,169.00)	
Trade Payables & Provisions	(15,76,35,467.85)		17,49,94,477.95	
Cash Generated From Operations	2,55,32,113.85		(3,80,12,303.64)	
Taxes Paid	(17,62,083.00)		(44,69,610.00)	
Net Cash from operating Activities (A)	2,37,70,030.85		(4,24,81,913.64)	
(B) Cash From Investing Activities				
Purchase of fixed assets	(1,63,92,338.50)		(1,06,22,332.00)	
Capital subsidy received	0.00		23,50,000.00	
Sale of fixed assets	1,15,000.00		16,79,000.00	
Purchase of Investments	(14,976.78)		(4,51,468.26)	
Interest received	19,73,169.00		12,95,060.00	
Net Cash from Investing Activities (B)	(1,43,19,146.28)		(57,49,740.26)	
(C) Cash Flow From Financing Activities				
Proceeds from Short term borrowings (Net)	(14,29,279.19)		5,65,24,939.92	
Proceeds from Long term borrowings (Net)	(23,40,242.35)		45,01,405.01	
Interest paid	(1,45,21,919.41)		(1,33,16,725.01)	
Equity Warrants	1,19,20,000.00		0.00	
Net cash from Financing Activities (C)	(63,71,440.95)		4,77,09,619.92	
Net Increase in Cash and Cash Equivalents (A+B+C)	30,79,443.62		(5,22,033.98)	
Cash and Cash Equivalents (Opening Balance)	1,18,46,456.50		1,23,68,490.48	
Cash and Cash Equivalents (Closing Balance)	1,49,25,900.12		1,18,46,456.50	

NOTES ON ACCOUNTS

U

Subject to our separate report of even date

For and on Behalf of the Board

For Dass Khanna & Co.
Chartered Accountants

(Rakesh Soni)
Partner
M.No. 83142

(J.C. Garg)
Chairman

(Sanjiv Garg)
Managing Director

Place : Ludhiana
Dated : 12-08-2009

(Davinder Garg)
Director

(Rajiv Garg)
Director

GARG FURNACE LIMITED

SHARE CAPITAL PARTICULARS	AS AT		ANNEXURE- 'A'	
	31.03.2009		31.03.2008	
	Rs.	P.	Rs.	P.
AUTHORISED				
1,00,00,000 Equity Shares of 10/- each	10,00,00,000.00		10,00,00,000.00	
Total	10,00,00,000.00		10,00,00,000.00	
ISSUED, SUBSCRIBED AND PAID UP				
34,48,700 Equity Shares of 10/- each fully paid up (of the above 4,10,000 Shares are allotted as fully paid up Bonus Shares by the Capitalisation of General Reserve)	3,44,87,000.00		3,44,87,000.00	
Total	3,44,87,000.00		3,44,87,000.00	
RESERVES AND SURPLUS				
GENERAL RESERVE				
As per Last Year Balance Sheet	11,49,23,930.00		9,50,00,000.00	
Add: Transferred from P&L A/c	2,00,00,000.00		2,00,00,000.00	
Less: Gratuity Transitional Obligation	0.00		-76,070.00	
	13,49,23,930.00		11,49,23,930.00	
CAPITAL RESERVE	23,50,000.00		23,50,000.00	
SECURITIES PREMIUM	2,29,30,500.00		2,29,30,500.00	
SURPLUS				
As per annexed Profit & Loss Account	1,74,88,774.21		2,78,96,213.99	
Total	17,76,93,204.21		16,81,00,643.99	
EQUITY WARRANTS				
5,60,000 (Previous Year Nil) equity warrants allotted on 15-10-2008 on preferential basis carrying an option to the holder of such warrants to subscribe one equity share of Rs. 10/- each at a premium of Rs. 60/- per share for every warrant held, within 18 months from the date of allotment	1,19,20,000.00		0.00	
Total	1,19,20,000.00		0.00	
SECURED LOANS				
FROM BANKS				
PUNJAB & SIND BANK				
a) CASH CREDIT OVERDRAFTS				
(Secured by hypothecation of Stock in-trade and Book Debts of the Company)				
i) In Rupees	7,31,20,006.10		3,50,49,285.29	
ii) In Foreign Currency	5,03,70,000.00		3,98,70,000.00	
(The overdraft is further secured by legal mortgage of land, building & hypothecation of Plant & Machinery of the Company and personal guarantee of four Directors)				
b) SHORT TERM LOAN				
(Secured by charge on all current assets and movable fixed assets of the company and personal guarantee of directors)				
	0.00		5,00,00,000.00	
Total	12,34,90,006.10		12,49,19,285.29	

GARG FURNACE LIMITED

UNSECURED LOANS

ANNEXURE- 'E'

PARTICULARS	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	P.	Rs.	P.
OTHER LOANS & ADVANCES				
From Directors	50,000.00		50,000.00	
From Companies	47,36,022.00		59,26,264.35	
From Others	6,50,000.00		18,00,000.00	
Total	54,36,022.00		77,76,264.35	

FIXED ASSETS

ANNEXURE- 'F'

S. No	Name of the Assets	GROSS BLOCK						DEPRECIATION						NET BLOCK								
		As At 01.04.2008		Additions during the year		Sales during the year		Total As At 31.03.2009		As At 01.04.2008		Provided during the year		Adjustment during the year		Total As At 31.03.2009		As At 31.03.2009		As At 31.03.2008		
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	
1.	Land	19,63,626.40		0.00		0.00		19,63,626.40		0.00		0.00		0.00		19,63,626.40		19,63,626.40		19,63,626.40		
2.	Building	1,59,80,459.19		19,22,775.50		0.00		1,79,03,234.69		52,86,154.45		5,19,052.55		0.00		58,05,207.00		1,20,98,027.69		1,06,94,304.74		
3.	Plant & Machinery	9,04,55,101.35		64,45,538.00		0.00		9,69,00,639.35		7,08,86,173.17		35,84,071.65		9,93,447.71		7,34,76,797.11		2,34,23,842.24		1,95,68,928.18		
4.	Vehicles	2,07,84,418.88		18,22,800.00		6,12,685.00		2,19,94,533.88		61,54,083.10		19,58,226.39		3,64,539.03		77,47,770.46		1,42,46,763.42		1,46,30,335.78		
5.	Office Equipments	14,68,767.66		93,202.00		0.00		15,61,969.66		8,96,251.54		91,504.77		0.00		9,87,756.31		5,74,213.35		5,72,516.12		
6.	Furniture & Fixtures	6,79,945.45		32,078.00		0.00		7,12,023.45		4,69,367.29		65,477.72		0.00		5,34,845.01		1,77,178.44		2,10,578.16		
	Total	13,13,32,318.93		1,03,16,393.50		6,12,685.00		14,10,36,027.43		8,36,92,029.55		62,18,333.09		13,57,986.74		8,85,52,375.90		5,24,83,651.53		4,76,40,289.38		
	Previous Year	12,52,78,112.93		1,06,22,332.00		45,68,126.00		13,13,32,318.93		7,99,21,210.48		59,88,996.38		22,18,177.31		8,36,92,029.55		4,76,40,289.38				

INVESTMENTS

ANNEXURE- 'G'

PARTICULARS	AS AT 31.03.2009		AS AT 31.03.2008	
	Rs.	P.	Rs.	P.
LONG TERM INVESTMENTS (AT COST)				
1 NON-TRADE (UNQUOTED)				
4,12,000 Equity Shares of 10/-each fully paid up in Gargsons Investments Pvt. Ltd.	41,20,000.00		41,20,000.00	
12,000 Equity Shares of 10/-each fully paid up in Sudhir Forgings Pvt. Ltd.	1,20,000.00		1,20,000.00	
4,12,000 Equity Shares of 10/-each fully paid up in Shubham Investment Pvt. Ltd.	41,20,000.00		41,20,000.00	
17,00,000, 6% Redeemable Non Cumulative Preference Shares of 10/- each fully Paid up in Garg Acrylics Ltd.	1,70,00,000.00		1,70,00,000.00	
2 TRADE (UNQUOTED)				
In Capital of Partnership Firm -Garg International	4,66,445.04		4,51,468.26	
Total	2,58,26,445.04		2,58,11,468.26	

GARG FURNACE LIMITED

INVENTORIES	ANNEXURE- 'H'	
PARTICULARS	AS AT	AS AT
	31.03.2009	31.03.2008
	Rs. P.	Rs. P.
(Taken as valued and certified by the directors)		
Raw Materials	3,62,60,276.00	6,36,30,482.00
Work in Process	49,41,198.00	5,75,560.00
Finished Goods	4,13,30,168.00	3,06,59,145.00
Stores and Spares	61,42,543.00	59,18,203.00
Goods in Transit	17,70,680.00	6,49,408.00
Total	9,04,44,865.00	10,14,32,798.00
SUNDRY DEBTORS		ANNEXURE- 'I'
a) Outstanding for a period exceeding six months Unsecured Considered Good	3,51,47,201.00	1,99,83,764.99
b) Other (Considered Good)	23,35,98,370.46	42,08,87,343.05
Total	26,87,45,571.46	44,08,71,108.04
CASH AND BANK BALANCES		ANNEXURE- 'J'
Cash in hand (Including Imprest)	31,04,495.81	10,29,886.99
Balance with Scheduled Banks		
-In Current Accounts	12,71,404.31	2,66,569.51
-In Fixed Deposit Accounts	1,05,50,000.00	1,05,50,000.00
Total	1,49,25,900.12	1,18,46,456.50
LOANS AND ADVANCES		ANNEXURE- 'K'
(Unsecured Considered Good)		
Advances Recoverable in cash or in kind or for value to be received	5,58,86,885.28	3,37,44,796.42
Securities	32,08,887.25	32,10,823.25
Advance Tax Paid	45,53,129.00	43,04,995.00
Balance With Excise Authorities	1,43,23,993.00	74,37,220.00
Total	7,79,72,894.53	4,86,97,834.67
LIABILITIES		ANNEXURE- 'L'
Acceptance Payable	1,91,58,543.00	6,76,10,071.00
Sundry Creditors		
Due to Micro & Small Enterprises	0.00	0.00
Due to Others	7,28,70,054.75	20,90,14,713.75
Others Liabilities	8,32,43,142.62	5,36,22,423.47
Total	17,52,71,740.37	33,02,47,208.22
PROVISIONS		ANNEXURE- 'M'
Provisions for Taxation	17,60,000.00	44,20,000.00
Total	17,60,000.00	44,20,000.00

GARG FURNACE LIMITED

OTHER INCOME

ANNEXURE- 'N'

PARTICULARS	Year Ending 31.03.2009		Year Ending 31.03.2008	
	Rs.	P.	Rs.	P.
Miscellaneous Receipts	10,06,571.09		2,11,384.00	
Share of Profit from Partnerhsip Firm	14,976.78		55,689.43	
Rent Received	3,35,158.38		3,38,475.00	
Duty Draw Back Received	1,00,515.00		0.00	
Total	14,57,221.25		6,05,548.43	

MATERIAL CONSUMED

ANNEXURE- 'O'

<u>Opening Stock</u>				
Raw Materials	6,36,30,482.00		4,51,55,051.00	
Work in Process	5,75,560.00		5,82,860.00	
Finished Goods	3,06,59,145.00		2,88,25,823.00	
	9,48,65,187.00		7,45,63,734.00	
 Purchases	 120,73,91,744.52		 137,43,81,822.98	
<u>Closing Stock</u>				
Raw Materials	3,62,60,276.00		6,36,30,482.00	
Work in Process	49,41,198.00		5,75,560.00	
Finished Goods	4,13,30,168.00		3,06,59,145.00	
	8,25,31,642.00		9,48,65,187.00	
 <u>Material Consumed</u>	 121,97,25,289.52		 135,40,80,369.98	

MANUFACTURING EXPENSES

ANNEXURE- 'P'

Store & Spares Consumed	5,53,74,107.21		5,20,11,546.74	
Power and Fuel	12,63,38,129.00		14,58,82,686.00	
Machinery Repair and Maintenance	56,63,565.93		66,45,851.36	
Electric Repair and Maintenance	9,07,328.75		6,85,646.00	
Excise Duty on Closing Stock	31,46,346.00		38,63,879.00	
Machining & Grinding Expenses	12,02,020.00		3,19,376.00	
Total	19,26,31,496.89		20,94,08,985.10	

PERSONNEL EXPENSES

ANNEXURE- 'Q'

Salary, Wages and Other Allowances	1,44,03,593.00		1,38,10,609.00	
Contribution to Employees State Insurance Scheme	4,13,018.00		3,95,038.00	
Contribution to Employees Provident Fund	9,33,793.00		8,82,396.00	
Contribution to Punjab Labour Welfare Fund	4,376.00		4,386.00	
Gratuity	5,17,767.00		4,62,244.00	
Labour Welfare	1,88,594.00		1,97,787.00	
Employees Group Insurance Scheme	666.00		25,591.00	
Total	1,64,61,807.00		1,57,78,051.00	

GARG FURNACE LIMITED

ADMINISTRATIVE AND OTHER EXPENSES

ANNEXURE- 'R'

PARTICULARS	Year Ending 31.03.2009		Year Ending 31.03.2008	
	Rs.	P.	Rs.	P.
Rates & Taxes	2,34,354.80		1,17,191.00	
Postage, Telegrams, Telephone and Telex	6,48,481.82		5,59,389.03	
Printing & Stationery	1,94,734.00		1,96,492.00	
Legal & Professional Charges	3,81,266.00		2,74,197.00	
Insurance	8,68,961.00		9,31,513.00	
Travelling and Conveyance	660.00		10,087.00	
DIRECTORS REMUNERATION				
Remuneration	14,40,000.00		12,60,000.00	
Travelling Expenses	1,87,230.79		44,696.11	
AUDITORS REMUNERATION				
Audit Fee	82,500.00		82,500.00	
Tax Audit Fee	27,500.00		27,500.00	
Cost Audit Fee	20,000.00		20,000.00	
Subscription and Periodicals	47,305.60		91,748.00	
REPAIR & MAINTENANCE				
Building	1,72,788.00		2,45,313.75	
Car	15,55,980.33		11,55,588.99	
Vehicles	2,44,502.55		2,42,088.78	
Office Equipments	1,10,554.00		1,14,102.00	
Charity and Donation	92,400.00		47,200.00	
Miscellaneous Expenses	2,31,308.08		72,851.90	
Loss on Sale of Fixed Assets	1,33,145.97		6,70,948.69	
Listing Fee	10,000.00		10,000.00	
Festival Expenses	37,115.00		0.00	
Total	67,20,787.94		61,73,407.25	

FINANCIAL EXPENSES (NET)

ANNEXURE- 'S'

Interest Paid on				
Loans	23,90,026.65		9,28,401.01	
Bank Overdrafts	1,21,31,892.76		1,23,88,324.00	
Bank & Other Charges	22,96,243.89		21,84,573.59	
	1,68,18,163.30		1,55,01,298.60	
LESS :				
Interest received (Gross)	19,73,169.00		12,95,060.00	
TDS 4,37,248.00 (Previous Year 2,88,475.00)				
Total	1,48,44,994.30		1,42,06,238.60	

SELLING EXPENSES

ANNEXURE- 'T'

Carriage, Freight & Octroi Outwards	1,57,510.00		13,73,185.49	
Advertisement	1,65,770.00		1,19,535.00	
Brokerage & Commission	14,56,540.00		1,50,059.81	
Rebate & Discount	0.00		50,72,034.99	
Export Expenses	2,03,255.00		0.00	
Sales Promotions	32,703.00		0.00	
Service Tax Paid	41,018.00		0.00	
Total	20,56,796.00		67,14,815.29	

I. Accounting Policies**a) Accounting Conventions**

The accompanying financial statements have been prepared in accordance with historical cost convention on accrual basis and are in accordance with the requirements of the Companies Act, 1956.

b) Inventories

The inventories are valued at cost or net realisable value whichever is lower. The cost formula used in valuation of different categories are as under:-

- i) For raw-material - FIFO Method
- ii) For Stores & Spares - FIFO Method for boughtout items and weighted average material cost for inhouse manufactured items.
- iii) For Work in Process & Finished Goods - Weighted Average Material Cost PLUS Conversion Cost.

c) Depreciation

Depreciation has been provided on straight-line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956.

d) Investments

Long term Investments are carried at cost less provision, if any for diminution in value which is other than temporary, and Current Investment are carried at lower of cost and fair value.

e) Fixed Assets

All fixed assets are stated at cost of acquisition including any attributable cost for bringing the assets to its working condition for its intended use less accumulated depreciation.

f) Revenue Recognition

Revenue on sale of products is recognised at the point of despatch of finished goods to the customers.

g) Excise Duty

Excise Duty in respect of goods manufactured by the company is accounted for at the time of removal of goods from the factory for sale and/or captive consumption and provisions are made for finished goods lying in the factory at the year end.

h) Employee's Retirement Benefits**a) Short Term Employee Benefits:**

Short Term Employee Benefits are recognized as an expenses on an undiscounted basis in the profit and loss account of the year in which the related service is rendered.

b) Post Employment Benefits:**i) Defined Contribution Plans:**

Provident fund:

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to the profit and loss account.

ii) Defined Benefit Plans

Gratuity:

Provision for gratuity liability to employees is made on the basis of actuarial valuation as at the close of the year.

c) The actuarial gain/loss is recognized in statement of profit and loss account.

i) Foreign Currency Transactions

- i) Transactions in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.
- ii) Monetary foreign currency items outstanding at the year end are restated into rupees at the rate of exchange prevailing on the balance sheet date except those covered by forward contracts.
- iii) Non monetary foreign currency items are carried at cost.
- iv) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit loss account.

j) Accounting for Taxes on Income

- i) Provision for taxation comprises of current tax, Fringe Benefit Tax and deferred tax. Current Tax is the amount of income tax determined to be payable in respect of taxable income for a period. Deferred tax is the tax effect of timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- ii) Fringe Benefit tax is provided on the aggregate amount of fringe benefits determined in accordance with provisions of the Income Tax Act, 1961.

k) Government Grants

Government Grants are recognised if it is certain that the grants will be received & the conditions attached thereto could reasonably be complied with.

l) Impairment of Assets.

At each balance sheet an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

m) Provisions and Contingent Liabilities

- i) Provision involving substantial degree of estimate in measurement is recognized when there is a present obligation arising as a result of past events and it is probable that there will be an outflow of resource embodying economic benefits.
- ii) Contingent liability is a possible obligation from past event, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise or a present obligation that arises from past events but is not recognized because it is not probable that an outflow embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of obligation cannot be made. Such a liability is not recognized but is disclosed in the notes.

n) Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributed to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

o) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of such assets. Qualifying assets is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

II. NOTES ON ACCOUNTS**1. Contingent Liabilities**

- a). For Bank Guarantee Rs. 45.68 Lacs (Previous Year Rs. 26.48 Lacs)
- b). For letter of credits Rs.544.69 Lacs (Previous Year Rs. 676.22 Lacs)
- c). For Corporate Guarantee given on behalf of others Rs. 24905.50 Lacs (Previous Year Rs. 12458.00 Lacs)

GARG FURNACE LIMITED

2. Debit or Credit Balances on whatsoever account are subject to confirmation from parties.
3. In the opinion of the Board of Directors, all the Current Assets, Loans & Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, except as expressly stated otherwise.
4. The company has paid remuneration to directors within the limits prescribed in the Schedule XIII to the Companies Act, 1956 as given below:

	Current Year	Previous Year
Salary	Rs. 14,40,000/-	Rs. 12,60,000/-
Non cash Perks*	Rs. 79,200/-	Rs. 79,200/-

* Value calculated as per Income Tax Rules, 1962.

5. The company is one of the partners in the partnership firm M/s Garg International. The names of all the partners and their profit sharing ratio are as under: -

Name of the Partner	Profit Sharing Ratio	Name of the Partner	Profit Sharing Ratio
Garg Furnace Ltd	50%	Garg Acrylics Ltd	40%
Sh Navneet Sharma,	10%		

The total capital of the firm as at 31-03-2009 is Rs. (-)18,73,496.40

6. Charity & Donation include Rs. 50,000/- paid to Punjab Pradesh Congress Committee as political contribution. (Previous Year Nil).
7. The company has not received information from vendors/service providers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act have not been given.
8. The Earning per share has been calculated in accordance with Accounting Standard (AS)-20 issued by the Institute of Chartered Accountants of India. The numerators and denominators used to calculate Basic and Diluted Earning per share are as under:-

	2008-09	2007-08
Basic Earnings		
a) Calculation of weighted average number of Equity shares of Rs. 10/- each		
Number of Equity Shares at the beginning of the year	3448700	3448700
Number of equity shares at the end of the year	3448700	3448700
Weighted average number of equity Shares Outstanding during the year	3448700	3448700
b) Net profit after tax available for Equity share holders (Rs.)	95,92,560.00	73,22,131.00
c) Basic earning per Equity shares of Rs. 10/- each (Rs.)	2.78	2.12
Diluted Earnings		
a) Calculation of weighted average number of Equity shares of Rs. 10/- each		
Number of Equity Shares at the beginning of the year	3448700	3448700
Number of equity shares at the end of the year	3448700	3448700
Weighted average number of equity Shares Outstanding during the year	3704919	3448700
b) Net profit after tax available for Equity share holders (Rs.)	95,92,560	73,22,131.00
c) Diluted earning per share of Rs. 10/- each (Rs.)	2.59	2.12

GARG FURNACE LIMITED

	2008-09	2007-08
Reconciliation of Equity Shares considered between Basic and Diluted Earning per share.		
Weighted average number of equity Shares Considered for basic earnings	3448700	3448700
Add:- Equity Shares deemed to be issued on Conversion of convertible warrants	256219	—
Weighted average number of equity Shares Considered for diluted earnings	3704919	3448700

On 15-10-2008 the company has allotted 560000 warrants convertible into 560000 equity shares of Rs. 10/- each at a premium of Rs. 60/- per share on preferential basis to Saluja Cottex Pvt Ltd. in conformity with SEBI Guidelines on preferential issue as per the approval of equity share holders of the company in their AGM held on 30-09-2008.

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

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

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

Upon conversion of warrants into equity shares the new shares shall be got listed at all such stock exchanges where the equity shares of the company are already listed.

9. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (Last drawn salary) for each completed year of service subject to a maximum amount of Rs. 3,50,000.00.

The Accounting Standard (AS-15 Revised) prescribed by the Companies Accounting Standard Rules, 2006 is being followed and the following table summarize the components of net benefit/expenses recognized in the profit and loss account and the funded status and the amount recognized in the balance sheet for the gratuity plan.

	31-03-2009	31-03-2008
	Rs. P	Rs. P
i) CHANGES IN THE PRESENT VALUE OF OBLIGATION		
Present value of obligation at the beginning of the Period	20,90,685.00	18,99,655.00
Interest Cost	1,54,005.00	1,41,124.00
Current Service Cost	3,12,503.00	2,77,977.00
Benefits Paid	(3,31,254.00)	(2,71,214.00)
Actuarial (Gain)/Loss on Obligation	51,259.00	43,143.00
Present Value of Obligation at the end of the Period	22,77,198.00	20,90,685.00
ii) CHANGES IN THE PRESENT VALUE OF PLAN ASSETS		
Fair value of Plan Assets at the beginning of the Period.	—	—
Expected return on Plan Assets	—	—
Contribution	—	—
Withdrawal	—	—
Actuarial Gain/(Loss) on Plan Assets	—	—
Fair value at the end of the period.	—	—

GARG FURNACE LIMITED

	31-03-2009		31-03-2008	
	Rs.	P	Rs.	P
iii) FAIR VALUE OF PLAN ASSETS				
Fair Value of Plan Assets at the beginning of the period		—		—
Actual return on Plan assets		—		—
Contribution		—		—
Withdrawal		—		—
Fair Value of Plan Assets at the end of the period		—		—
Present Value of Obligation at the end of the period	22,77,198.00		20,90,685.00	
Funded Status	(22,77,198.00)		(20,90,685.00)	
iv) ACTUARIAL GAIN/ LOSS RECOGNIZED				
Actuarial gain/(loss) on Obligation	(51,259.00)		(43,143.00)	
Actuarial gain/(loss) on Plan Assets	—		—	
Total (gain)/loss	51,259.00		43,143.00	
Actuarial (gain)/loss recognized in the period	51,259.00		43,143.00	
Unrecognized Actuarial (gain)/loss at the end of the period.	—		—	
v) AMOUNT TO BE RECOGNIZED IN THE BALANCE SHEET				
Present value of obligation at the end of the period	22,77,198.00		20,90,685.00	
Fair value of Plan assets at the end of the period.	—		—	
Funded Status	(22,77,198.00)		(20,90,685.00)	
Unrecognized Actuarial (Gain)/Loss at the end of the period	—		—	
Net Assets/(Liability) recognized in the Balance sheet	(22,77,198.00)		(20,90,685.00)	
vi) EXPENSE RECOGNIZED IN THE STATEMENT OF PROFIT & LOSS				
Current Service Cost	3,12,503.00		2,77,977.00	
Interest Cost	1,54,005.00		1,41,124.00	
Expected Return on Plan assets	—		—	
Actuarial (Gain)/Loss recognized in the period	51,259.00		43,143.00	
Expenses recognized in the statement of Profit & Loss	5,17,767.00		4,62,244.00	
ACTUARIAL ASSUMPTION (ECONOMIC & DEMOGRAPHIC)				
i) Imputed rate of interest	08.00% P.A.		08.00% P.A.	
ii) Future Salary rise	06.00% P.A.		06.00% P.A.	
iii) Return on Plan assets	N.A.		N.A.	
iv) Retirement Age	58 Years		58 Years	
v) Mortality Table	LIC. 1994-96 Ultimate		LIC. 1994-96 Ultimate	
vi) Attrition Rate	05.00 % P.A.		05.00 % P.A.	
vii) Remaining Working Life	19.22 Years		19.38 Years	
Method of Valuation: Projected Unit Credit Method				

GARG FURNACE LIMITED

10. Related Party Disclosure:

i) Name of related parties and description of relationship

A. Associates

1. Garg International
2. Gargsons Investments (P) Ltd.
3. Shubham Investments (P) Ltd.

B. Key Management Personnel

1. Sh. Jagdish Chand Garg - Chairman
2. Sh. Sanjiv Garg - M.D.
3. Sh. Davinder Garg - Wholetime Director

Summary of Transaction	Associates		Key Management Personnel		Balance Outstanding	
	31/03/09	31/03/08	31/03/09	31/03/08	31/03/09	31/03/08
Rent Rec.	60000.00	60000.00	—	—	—	—
Remuneration Paid	—	—	1440000.00	1260000.00	—	—
Investment Made	14976.78	451468.00	—	—	(11664835.96)	(11856339.00)
Sale Made	—	2088644.00	—	—	—	—
Payment Made	116526.26	—	—	—	—	—

iii) There is no provision for doubtful debts or amounts written off or written back during the year in respect of dues from or to related parties.

11. In accordance with Accounting Standard-22 "Accounting for taxes on Income" issued by The Institute of Chartered Accountants of India, deferred taxes have been recognised in respect of following timing differences between accounting income and taxable income: -

Item of Timing difference	Accumulated Deferred Tax Asset/(Liability) as at 01.04.2008	(Charge)/Credit during the year	Balance Assets/ (Liability) as at 31.03.2009
Depreciation	Rs. (70,60,177)	Rs. (1,31,143)	Rs. (71,91,320)
Expenses Allowable	Rs. 7,10,624	Rs. 63,396	Rs. 7,74,020
Total	Rs. (63,49,553)	Rs. (67,747)	Rs. (64,17,300)

12. The indicators listed in Paragraph 8 to 10 of the Accounting Standard (AS) – 28 "Impairment of Assets" issued by Institute of Chartered Accountants of India have been examined and on such examination, it has been found that none of the indicators are present in the case of the company. A formal estimate of the recoverable amount has not been made as there is no indication of a potential impairment loss.

13. Segment Information as required by Accounting Standard (AS)-17 on Segment Reporting issued by the Institute of Chartered Accountants of India is disclosed hereunder :-

The company has identified two reportable segments viz; Iron & Steel Products & Textile Products.

The financial information about the business segments is presented in the table below:

	Iron & Steel Products	Textile Products	Total
REVENUE			
External Sales	1,19,92,92,779.00	40,84,70,740.00	1,60,77,63,519.00
Inter Segment Sales	—	—	—
Other Income	14,48,274.03	8,947.22	14,57,221.25
Total Revenue	1,20,07,41,053.03	40,84,79,687.22	1,60,92,20,740.25
RESULT			
Segment Result	1,90,80,492.90	1,39,07,679.56	3,29,88,172.46
Unallocated Corporate Expenses	—	—	67,20,787.94

GARG FURNACE LIMITED

Operating Profit	2,62,67,384.52
Interest Expense	1,48,44,994.30
Income Tax - current	-13,75,000.00
- deferred	-67,747.00
- fringe benefit	-3,85,000.00
Profit from ordinary activities	95,94,643.22
Extra ordinary loss/(income)	
Net Profit	95,94,643.22

OTHER INFORMATION

Segment Assets	41,33,86,069.78	3,41,50,032.33	44,75,36,102.11
Unallocated Corporate Assets			3,03,79,574.04
Total Assets			47,79,15,676.15
Segment Liabilities	16,06,18,978.03	1,46,52,762.34	17,52,71,740.37
Unallocated Corporate Liabilities			13,71,03,328.10
Total Liabilities			31,23,75,068.47
Capital Expenditure	14,71,11,972.43		14,71,11,972.43
Depreciation	8,85,52,375.90		8,85,52,375.90
Non Cash Expenses other than depreciation			

14. Previous Year figures have been regrouped/rearranged wherever considered necessary to make them comparable with current year figures.
15. Annexure 'A' to 'U' form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.
16. Additional Information as required by Schedule VI to the Companies Act, 1956.

A) Turnover

Items	Quantity		Value (Rs.)	
	Current Year	Previous Year	Current Year	Previous Year
Iron & Steel products				
(M.T.)	31005.245	40197.512	1,19,92,84,339.00	1,26,25,61,540.00
(Pcs)	18687	6697		
Textile Products				
(M.T.)	1930.135	3040.955	40,84,70,740.00	52,28,44,982.00
MTR	61661.250	88759.000		

B) Gross Income derived from Services rendered Rs. 8440/- (Prev. year Rs. 93735/-)

C) Stock of Goods Produced/Traded

Items	Year	Opening Stock		Closing Stock	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
Iron & Steel Products	Current	1032.640	3,06,59,145.00	1335.390	4,13,30,168.00
	Previous	1151.917	2,88,25,823.00	1032.640	3,06,59,145.00

D) Production data (AS certified by the managing director and accepted without verification being a technical matter.)

	Units	Current Year	Previous Year
i) Licensed Capacity	M.T.	N.A.	N.A.

Under the liberalised Industrial policy of Govt. of India, the company's products do not require any industrial license.

GARG FURNACE LIMITED

ii) Installed Capacity	M.T.	85000	85000
iii) Actual Production Iron & Steel Products *	M.T.	43450.044	50722.784
	Pcs	18544	6840

* Includes 3110.350 MT (3533.610 MT) by products viz Runner & Risers and end cutting produced during the year, of which 2626.710 MT (2255.425 MT) has been used for re-melting and 415.040 MT (1182.335 MT) has been sold. It also includes 9165.920 MT (7467.680 MT) of ingots transferred to floor for production of Rounds and Wire Rod. Further, 932.495 MT (1318.900 MT) Ingot Mould transferred to floor for self consumption and 508.445 MT (1024.750 MT) rejected ingots moulds received back from floor has been re-melted.

(E) Raw Material Consumed

Class of Goods	Quantity (M.T)		Value (Rs.)	
	Current Year	Previous Year	Current Year	Previous Year
Melting Scrap*	23757.225	24755.868	47,26,83,974.00	37,61,25,774.00
Ferros	366.014	398.761	2,93,52,746.00	2,32,95,252.00
M.S.Ingots	4334.695	5480.935	12,79,65,970.00	12,36,25,222.00
Billets	6010.200	10266.250	16,77,94,507.00	24,06,49,233.00
			79,77,97,197.00	76,36,95,481.00

* Apart from these 2626.710 MT (2255.425 MT) of by-products (Runner Risers & End Cutting) are used for melting.

F) Trading Goods Purchased

Class of Goods	Quantity (M.T.)		Value (Rs.)	
	Current Year	Previous Year	Current Year	Previous Year
Steel Products	1301.465	3471.015	4,24,64,727.52	9,29,17,491.98
Textile Products				
M.T.	1930.135	3040.955	39,45,00,026.00	49,92,93,419.00
MTR	61661.250	88759.000		
			43,69,64,753.52	59,22,10,910.98

G) CIF Value of Imports

Rs. 7,92,01,181/- (Previous year Rs. 5,23,92,355/-)

H) Earning in Foreign Exchange Rs. 26,15,112.00 (Previous year Rs. 4,14,366.00)

I) Value of Imported & Indigenous raw material & stores consumed.

	Current Year		Previous Year	
	Value	%age	Value	%age
Raw Material				
Indigenous	71,34,18,043.00	89.42	70,02,15,543.52	91.69
Imported	8,43,79,154.00	10.58	6,34,79,937.48	8.31
Stores & Spares				
Indigenous	5,53,74,107.21	100.00	5,20,11,546.74	100.00

Note: Figures wherever in brackets stands for previous year.

GARG FURNACE LIMITED

**17. Additional information as required under Part IV of Schedule VI of the Companies Act, 1956 :-
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I Registration Details																			
Registration No.										1 6 - 3 3 8 5					State Code		1 6		
Balance Sheet Date										3 1 - 0 3					2 0 0 9				
					Date		Month		Year										
II Capital raised during the Year (Amount in Rs. Thousands)																			
Public Issue					Right Issue					Bonus Issue					Private Placement				
N I L					N I L					N I L					N I L				
III Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)																			
Total Liabilities							Total Assets												
3 5 9 4 4 3							3 5 9 4 4 3												
Sources of Funds																			
Paid-up Capital					Reserves & Surplus					Equity Warrants					Secured Loans				
3 4 4 8 7					1 7 7 6 9 3					1 1 9 2 0					1 2 3 4 9 0				
Unsecured Loans					Deferred Tax Liability														
5 4 3 6					6 4 1 7														
Application of Funds																			
Net Fixed Assets					Investments					Net Current Assets									
5 8 5 6 0					2 5 8 2 6					2 7 5 0 5 7									
IV Performance of Company (Amount in Rs. Thousands)																			
Total Income					Total Expenditure					+/- Profit/Loss Before Tax					+/- Profit/Loss After Tax				
1 6 0 9 2 2 0					1 5 9 7 7 9 8					1 1 4 2 2					9 5 9 5				
Basic EPS (in Rs.)					Diluted EPS (in Rs.)					Dividend Rate %									
2 7 8					2 5 9					N I L									
V Generic Names of Three Principal Products of Company (As per Monetary Terms)																			
Item Code No. (ITC Code)		7 2 1 4 1 0 0 9																	
Product Description		S T E E L R O U N D																	
Item Code No. (ITC Code)		7 2 0 6 1 0 0 9																	
Product Description		S T E E L I N G O T S																	
Item Code No. (ITC Code)		7 2 1 3 2 0 0 9																	
Product Description		S T E E L W I R E R O D																	

Subject to our separate report of even date

For and on behalf of the Board

For Dass Khanna & Co.
Chartered Accountants

(Rakesh Soni)
Partner
M. No. 83142

(J.C. Garg)
Chairman

(Sanjiv Garg)
Managing Director

Place : Ludhiana
Dated : 12-08-2009

(Davinder Garg)
Director

(Rajiv Garg)
Director

GARG FURNACE LIMITED

GARG FURNACE LIMITED

Regd. Office: Kanganwal Road, V.P.O. Jugiana, G.T. Road, Ludhiana

PROXY FORM

appoint _____ in the district of _____

or failing him/her _____

of

as my/our proxy to vote for me/us on my/our behalf at the 36TH ANNUAL GENERAL MEETING of the members of the Company on Wednesday, the 30th day of September, 2009 at 9:30 A.M at Regd Office at Kanganwal Road, V.P.O. Jugiana, G.T. Road, Ludhiana.

Signed this _____ day of _____ 2009

Signature _____

Address _____

Folio/Dp Id/Client Id No. _____

Affix a
Revenue
Stamp of
Rs. 1/-

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself.
2. The proxy form duly signed across Revenue stamp of Rs. 1/- should reach the Company's Registered Office at least 48 hours before the time of meeting.

GARG FURNACE LIMITED

Regd. Office: Kanganwal Road, V.P.O. Jugiana, G.T. Road, Ludhiana

ATTENDANCE SLIP

I hereby record my presence at the 36TH Annual General Meeting of the above named Company being held at Regd Office at Kanganwal Road, V.P.O. Jugiana, G.T. Road, Ludhiana at 9:30 A.M on Wednesday, the 30th day of September, 2009.

Full name of the Member _____ Signature _____

(In Block Letters)

Folio/Dp Id/Client Id No. _____ No. of Shares held _____

Note: Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

**BOOK POST
(PRINTED MATTER)**

If undelivered please return to:

GARG FUR NACE LIMITED

Regd. Office : Kanganwal Road,

Near Old Octroi Post, Ambala Side,

V.P.O. Jugiana, G.T. Road,

LUDHIANA- 141 120.