



**39th
ANNUAL REPORT
2011-12**

GARG FURNACE LIMITED

GARG FURNACE LIMITED**MANAGEMENT****BOARD OF DIRECTORS**

CHAIRMAN & M.D. (PROMOTER)	:-	Sh. Devinder Garg
WHOLE TIME DIRECTOR	:-	Smt. Vaneera Garg
	:-	Sh. Toshak Garg
DIRECTOR (INDEPENDENT)	:-	Sh. Yogi Raj Aggarwal
	:-	Sh. Steven Soni
	:-	Sh. Pawan Kumar Garg
	:-	Sh. Sushil Singla
	:-	Sh. Vivek Kaushal
AUDITOR	:-	M/s. Dass Khanna & Co. B-XX, 2815, 1st Floor, Gurdev Nagar, Pakhowal Road, LUDHIANA - 141 001.
COST AUDITOR	:-	Meenu & Associates H. No. S-200, Basant Vihar Colony, Noorwala Road, LUDHIANA.
BANKERS	:-	Punjab & Sind Bank Sabun Bazar, LUDHIANA.
REGISTERED OFFICE & WORK	:-	Kanganwal Road, Near Old Octroi Post Ambala Side, V.P.O. Jugiana, G. T. Road, LUDHIANA - 141 120.

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GARG FURNACE LIMITED

NOTICE

Notice is hereby given that the 39th Annual General Meeting of the members of the Company would be held on Saturday, the 29th day of September, 2012 at 9:30 A.M. at the Registered office at Kanganwal Road V.P.O. Jugiana G T. Road, Ludhiana-141120 to transact the following business: -

ORDINARY BUSINESSES

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 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. Pawan Kumar, who retires by rotation and being eligible offers himself for re-appointment
- 3 To appoint a director in place of Sh. Stevon Soni, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Sh. Sushil Singla , 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 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, the consent of the company be and is hereby accorded to the increased salary of Sh. Toshak Garg Joint. Managing Director of the company w.e.f 01-10-2011 of Rs.60000 P.M , for his remaining tenure, who was appointed by the members for a period of 3 years w.e.f. 01-09-2011.

RESOLVED FURTHER THAT revised Salary paid from 01/10/2011 till the date of approval by the members of the company to Sh. Toshak Garg be and is hereby ratified and approved

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

1. Salary : Rs. 60000/- per month (Rupees Sixty Thousand Only)
- 2 Commission : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 50,000/- P.a.

i) Medical re-imburement for self and the family subject to a ceiling of one month salary in a year or three months salary over a period of three years.

ii) Leave Travel Concession for self, spouse, dependant children and dependant parents once in a year to and from any place in India, subject to the condition that only actual fare and no hotel expenses will be allowed.

iii) Provident fund Contribution as per the Law

iv) Personal Accident Insurance: Premium not to exceed Rs. '10,000/- per annum.

vi) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 10,00,000/-.

FURTHER:

- * No sitting fees will be paid for attending the meeting of Board of Directors or Committee thereof.
- * In case of absence or inadequacy of profits in any financial year during the remaining period of his tenure, minimum remuneration as per Section –II of Part - II of Schedule XIII will be paid.
- * Use of car for Company's business and telephone at residence for Company's business will be provided and personal long distance call and use of car for private purposes shall be billed by the Company to Jt. Managing Director.

GARG FURNACE LIMITED

7. 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 149(2A) of the Companies Act, 1956, the consent of the members of the company be and is hereby accorded to carry on the business activities as covered under the Other Objects Clause No. III C (37) of the memorandum of association of the company and the Board of directors of the company be and is hereby authorized to take all such effective steps to implement the decision of the members of the company as they may consider appropriate in the interest of the company and to do all such acts, deeds and things from time to time .

For and on behalf of the Board

Place: LUDHIANA
Date : 31/08/2012

SD/-
Devinder Garg
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, & 6, 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, 2012 to 29th September, 2012 (both days inclusive)
4. Members seeking any information with regard to Annual accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of Meeting so as to enable the management to keep the relevant information ready.
5. Members are requested to bring the copy of Annual Report alongwith them at the meeting.
6. Members are requested to notify immediately any change in their address & 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

Place: LUDHIANA
Date : 31-08-2012

SD/-
Devinder Garg
Managing Director

GARG FURNACE LIMITED

EXPLANATORY STATEMENT FOR ITEM NO. 6 to 7 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 03/10/2011 has increased the remuneration of Sh. Toshak Garg JT. Managing Director from Rs.30000.00 to Rs.60000.00 & other terms and conditions mentioned in the resolution as recommended by the remuneration Committee in their meeting held on said date, An abstract of revised terms and conditions in terms of section 302 of the Act was sent to the members immediately thereafter. The revised remuneration of Sh. Toshak Garg w.e.f 01/10/2011 and change of his designation from whole time director to Jt. Managing director is subject to approval of members. Accordingly your approval is solicited.

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

ITEM No. 7

The Board of Directors of the company in its meeting held on 03/10/2011 was proposed to adopt the new line of business as mentioned in the clause III C (37) of other object clause of Memorandum of Association of the Company as given under:

"To Manufacture and deal in all chemical products such as coal coultter products and their intermediates, dyes, drugs, medicines and pharmaceuticals petroleum and its products ,and derivatives, paints, pigments and varnishes, explosives and ammunitions ,vegetable oil, their products and derivatives, all types of heavy chemicals such as sulphuric and other acids, caustic sauda ash, all types of textile chemicals and sizing and finishing materials, photographic chemicals, clay and boards, including straw boards glycerine and allied products, all industrial and pharmaceutical, organic and inorganic chemicals,fertilizers,pesticides,manures,fungicides and allied products, fats waxes and their products,hides,skins and their leather."

with the existing activities of the Company as business of Dyes & Chemicals has good potential in the industries of Ludhiana/Punjab.

Pursuant to section 149(2A) of the Companies Act 1956, approval of members is require in this regard. Accordingly your approval is solicited.

None of the Directors is concerned or interested in the resolution.

For and on behalf of the Board

Place: LUDHIANA
Date : 31/08/2012

SD/-
Devinder Garg
Managing Director

Information pursuant to Corporate Governance clause of listing agreement(s) regarding the directors' new appointment, seeking re-appointment in AGM.

Name of the Director	Sh.Pawan Garg	Sh.Sushil Singla	Sh Stevon Soni, Aggarwal	Sh. Toshak Garg
Date of Birth	25/01/1960	14/10/1962	08/10/1967	17/11/1990
Date of Appointment	30/07/2011	11/05/2011	30/07/2011	30/07/2011
Qualification	BE	CA	LLB	B-Tech
Expertise in Specific Area	Industrial and Business experience of about 22 yrs in iron & Steel Industry.	Practicing Chartered Accountant Since 1985	Advocate in Distt Court Ludhiana Since 1989	NIL
Directorship in other Companies	Nil	-SHIVA TEXTFABS LIMITED -BHAWANI INDUSTRIES LIMITED -YOGINDERA WORSTED LIMITED -SHIVA SPECIALITY YARNS LIMITED -HIMACHAL FIBRES LIMITED	Nil	Vaaneera Steels Ltd
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 39th Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2012.

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	2011-12	2010-11
Operating Income	20809.00	18692.00
Profit before depreciation, Interest & tax	785.26	418.24
Interest & Financial Expenses	456.76	147.89
Profit before depreciation & tax	328.50	270.35
Depreciation	105.93	80.83
Profit before tax	222.57	189.51
Provision for tax -Current Tax	0.00	61.20
-Deferred Tax Liability	56.94	4.97
Profit after Tax	165.63	123.34
Prior year Tax adjustments	(2.77)	0.00
Balance brought forward	150.31	156.97
	<u>313.17</u>	<u>280.31</u>
APPROPRIATIONS		
Transfer to General Reserve	150.00	130.00
Balance carried over to Balance Sheet	163.17	150.31
	<u>313.17</u>	<u>280.31</u>

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**A) BUSINESS REVIEW:****STEEL INDUSTRY – GLOBAL PERSPECTIVE**

Globally, the Steel Industry is witnessing revolutionary changes due to fierce competitive pressures on performance, productivity, price reduction and customer satisfaction. Trade in steel products of different grades and specialty has been on an upswing with increase in production facilities coupled with technological innovations in both the developed and developing Countries.

However Sagging prices in the backdrop of economic slowdown have spelt turmoil in the steel industry, the world over. The future is uncertain, but challenging and holds great promise if right steps are taken because of inherent qualities of steel.

INDIAN OUTLOOK

India is among top producers of all forms of steel in the world and is one of the fast growing markets for steel. The Indian Steel industry comprises of the producers of finished steel, Semi-finished steel, stainless steel and pig iron. The total demand for steel in FY 2011-12 grew to 65.2 MT against 46.8 MT in fy 07.the demand expanded at a CAGR of 8.6 per cent over a period from FY 07-11.The future growth of Indian Steel industry will largely depend upon the Government measures of injecting funds in various industries such as construction, infrastructure, automobile and power to boost economic growth.

COMPANY'S BUSINESS STRATEGY

The company is in process of upgradation of its furnace and casting division with an requisite amount of investment. With this upgradation project, the company will be able to improve the quality, reduce cost and improve customer satisfaction by reducing change over time as well as adding to the product range .To part finance this project the company has applied for finance with Banker, which is under process. the 66KV Sub Station which was under implementation during previous year has come in operation, it has enabled to reduce the power cost sustaintially.Further Mig Wire plant which was also under process during previous year has also started production in current year. The product of the MIG WIRE plant has been well received in the market. We have also established our Welding product under registered trade mark "TOSHAK G" and further we are exploring market for the product all over INDIA.

COMPANY'S FUTURE OUTLOOK

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. 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 39884.453 Metric tons of Steel products. The operating receipts of the company has increased to 208 Crores from 186 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 100 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

Sh. Sanjiv Garg has resigned w.e.f 03.10.2011 from the board of directors of the company, the office of Sh. J.C Garg Chairman and Managing Director of the Company has vacated due to sad demise of Sh. J.C Garg on 18/01/2012. The board places on record their sincere appreciation for the valuable services rendered by outgoing directors. Sh. Sushil Singla, Sh. Pawan Garg, Sh. Steven Soni retire by rotation and being eligible have offered themselves for re-appointment.

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

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 1956, the Directors confirm:-

- i). That in the preparation of annual accounts, the applicable accounting standard have been followed and wherever required proper explanations relating to material departures have been given.
- ii). That appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year as at 31.03.2012 and of the profits of the company for the year ended 31.03.2012.
- 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 EMPLOYEES

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo as required under Section 217 (1)(e) of The Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Directors) Rules 1988 is annexed and forms part of this report.

ACKNOWLEDGEMENT

The Directors wish to extend their sincere thanks to the Punjab & Sind Bank, Punjab State Power Corporation Limited, Container Corporation of India, other State & Central Government Agencies, Suppliers and Customers for their continued support and co-operation.

The Directors also wish to place on record their deep appreciation for the services rendered by the workers & staff at all levels.

For and on behalf of the Board

Place: LUDHIANA
Date : 31/08/2012

SD/-
Devinder Garg
Chairman & Managing Director

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, 2012.

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)	19868331	19868240
Total amount	Rs. 113758626.28	Rs. 100400261.00
Rate per unit	Rs. 5.72	Rs. 5.05
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	24100	21850
Units per litre of diesel	3.80	3.80
Oil Cost/unit	Rs. 10.78	Rs. 9.73
ii) Through steam Turbine	Nil	Nil
2. Furnace Oil		
Quantity (Ltrs)	762520	1428865
Total Amount	Rs. 26675705.00	Rs. 36686542.00
Average Rate per Ltr.	Rs. 34.98	Rs. 25.67
3. Coal		
Quantity (Kgs)	684019	Nil
Total Amount	Rs. 8481831.00	Nil
Average Rate per Kg	Rs. 12.40	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

		Current Year	Previous Year
Electricity (KWH)	Products Steel Ingots, Rounds, Castings/Wire Rod	499 Units(*)	512 Units(*)
Furnace Oil	Rounds/Castings/Wire Rod	56 Ltrs.	68 Ltrs.
Coal	Rounds/Castings/Wire Rod	78 Kgs	Nil

(*) 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

	2011-2012	2010-2011
Total Foreign Exchange earned	NIL	1497481.00
Used (CIF Value of Imports)	Rs. 24,75,28,184.24	Rs. 11,44,42,278.41

GARG FURNACE LIMITED

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY

The company believes in and practices good corporate Governance. The company's essential character is shaped by the very values of transparency, professionalism and accountability. The company continuously endeavours to improve on these aspects on an ongoing basis.

2. BOARD OF DIRECTORS

The Board of Directors consists of 8 directors. The composition and category of Directors as on 31/03/2012 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 Raj Aggarwal	
	SM.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 Membershi p	Committee Chairmanship
Sh.Davinder Garg	7	--	3	1	None
Smt.Vaneera Garg	7	--	3	1	None
Sh.Sushil Singla*	6	Present	5	2	2
Sh.Toshak Garg*	6	--	1	None	None
Sh.Pawan Kumar*	6	--	None	2	None
Sh.Stevon Soni*	6	--	None	None	None
Sh.Yogi Raj Aggarwal *	6	Present	None	2	1
Sh Vivek Kaushal	6	--	None	2	None
Sh.Ashwani Kumar Aggarwal#	1	--	None	None	None
Sh.Ashwani Kumar#	1	--	9	None	None
Sh.Arun Kumar Singh#	1	--	None	None	None
Sh.Jagdish Chand Garg#	0	--	0	None	None
Sh.Sanjiv Garg#	0	--	2	None	None

* Sh.Toshak Garg, Sh.Pawan Kumar, Sh.Stevon Soni, Sh.Yogi Raj Aggarwal become directors of the company w.e.f 30/07/2011

* Sh.Sushil Singla become director of the company w.e.f 11/05/2011

Sh.Sanjeev Garg resigned from directorship w.e.f 03.10.2011

Sh.Jagdish Chand Garg ceased to be a director of the Company w.e.f 18/01/2012

Sh.Ashwani Kumar resigned w.e.f 04/05/2011 Sh.Arun Kumar Singh & Sh.Ashwani Kumar Aggarwal resigned w.e.f 01/05/2011

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: 30/04/2011, 11/05/2011, 30/07/2011, 29/08/2011, 03/10/2011, 14/11/2011 and 14/02/2012

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 till 30/04/2011. After resignation of Sh. Ashwani Kumar Chairman, Sh Arun Kumar Singh the Audit Committee was reconstituted on 30/07/2011 with four independent, Non Executive Directors 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 30/04/2011, 30/07/2011, 29/08/2011, 14/11/2011, 14/02/2012

All the members of the Audit Committee have attended all the meetings.

4. REMUNERATION COMMITTEE

The Board of the company had constituted a Remuneration Committee comprising of 3 Independent Non Executive Directors viz. Sh Ashwani Kumar Aggarwal, Chairman, Sh Arun Kumar Singh & Sh Vivek Kaushal. After resignation of Sh. Ashwani Kumar Chairman, Sh Arun Kumar Singh the Remuneration Committee was reconstituted on 30/07/2011 with Three Independent, Non Executive Directors Sh. Yogi Raj Aggarwal Chairman, Sh. Vivek Kaushal, Sh. Pawan Garg.

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.

Only two meeting were held during the year and all the members of the Committee attended the meeting.

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

a) Executive Directors

Name	Designation	Salary	Other	Total
Sh. Jagdish Chand Garg *	Chairman & Managing Director	3,85,000	----	3,85,000
Sh. Toshak Garg #	Whole Time Director	3,90,000	----	3,90,000
Sh. Devinder Garg	Managing Director	8,40,000	-----	8,40,000
Smt. Vaneera Garg	Whole Time Director	6,00,000	-----	6,00,000

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

*Sh. Jagdish Chand Garg has paid salary up to 31/10/2011

Sh. Toshak Garg has received salary w.e.f 01/08/2011

5. SHAREHOLDING

No Non-Executive Directors hold any shares in the Equity Capital of the Company except that Sh.Sushil Singla holds 300 Equity shares of the Company.

6. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board of the Company has re-constituted a Shareholder's/Investor's Grievances Committee comprising of Sh Sushil Singla (Chairman), Smt. Vaneera Garg and Sh Devinder Garg. The Committee inter alia approves issue of duplicate certificates and overseas 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 has delegated the power of approving transfer of securities to the Managing Director.

The Board has designated Sh. Raj Deep 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, 2012 were NIL. Outstanding letters/complaints as on 31st March, 2012 were Nil. No request for transfer/dematerialization was pending for approval as on 31st March, 2012.

7. GENERAL BODY MEETINGS

Detail of last three Annual General Meetings

Meeting	Day	Date	Time	Venue	No. of Special Resolutions
36 th AGM	Wednesday	30.09.2009	9.30 AM	Registered Office at Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana	-
37 th AGM	Thursday	30.09.2010	9.30 AM	Registered Office at Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana	3
38 th AGM	Friday	30.09.2011	9.30 AM	Registered Office at Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana	2

During the financial year 2011-2012 under review resolution was passed through Postal ballot.

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.

Further, the company has complied with all the mandatory requirements of clause 49 of the listing agreement. The company also take-up the non-mandatory requirement of clause 49 in due course of time.

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 World" & 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) 39th Annual General Meeting

Date : Saturday, 29th September, 2012.

Time : 9.30 A.M

Venue : Registered Office:
Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana.

ii) Financial Calendar 2012-13 (Tentative)

First Quarter Results : August, 2012.

Second Quarter Results : October, 2012.

Third Quarter Results : January, 2013.

Forth Quarter Results : April, 2013.

iii) Date of Book Closure : 28.09.2012 to 29.09.2012

(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. The Delhi Stock Exchange Association Limited(DSE),
DSE House, 3/1 AsafAli Road, New Delhi- 110 002.

3. The Stock Exchange Mumbai(BSE),
1st Floor, New Trading Ring,
Rotunda Building, P.J.Towers,
Dalai Street, Fort, Mumbai- 400 001.

vi) Stock Code:

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

vii) Stock Market price data for the year 2011- 2012

	BSE PRICES			BSE SENSEX	
	HIGH (RS)	LOW (RS)	HIGH (RS)	LOW (RS)	
April 2011	20.30	16.00	19,811.14	18,976.19	
May 2011	18.45	13.85	19,253.87	17,786.13	
June 2011	21.00	17.45	18,873.39	17,314.38	
July 2011	20.10	17.65	19,131.70	18,131.86	
Aug 2011	17.70	16.10	18,440.07	15,765.53	
Sept 2011	19.00	15.40	17,211.80	15,801.01	
Oct 2011	18.45	13.25	17,908.13	15,745.43	
Nov 2011	14.70	11.41	17,702.26	15,478.69	
Dec 2011	13.33	11.41	17,003.71	15,135.86	
Jan 2012	14.13	11.98	17,258.97	15,358.02	
Feb 2012	18.40	12.00	18,523.78	17,061.55	
Mar 2012	17.85	17.00	18,040.69	16,920.61	

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,
246, 1st Floor, Sant Nagar, East of Kailash, NEW DELHI- 110064.
TEL: 26292682, 26292683, FAX: 26292681 Email-admin@skylinerta.com

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 the stipulated time.

GARG FURNACE LIMITED

x) Distribution of Shareholding as on 31st March, 2012

<u>Range No. of shares</u>	<u>Share holders Numbers</u>	<u>Shares % of total</u>	<u>Numbers</u>	<u>% to total</u>
Upto 500	1349	81.86	231147.00	5.77
501 to 1000	153	9.28	128759.00	3.21
1001 to 2000	57	3.46	87368.00	2.18
2001 to 3000	25	1.52	66638.00	1.66
3001 to 4000	16	0.97	56635.00	1.41
4001 to 5000	6	0.36	26617.00	0.66
5001 to 10000	15	0.91	112014.00	2.79
10001 and above	27	1.64	3299522.00	82.31
	<u>1648</u>	<u>100.00</u>	<u>4008700</u>	<u>100.00</u>

xi) Dematerialisation of shares

As on 31st March, 2012, 64.31 % of the Equity Share Capital comprising 25,77,825 Equity Shares was 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- 4692400(30 lines)

Fax : 0161- 2512285

Email : gargfurnace@yahoo.com

Chairman's Declaration

I Devinder 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 2012.

Place: LUDHIANA

Date : 31/08/2012

SD/-
Devinder Garg
CHAIRMAN

**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, 2012 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 information 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
(Reg No. 000402N)

PLACE : LUDHIANA

DATE : 31.08.2012

(RAKESH SONI)
PARTNER
M. No. 83142

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 2012, the Profit and Loss Statement 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 Statement 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 Statement 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 2012 and taken on record by the Board of Directors, We report that none of the directors is disqualified as on 31st March 2012 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 read together with notes thereon 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, 2012.
- b). In the case of the Profit and Loss Statement, 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.

Place : LUDHIANA
DATE :- 31-08-2012

For Dass Khanna & Co.
Chartered Accountants
(Registration No. 000402 N)

(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, 2012)

- (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 secured or unsecured loan to the companies, firms or other parties covered in the register maintained under section 301 of the companies Act 1956. Therefore the provisions of Paragraph 4 (iii) (b) (c) and (d) of the above said order are not applicable to the company.
- b). 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 and balance outstanding at the end of the year is Rs. 1.74 Crores
- c). In our opinion, the terms and conditions on which loan has been taken are not prima facie prejudicial to the interest of the company.

GARG FURNACE LIMITED

- d). In our opinion and according to the information and explanation given to us, the payment of principal amount as agreed are regular. (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.
- (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. (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.
- (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. (xii) The company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities
- 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. (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society.
- (vi) In our opinion and according to the information and explanations given to us, 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 are not applicable to Company. 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. (xiv) In our opinion, the company has not dealt or traded in shares, securities, debentures and other investments
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business. (xv) The Company has not given guarantees for loan taken by others from banks. Therefore provisions of 4(XV) of above said order are not applicable to Company.
- (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. We have however not made a detailed examination of the record with a view to determine whether they are accurate or complete. (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.
- (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. (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.
- b). 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. (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 except additional income of Rs. 250.04 Lacs surrendered during survey proceedings conducted by Income Tax Department.

For Dass Khanna & Co.
Chartered Accountants
(Registration No. 000402 N)

(RAKESH SONI)
PARTNER
M. No. 83142

Place: LUDHIANA.
Date : 31-08-2012

GARG FURNACE LIMITED**BALANCE SHEET AS AT 31ST MARCH, 2012**

PARTICULARS	AS AT 31 ST MARCH, 2012		AS AT 31 ST MARCH, 2011		
		Rs.	P.	Rs.	P.
I. EQUITY AND LIABILITIES					
1 Shareholders' funds					
(a) Share Capital	3	40087000.00		40087000.00	
(b) Reserves & Surplus	4	253122161.34		236836167.28	
2 Non-current liabilities					
(a) Long-term borrowings	5	55257573.67		48253545.00	
(b) Deferred tax liabilities(Net)	6	13000858.00		7306553.00	
(c) Long-term provisions	7	1018320.00		1190614.00	
3 Current liabilities					
(a) Short-term borrowings	8	276330207.19		140844120.00	
(b) Trade Payables	9	263048107.72		132574710.57	
(c) Other current liabilities	10	45894701.22		41868850.23	
(d) Short-term provisions	11	687909.00		1768311.00	
TOTAL		948446838.14		650729871.08	
II. ASSETS					
1 Non-current assets					
(a) Fixed Assets	12				
(i) Tangible assets		143038934.19		71557431.10	
(ii) Capital work-in-progress		6298886.00		29507047.99	
(b) Non-current investments	13	27360000.00		25360000.00	
(c) Long-term loans and advances	14	39751286.25		7521372.25	
(d) Other Non Current Assets	15	10550000.00		10550000.00	
2 Current Assets					
(a) Inventories	16	128983487.20		93285566.00	
(b) Trade receivables	17	522416686.41		351659960.60	
(c) Cash and cash equivalents	18	2641469.93		1788743.73	
(d) Short-term loans and advances	19	62945088.16		59499749.41	
(e) Other Current Assets	20	4461000.00		0.00	
TOTAL		948446838.14		650729871.08	

See Accompanying Notes Forming Part of Financial Statements 1 To 39

This is the Balance Sheet referred to in our report of even date.
For Dass Khanna & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

(Rakesh Soni)
Partner

(Devinder Garg)
Chairman Cum
Managing Director

(Vaneera Garg)
Director

M.No. 83142
Place : Ludhiana
Dated : 31-08-2012

GARG FURNACE LIMITED

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED AT 31ST MARCH, 2012

PARTICULARS	Note No.	AS AT 31 ST MARCH, 2012 Rs. P.	AS AT 31 ST MARCH, 2011 Rs. P.
I. Revenue from operations	21	1941371316.00	1753474768.00
II. Other income	22	10042901.40	6840093.19
III. Total Revenue (I+II)		<u>1951414217.40</u>	<u>1760314861.19</u>
IV. EXPENSES :			
Cost of Materials consumed	23	1043935790.48	863506557.40
Purchases of stock-in-trade	24	653336213.30	635721260.00
Changes in inventories of finished goods work-in-progress and stock-in-trade	25	(12050695.83)	25523890.00
Employee Benefits Expenses	26	14881945.00	15469338.00
Financial Expenses	27	45676470.13	20448987.23
Depreciation and amortization	28	10592365.86	8083657.97
Other expenses	29	172784643.40	172609676.56
	Total	<u>1929156732.34</u>	<u>1741363367.16</u>
V. Profit before exceptional and extraordinary items and tax(III-IV)		22257485.06	18951494.03
VI. Profit before extraordinary and Exceptional items (V-VI)		22257485.06	18951494.03
VII. Extraordinary and Exceptional items		0.00	0.00
VIII. Profit before Tax		<u>22257485.06</u>	<u>18951494.03</u>
IX. Tax expense:			
(1) Current tax (MAT)		(4461000.00)	(6120000.00)
Less: MAT Tax Credit Entitlement		4461000.00	
(2) Deferred tax		(5694305.00)	(497235.00)
(3) Taxes relating to earlier years		<u>(277186.00)</u>	<u>478.00</u>
X. Profit for the period after Tax		<u>16285994.06</u>	<u>12334737.03</u>
XI. Earing per equity share:			
(1) Basic		4.06	3.08
(2) Diluted		4.06	3.08

See Accompanying Notes Forming Part of Financial Statements 1 To 39

This is the Profit & Loss statement referred to in our report of even date.

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

**(Rakesh Soni)
Partner**

M.No. 83142
Place : Ludhiana
Dated : 31-08-2012

FOR AND ON BEHALF OF THE BOARD

**(Devinder Garg)
Chairman Cum
Managing Director**

**(Vaneera Garg)
Director**

GARG FURNACE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

PARTICULARS	AS AT 31 ST MARCH, 2012	AS AT 31 ST MARCH, 2011
	Rs. P.	Rs. P.
(A) Cash Flow From Operating Activities :		
Net Profit before tax	22,257,485.06	18,951,394.03
Adjusted for :		
Depreciation	10,592,365.86	8,083,657.97
Interest Received	(4,474,964.00)	(5,659,939.00)
Interest Charged	42,812,659.97	18,143,033.19
Prior Year adjustment	0.00	0.00
(Profit)/Loss on sale of Fixed Assets	522,501.54	11,095.00
Operating Profit before working Capital Changes	<u>71,710,048.43</u>	<u>39,327,206.79</u>
Adjusted for :		
Trade and other Receivables	(204,963,768.56)	(59,463,069.76)
Inventories	(35,697,921.20)	40,552,897.00
Trade Payables & Provisions	133,246,552.14	(31,535,836.52)
Cash Generated From Operations	(35,705,089.19)	(11,118,802.49)
Taxes Paid	(6,206,396.00)	(6,019,522.00)
Net Cash from operating Activities	(A) <u>(41,911,485.19)</u>	<u>(17,138,324.49)</u>
(B) Cash From Investing Activities		
Purchase of fixed assets	(63,598,208.50)	(50,669,415.99)
Sale of fixed assets	4,210,000.00	5,226,000.00
Purchase of Investments	(2,000,000.00)	-
Interest received	4,474,964.00	5,659,939.00
Net Cash from Investing Activities	(B) <u>(56,913,244.50)</u>	<u>(39,783,476.99)</u>
(C) Cash Flow From Financing Activities		
Proceeds from Short Term borrowings (Net)	135486087.19	10841450.96
Proceeds from Long Term Borrowings (Net)	7,004,028.67	63,182,827.19
Interest paid	(42,812,659.97)	(18,143,033.19)
Net cash from Financing Activities	(C) <u>99,677,455.89</u>	<u>55,881,244.96</u>
Net Increase in Cash and Cash Equivalents (A+B+C)	<u>852,726.20</u>	<u>(1,040,556.52)</u>
Cash and Cash Equivalents (Opening Balance)	1,788,743.73	2,829,300.25
Cash and Cash Equivalents (Closing Balance)	2,641,469.93	1,788,743.73
Bank Balances not considered as cash equivalents	10,550,000.00	10,550,000.00

Subject to our separate report of even date

For Dass Khanna & Co.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

(Rakesh Soni)
Partner

(Devinder Garg)
Chairman Cum
Managing Director

(Vaneera Garg)
Director

M.No. 83142
Place : Ludhiana
Dated : 31-08-2012

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012**1. Corporate Information:**

Garg Furnace Limited is a Public Limited company incorporated in India under Provisions of Companies Act 1956. Its shares are listed in Bombay Stock Exchange, Delhi stock exchange and Ludhiana stock exchange. The Company is engaged in manufacturing of Alloy and Non Alloy Steel Ingots, Wire Rod, Wire Round, Mig Wire, casting of Iron products and trading of Iron, Steel and Textile products.

2. Significant Accounting Policies:**2.1 Basis of preparation of financial statements**

The financial statements of the company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The company has prepared these Financial Statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standard) Rules 2006, (as amended) and the relevant provisions of Companies Act 1956. Financial Statements have been prepared in accordance with historical cost convention on accrual basis.

The Accounting policies adopted in preparation of financial statements are consistent with those of previous year.

All assets and liabilities have been classified as current and non-current as per company's normal operating cycle and other criteria set out in the Revised Schedule-VI of Companies Act 1956. Based on nature of business company has ascertained its operating cycle as 12 months for purpose of current or non current classification of assets and liabilities.

2.2 Presentation and disclosure of financial statements

For the year ended 31st March 2012, the revised schedule notified under Companies Act 1956 has become applicable to company, for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in current year.

2.3 Use Of Estimates:

The presentation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the period in which results are known/materialized.

2.4 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
& weighted average material cost for inhouse manufactured items. |
| iii) | For Work in Process & Finished Goods | - Weighted Average Material Cost
Plus Conversion Cost. |
| iv) | For Goods in transit | - At Cost plus expenses incurred up to their present condition and location. |

2.5 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.

2.6 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.

2.7 Fixed Assets

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

2.8 Revenue Recognition

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

2.9 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012**2.10 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.

2.11 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.

2.12 Accounting for Taxes on income :**Current Taxes**

Current Tax is determined as the amount of tax payable in respect of taxable income for period after considering tax allowances and exemptions.

Deferred Taxes

Deferred Tax is recognized, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more accounting period.

Minimum Alternate Tax

Minimum Alternative Tax credit is recognized as an asset only when & to the extent there is convincing evidence that the Company will pay normal tax during the specified period. Such asset is reviewed at each Balance Sheet date & the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the company will pay normal income tax during the specified period.

2.13 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.

2.14 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.

2.15 Provisions and Contingent Liabilities

(i) Provisions 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 economics 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.

2.16 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. There are no Dilutive Potential Shares outstanding during the period, so DEPS is same as BEPS.

2.17 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.

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 3 :SHAREHOLDER'S FUNDS-SHARE CAPITAL

ANNEXURE- A

PARTICULARS	AS AT 31-03-2012 Rs.	AS AT 31-03-2011 Rs.
(a) <u>AUTHORISED</u> 1,00,00,000 Equity Shares. of Rs 10 each fully paid up	100000000.00	100000000.00
(b) <u>ISSUED, SUBSCRIBED & PAID UP</u> 40,08,700 Equity Shares of Rs. 10/- each fully paid up	40087000.00	40087000.00
	40087000.00	40087000.00

(c) **Reconciliation of shares outstanding at the beginning and at the end of the reporting period.**

Particular	As at 31st March 2012		As at 31st March 2011	
	No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning of the year	4008700	40087000.00	4008700	40087000.00
Movement during the year	0	0.00	0	0.00
Shares outstanding at the end of the year	4008700	40087000.00	4008700	40087000.00

(d) **Aggregate number and class of shares allotted as fully paid up pursuant to contracts without payment being received in cash, bonus shares for the period of five years immediately preceeding the reporting date:**

Particular	As at 31st March 2012		As at 31st March 2011	
	Aggregate of number of Shares		Aggregate of number of Shares	
Equity Shares Allotted as fully paid up by way of bonus Shares	NIL		NIL	

(e) **Disclosure of More Than 5% Shareholding**

Name of Shareholder	As at 31st March 2012		As at 31st March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
i) Shiv Narayan Investments Pvt Ltd	560000	13.97	560000	13.97
ii) Rajiv Garg	287720	7.18	287720	7.18
iii) Devinder Garg	284040	7.09	283840	7.08
iv) Sanjeev Garg	222120	5.54	222120	5.54
v) Toshak Garg	216950	5.41	Nil	0.00
vi) Garg Fincap Ltd	206600	5.15	206600	5.15
vii) Jagdish Chand Garg	Nil	0.00	279640	6.98

NOTE 4 :RESERVES & SURPLUS

PARTICULARS	As At			
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(a) Capital Reserves	2350000.00		2350000.00	
(b) Securities Premium Reserve	56530500.00		56530500.00	
(c) General Reserve				
Opening Balance	162923930.00		149923930.00	
Add: Transfer from surplus account	15000000.00		13000000.00	
Closing Balance	177923930.00		162923930.00	
(d) Surplus				
Opening Balance	15031737.28		15697100.25	
Add: Profit for the year	16285994.06		12334637.03	
Less : Transfer to general reserve	(15000000.00)		(13000000.00)	
Closing Balance	16317731.34		15031737.28	
TOTAL	253122161.34		236836167.28	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 5 :LONG-TERM BORROWINGS

	Non Current Portion				Current Maturities			
	As at		As at		As at		As at	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2011	31.03.2011
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
Secured Loans								
(a) Term Loans from Banks	50105517.19		38838045.19		12500000.00		9375000.00	
Unsecured Loans:								
(a) Loans and advances from related parties								
-From Directors-		0.00		50000.00		0.00		50000.00
(b) Other Loans and advances								
i) Vehicle Loans from Banks	4844293.48		9105335.29		8703586.18		10238279.71	
ii) Vehicle Loans from Companies	307763.00		260164.52		410243.25		236202.48	
	55257573.67		48253545.00		21613829.43		19899482.19	
Amount disclosed under other current liabilities see note no 10		Nil		Nil		21613829.43		19899482.19
Total	55257573.67		48253545.00		Nil		Nil	

Details Of Security:

- (a) Term Loans From banks are Secured by equitable mortgage of entire Land & Building & Fixed Asstets (immovable and movable) of the Company both present and future ranking parri passu basis and further secured by charge on the entire current assets of the company and personal guarantee of two directors.
- (b) Vehicle loans from banks and companies are secured by hypothecation of the concerned vehicles.
- (c) Term Loan from Banks carry an interest rate of 12.75% p.a. are repayble.

YEAR ENDED	AMOUNT OF REPAYMENT
31/03/2013	12500000.00
31/03/2014	12500000.00
31/03/2015	12500000.00
31/03/2016	12500000.00
31/03/2017	12605517.19
TOTAL	62605517.19

- (d) Vehicle Loans from banks & companies are repayble in monyhly payments.
The rate of Interest and year wise repayment due is as under:

	Loan No 17744622 Dt 10/12/2010	Loan No 17740527 Dt 10/12/2010	Loan No 17740655 Dt 10/12/2010	Loan No 17740707 Dt 10/12/2010
Financer's name	HDFC BANK LTD	HDFC BANK LTD	HDFC BANK LTD	HDFC BANK LTD
Outstanding amount of Loan	1002756.00	971237.38	403914.23	157575.93
Rate of Interest	11.42	11.42	11.42	11.42
Mode of Repayment	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT
	Loan No 1773265 Dt 10/12/2010	Loan No 19366018 Dt 05/09/2011	Loan No 18333969 Dt 10/03/2011	Loan No 1653041 Dt 10/03/2011
Financer's name	HDFC BANK LTD	HDFC BANK LTD	HDFC BANK LTD	HDFC BANK LTD
Outstanding amount of Loan	157575.93	1027679.34	4662887.00	782533.27
Rate of Interest	11.42	15.20	14.55	11.42
Mode of Repayment	MONTHLY	MONTHLY	MONTHLY	MONTHLY

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

	INSTALLMENT	INSTALLMENT	INSTALLMENT	INSTALLMENT
	Loan No 5000547342 Dt 05/05/2010	Loan No 20099926 Dt 02/12/2011	Loan No 20132893 Dt 02/12/2011	Loan No 16717392 Dt 03/06/2010
Financer's name	TATA MOTORS FINANCE LTD	HDFC BANK LTD	KOTAK MAHINDRA PRIME LTD	HDFC BANK LTD
Outstanding amount of Loan	260165.24	1353176.23	457841.00	844953.84
Rate of Interest	14.18	13.54	17.57	11.42
Mode of Repayment	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT
	Loan No 20129231 Dt 02/12/2011	Loan No 20176546 Dt 02/03/2012		
Financer's name	HDFC BANK LTD	HDFC BANK LTD		
Outstanding amount of Loan	934223.46	1274367.05		
Rate of Interest	13.55	17.00		
Mode of Repayment	MONTHLY INSTALLMENT	MONTHLY INSTALLMENT		

YEARWISE REPAYMENT DUE:

YEAR ENDED	FROM BANKS	FROM COMPANY/ESTAL	
	AMOUNT OF REPAYMENT	AMOUNT OF REPAYMENT	
31/03/2013	8703586.17	410243.25	9113829.42
31/03/2014	4289342.95	168283.00	4457625.95
31/03/2015	579950.54	139480.00	719430.54
TOTAL	13572879.66	718006.25	14290885.91

NOTE 6 : DEFERRD TAX LIABILITIES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Deferred Tax Liability:				
<u>Fixed Assets</u> : Impact of difference between Tax Depreciation and depreciation/amortisation for financial reporting period				
	14775273.00		7856868.00	
	14775273.00		7856868.00	
Deferred tax Asset:				
Impact of Expenditure charged to statement of profit and loss in the				
	1774415.00		550315.00	
current year but allowed for tax purpose on payment basis	1774415.00		550315.00	
Deferred Tax Liability Net	Total (a-b)		13000858.00	7306553.00

NOTE 7 : LONG TERM PROVISION

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Provision for employee benefits.	1018320.00		1190614.00	
-Gratuity-				
	Total		1018320.00	1190614.00

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 8 :SHORT TERM BORROWINGS

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Secured Loans:				
(a) Loans repayable on demand -From banks-	264430207.19		140844120.00	
Unsecured Loans:				
(b) -From Related parties-	11900000.00		0.00	
Total	276330207.19		140844120.00	

Details of Security:

- (a) (The Working Capital Loans are Secured by hypothecation of stock in trade, Book Debts of the company, the overdraft is further secured by Equitable Mortgage of Land, Building and Hypothecation of Plant and machinery of the company and personal guarantee of two Directors. And it carries interest @ 12.75% p.a)
- (b) Unsecured loans from Related Parties are interest free loans and are repayable on demand.

NOTE 9 :TRADE PAYABLES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(a) Acceptances Payable	152698561.00		68948421.00	
(b) Other than acceptances*	110349546.72		63626289.57	
Total	263048107.72		132574710.57	

*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 has not been given.

NOTE 10 :OTHER CURRENT LIABILITIES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(a) Current maturities of long-term debt (Refer Note 5)	21613829.42		19899482.19	
(b) Other Payables:				
(a) Statutory remittances *	4620185.00		1937175.00	
(b) Employee Related Payments	1104219.00		1255824.00	
(c) Expenses Payable	5846798.80		5034745.04	
(d) Advances from Customers	12709669.00		13741624.00	
Total	45894701.22		41868850.23	

* Statutory remittances include Contribution to Provident fund, ESIC, TDS, Excise duty, Service Tax, Vat etc.

NOTE 11:SHORT-TERM PROVISIONS

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(a) Provision for Employee benefits. -Gratuity-	672409.00		465964.00	
(b) Other				
i) Provision for Income Tax (net of Advance Tax)	-		1302347.00	
ii) Provision for wealth Tax	15500.00		-	
Total	687909.00		1768311.00	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

Note 12

Fixed Assets

(Value in Rs.)

S.N NAME OF THE ASSETS	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	AS AT 01.04.2011	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	TOTAL AS AT 31.03.2012	AS AT 01.04.2011	PROVIDED DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL AS AT 31.03.2012	AS AT 31.03.2012	AS AT 31.03.2011
1. Land	1963626.40	504500.00	0.00	2468126.40	0.00	0.00	0.00	0.00	2468126.40	1963626.40
2. Building	18215369.69	10589499.00	0.00	28804868.69	6961716.00	723265.00	0.00	7684981.00	21119887.69	11253653.69
3. Plant & Machinery	115539514.35	70179529.49	0.00	185719043.84	82551185.87	7042666.94	0.00	89593852.81	96125191.03	32988328.48
4. Vehicles	31689699.88	4580557.00	7356825.00	28913431.88	7033439.02	2634855.55	2624323.46	7043971.11	21869460.77	24656260.86
5. Office Equipments	1711300.66	553468.00	0.00	2264768.66	1168674.43	137252.37	0.00	1305926.80	958841.87	542626.23
6. Furnitures & Fixtures	780497.45	398817.00	0.00	1179314.45	627562.01	54326.00	0.00	681888.01	497426.44	152935.44
TOTAL	169900008.43	86806370.49	7356825.00	249349553.92	98342577.33	10592365.86	2624323.46	106310619.73	143038934.19	71557431.10
Previous Year Figures	156000320.43	23906411.00	10006723.00	169900008.43	95028546.76	8083657.97	4769627.40	98342577.33	71557431.10	

NOTE 13 :NON CURRENT INVESTMENT

PARTICULARS	AS AT 31.03.2012 Rs. P.		AS AT 31.03.2011 Rs. P.	
	Other Invetments (At Cost):			
Unquoted:				
(a) investments in Equity Instruments :				
i) 412000 Equity Shares of Rs. 10/-each fully paid up in Gargsons Investments Pvt.Ltd.		4120000.00		4120000.00
ii) 212000 Equity Shares of Rs. 10/-each fully paid up in Sudhir Forgings Pvt. Ltd.		2120000.00		120000.00
iii) 412000 Equity Shares of Rs. 10/-each fully paid up in Shubham Investment Pvt.Ltd.		4120000.00		4120000.00
(b) Investments in Preference Shares 17,00,000, 6% Redeemable Non Cumulative Preference Shares of Rs 10 each each fully paid in Garg Acrylics Ltd.		17000000.00		17000000.00
Total		27360000.00		25360000.00

	AS AT 31.03.2012 Rs. P.		AS AT 31.03.2011 Rs. P.	
	Aggregate amount of unquoted investments.		27360000.00	
Aggregate provision for diminution in value of investments.		Nil		Nil

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 14 :LONG-TERM LOANS AND ADVANCES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Unsecured,considered good				
(a) Capital Advances	200000.00		0.00	
(b) Security Deposits	4716387.25		3209387.25	
(c) Electricity Bills Under Challenges	30594899.00		71985.00	
(d) Others	4240000.00		4240000.00	
Total	39751286.25		7521372.25	

NOTE 15 :OTHER NON CURRENT ASSETS

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Non Current Bank Balances	10550000.00		10550000.00	
-fixed deposits with more than twelve months maturity-				
Total	10550000.00		10550000.00	

NOTE 16:INVENTORIES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(Taken as valued and certified by the Management)				
Raw Materials*	75927553.07		72890438.00	
Work In Progress.	3822127.00		1925888.00	
Finished Goods	22698092.83		12543636.00	
Stores & Spares	26535714.30		5925604.00	
Total	128983487.20		93285566.00	

* Stock of Raw Materials include Goods In Transit Rs. 36,41,641.14

NOTE 17 :TRADE RECEIVABLES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Unsecured,considered good:				
i) Outstanding for a period exceeding six months from the date they are due.	130455941.23		33568528.57	
ii) Other Debts	391960745.18		318091432.03	
Total	522416686.41		351659960.60	

NOTE 18:CASH AND CASH EQUIVALENTS

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(a) Balances with Scheduled Banks in C/A	551484.26		202092.42	
(b) Cash in Hand & Imprest Balances	2089985.67		1586651.31	
(c) Other Bank Balances				
- Deposits with more than twelve months Maturity - (held as margin)	10550000.00		10550000.00	
less: Amount disclosed as other non current assets (Refer note 15)	(10550000.00)		(10550000.00)	
Sub total	0.00		0.00	
Total (a+b+c)	2641469.93		1788743.73	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 19 :SHORT TERM LOAN AND ADVANCES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
(Unsecured,considered good unless otherwise stated)				
(a) Balance With Government Authorities	21449444.00		19306951.00	
(b) Advance To Employees	222508.00		374561.00	
(c) Advances To Suppliers	22434310.88		25982261.84	
(d) Advance Tax (net of Provision for Taxation)	1468210.00		0.00	
(e) Prepaid Expenses	1548210.00		554545.00	
(f) Others Recoverables*	15822405.28		13281430.57	
Total	62945088.16		59499749.41	

*Other Recoverables include DEPB Licences, Loan to party, Income Tax refundable etc.

NOTE 20 :OTHER CURRENT ASSETS

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
MAT Credit recoverable	4461000.00		0.00	
Total	4461000.00		0.00	

NOTE 21:REVENUE FROM OPERATIONS

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Sale of Products	2055899733.73		1867581180.00	
Other operating revenue	25004000.00		468600.00	
	2080903733.73		1868049780.00	
Less: Excise Duty	139532417.73		114575012.00	
Total	1941371316.00		1753474768.00	

DETAILS OF PRODUCTS SOLD:

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Iron and Steel:				
Ingots	473901233.73		469556240.00	
Round	590261950.00		596559090.00	
Scrap	116082073.00		41937291.00	
Wire Rod	298597755.00		130010606.00	
Steel Teeth	21676258.00		9574476.00	
Unmachined Casting	17251555.00		20513783.00	
Billets	0.00		18930.00	
Others Iron & steel products	110738036.00		100679863.00	
Textile:				
Knitted Cloth	412451056.00		254766882.00	
T-shirts	0.00		186834149.00	
Fabric	0.00		661538.00	
Yarn	0.00		32288054.00	
Blended Yarn	0.00		24180278.00	
Dyes & Chemicals	14939817.00		0.00	
Total	2055899733.73		1867581180.00	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 22 : OTHER INCOME

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Interest received	4474964.00		5659939.00	
Rent Received	95831.00		339732.00	
Rebate & Discount Received	2435.00		0.00	
Sundry Balances Written Back	5469671.40		407970.19	
Misc. Income	0.00		432452.00	
Total	10042901.40		6840093.19	

NOTE 23 : COST OF MATERIALS CONSUMED

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Opening Stock of Raw Material	72890438.00		71654318.00	
Add : Purchases	1043331264.41		864742677.40	
	1116221702.41		936396995.40	
Less : Closing Stock of Raw Material	72285911.93		72890438.00	
Total	1043935790.48		863506557.40	

DETAILS OF COST OF MATERIAL CONSUMED:

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Melting Scrap	436383575.66		352098040.57	
Ferros	16166867.00		23299008.00	
M.S Ingots	285493987.00		192182659.83	
Billets	279134842.85		295926849.00	
Wire Rod	26756517.97		0.00	
Total	1043935790.48		863506557.40	

NOTE 24: PURCHASES OF STOCK IN TRADE:

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2012	
	Rs.	P.	Rs.	P.
Iron and Steel Products:				
M.S Scrap	68943501.65		133172.00	
Non alloy Steel Round	12353625.00		3099179.00	
Wire Rod	48563313.00		34583307.00	
Non Alloy Steel Ingot	0.00		4325949.00	
Others Iron and Steel Products	109666347.00		107277965.35	
Textile Products:				
Knitted Cloth	400887581.65		243695299.65	
Blended Yarn	0.00		31956946.00	
Fabric	0.00		625622.00	
Cotton Yarn	0.00		24019054.00	
T-Shirts	0.00		186004766.00	
Dyes And chemicias	12921845.00		0.00	
Total	653336213.30		635721260.00	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 25 :CHANGE IN INVENTORIES

PARTICULARS	AS AT 31.03.2012		AS AT 31.03.2011	
	Rs.	P.	Rs.	P.
(a) OPENING STOCK:				
Finished Goods	12543636.00		37597804.00	
Work in progress	1925888.00		2395610.00	
Total (a)	14469524.00		39993414.00	
(b) CLOSING STOCK:				
Finished Goods	22698092.83		12543636.00	
Work in progress	3822127.00		1925888.00	
Total (b)	26520219.83		14469524.00	
Total(a-b)	(12050695.83)		25523890.00	

Details Of Inventory:

PARTICULARS	AS AT 31.03.2012		AS AT 31.03.2011	
	Rs.	P.	Rs.	P.
Work in progress:				
Steel Teeth	3822127.00		1925888.00	
Total	3822127.00		1925888.00	
Finished Goods:				
Ingots	2725949.00		4561996.00	
M.S Runner And Riser	199756.83		456194.00	
Round	4307492.00		2280150.00	
Mig Wire CC Steel Wire	2280680.00		0.00	
Steel Wire Rod	2568688.00		2702150.00	
Miss Rolls/End Cutting/Ingot Moulds	8546691.00		773512.00	
Unmachined Steel Casting	2068836.00		1769634.00	
Total	22698092.83		12543636.00	

NOTE 26 :EMPLOYEE BENEFITS EXPENSE

PARTICULARS	AS AT 31.03.2012		AS AT 31.03.2011	
	Rs.	P.	Rs.	P.
Salaries, Wages & Other Allowances	13189863.00		13749896.00	
Staff & Labour Welfare	337935.00		256304.00	
Contribution to Provident and other funds	1354147.00		1463138.00	
TOTAL	14881945.00		15469338.00	

NOTE 27:FINANCE COST

PARTICULARS	AS AT 31.03.2012		AS AT 31.03.2012	
	Rs.	P.	Rs.	P.
Interest Expense	42812659.97		18143033.19	
Foreign Exchange Flucuation Charges	131941.00		339119.00	
Other borrowing costs	2731869.16		1966835.04	
TOTAL	45676470.13		20448987.23	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

NOTE 28 :DEPRECIATION

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Depreciation on tangible assets	10592365.86		8083657.97	
TOTAL	10592365.86		8083657.97	

NOTE 29 :OTHER EXPENSES

PARTICULARS	AS AT		AS AT	
	31.03.2012		31.03.2011	
	Rs.	P.	Rs.	P.
Store & Spare consumed	41512805.20		57254294.00	
Power and Fuel	113758626.28		100400261.00	
Machinery Repair and Maintenance	3759547.00		4076213.00	
Electric Repair and Maintenance	211262.00		220322.00	
Excise Duty on Closing Stock	2496871.00		1171345.00	
Machining & Grinding Expenses	722405.00		28500.00	
Rates & Taxes	661772.40		887774.30	
Postage, Telegrams, Telephone and Telex	346423.73		291660.40	
Printing & Stationery	334402.00		216825.00	
Legal & Professional Charges	937763.72		595938.00	
Insurance	968223.00		946090.00	
Directors Remuneration	2215000.00		1720000.00	
Auditor's Remuneration				
-Audit Fee	115000.00		115000.00	
-Tax Audit Fee	35000.00		35000.00	
Cost Audit Fee	30000.00		20000.00	
Repairs & Maintenance				
-Building	136275.00		76187.00	
-Vehicles	1238702.37		1423988.61	
-Office Equipments	56723.00		67271.00	
Travelling Expenses				
- Directors	1840.00		166148.61	
- Others	67214.00		2500.00	
Festival Expenses	314934.00		0.00	
Loss on Sale of Fixed Assets	522501.54		11095.60	
Carriage, Freight & Octroi Outwards	-222038.00		1367631.00	
Advertisement	172050.00		94157.00	
Brokerage & Commission	1419357.00		1145589.00	
Rebate & Discount	286763.36		0.00	
Export Expenses	0.00		2956.04	
Sales Promotions	115792.00		0.00	
Service Tax Paid	156101.80		17058.00	
Subscription and Periodicals	144404.00		90910.00	
Charity and Donation	10000.00		23250.00	
Miscellaneous Expenses	232892.00		108631.00	
Listing Fee	26030.00		33081.00	
TOTAL	172784643.40		172609676.56	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

30. Contingent Liabilities

(I)	As at 31 st March-2012	As at 31 st March 2011
a). For Bank Guarantees and letter of credit outstanding	Rs. 1557.38 Lacs	Rs. 701.07 Lacs
b). Other Contingent Liabilities	NIL	Rs. 16475.00 Lacs

C). Other monies for which company is contingently liable:

The company has contested the demand of Punjab Power Corporation Ltd of Rs 72306370/- on account of voltage surcharge. As Against this a sum of Rs 30594899/- has been deposited under protest and stands included under the head "Advances Recoverable in cash or In kind." The Company has filed an appeal in Punjab and Haryana High Court. Honourable High court has granted stay in disconnection of supply of electricity of company. No provision in accounts has been made in respect thereof.

(II) Commitments:

	As at 31 st March-2012	As at 31 st March 2011
a) Estimated amount of contracts Remaining to be executed on Capital account (net of advances)	Rs.13.30 Lacs	Rs 13.36 lacs

31. Debit or Credit Balances on whatsoever account are subject to confirmation from parties.

32. 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.

Disclosure under Accounting Standards:

33. 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:-

Basic Earnings	2011-12	2010-11
a) Calculation of weighted average number of Equity shares of Rs. 10/- each		
Number of Equity Shares at the beginning of the year	4008700	4008700
Number of equity shares at the end of the year	4008700	4008700
Weighted average number of equity Shares Outstanding during the year	4008700	4008700
b) Net profit after tax available for Equity share holders	Rs.16285994	Rs.12334637
c) Basic earning per Equity shares of Rs. 10/- each	Rs. 4.06	Rs. 3.08
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	4008700	4008700
Number of equity shares at the end of the year	4008700	4008700
Weighted average number of equity Shares Outstanding during the year	4008700	4008700
b) Net profit after tax available for Equity share holders	Rs.16285994	Rs.12334637
c) Diluted earning per share of Rs. 10/- each	Rs. 4.06	Rs. 3.08

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

34. 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. 10,00,000.00.

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 statement and the funded status and the amount recognized in the balance sheet for the gratuity plan

	31-03-2012		31-03-2011	
	Rs.	P	Rs.	P
1. CHANGES IN THE PRESENT VALUE OF OBLIGATION				
Present value of obligation at the beginning of the Period	16,56,578.00		24,39,234.00	
Interest Cost	1,34,368.00		1,62,132.00	
Current Service Cost	2,57,108.00		3,26,202.00	
Benefits Paid	(2,24,225.00)		(9,47,990.00)	
Actuarial (Gain)/Loss on Obligation	(1,33,100.00)		(3,23,000.00)	
Present Value of Obligation at the end of the period	16,90,729.00		16,56,578.00	
2. 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.	--		--	
3. 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	16,90,729.00		16,56,578.00	
Funded Status	(16,90,729.00)		(16,56,578.00)	
4. ACTUARIAL GAIN/ LOSS RECOGNIZED				
Actuarial gain/(loss) on Obligation	1,33,100.00		3,23,000.00	
Actuarial gain/(loss) on Plan Assets	--		--	
Total (gain)/loss for the period	(1,33,100.00)		(3,23,000.00)	
Actuarial(gain)/loss recognized in the period	(1,33,100.00)		(3,23,000.00)	
Unrecognized Actuarial (gain)/loss at the end of the period	--		--	
5. AMOUNT TO BE RECOGNIZED IN THE BALANCE SHEET				
Present value of obligation at the end of the period	16,90,729.00		16,56,578.00	
Fair value of Plan assets at the end of the period	--		--	
Funded Status	(16,90,729.00)		(16,56,578.00)	
Unrecognized Actuarial (Gain)/Loss at the end of the period	--		--	
Net Assets/(Liability) recognized in the Balance sheet	(16,90,729.00)		(16,56,578.00)	

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

6. EXPENSE RECOGNIZED IN THE STATEMENT OF PROFIT & LOSS			
Current Service Cost		2,57,108.00	3,26,202.00
Interest Cost		1,34,368.00	1,62,132.00
Expected Return on Plan assets			-
Actuarial (Gain)/Loss recognized in the period		(1,33,100.00)	(3,23,000.00)
Expenses recognized in the statement of Profit & Loss		2,58,376.00	1,65,334.00
ACTUARIAL ASSUMPTION (ECONOMIC & DEMOGRAPHIC)			
i) Imputed rate of interest		08.70% P.A.	08.25% 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		16.74 Years	16.45 Years

Method of Valuation: Projected Unit Credit Method

35. Related Party Disclosure:

i) **Name of related parties and description of relationship**

A. Key Management Personnel

1. Late Sh. Jagdish Chand Garg
2. Sh. Davinder Garg- MD cum Chairman
3. Smt Vaneera Garg (Wholetime Director)
4. Sh Toshak Garg (Wholetime director)

ii) Enterprise owned or significantly influenced by key management personnel and their relatives.

- Vaaneera Steels Ltd.

Summary of Transaction	Enterprise over which KMP is able to exercise Significant Influence 31/03/12	31/03/11	Key Management Personnel	
			31/03/12	31/03/11
Rent Received	Nil	Nil		
Remuneration Paid			22150000.00	1720000.00
Loans Taken	17400000	Nil	Nil	
Sale Made	Nil	Nil		
Payment Made	Nil	Nil		
Balance Outstanding	11900000	Nil		

ii) 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.

36. 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.

37. Borrowing Costs Capitalized during the year Rs 14,47,125.50.(previous year Nil)

38. 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 product

GARG FURNACE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March 2012

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

	IRON & STEEL PRODUCTS	TEXTILE PRODUCTS	TOTAL
REVENUE			
External Sales	1628508860.73	427390873.00	2055899733.73
Inter Segment Sales	-----	-----	-----
Other Income	1894611.00	28677326.40	30571937.40
Total Revenue	1645343288.73	441128382.40	2086471671.13
RESULT			
Segment Result	29596972.55	42257119.40.40	71854091.95
Unallocated Corporate Expenses			8395100.76
Operating Profit			63458991.19
Interest Expense			41201506.13
Income Tax - current			Nil
- deferred			(5694305.00)
- related to earlier years-			(277186.00)
Profit from ordinary activities			16285994.06
Extra ordinary loss/(income)			0.00
Net Profit			16285994.06

OTHER INFORMATION

Segment Assets	707768774.15	58562060.33	766330834.48
Unallocated Corporate Assets			33289210.00
Total Assets			799620044.48
Segment Liabilities	281328916.86	188755.00	281517671.86
Unallocated Corporate Liabilities			366213986.28
Total Liabilities			647731658.14
Capital Expenditure	249349553.92		249349553.92
Depreciation	106310619.73		106310619.73
Non Cash Expenses other than depreciation	-----	-----	-----

39. The Information required by paragraph 5 of general instructions for prepartion of Statement of profit and loss as per revised schedule VI of Companies Act 1956:

(A) CIF value of Imports	Current year	Previous Year
Raw Material	Rs 24,75,28,184.24	Rs 11,44,42,278.41

(B) Earning in foreign Currency	Current year	Previous Yea
FOB value of export of goods	NIL	Rs 14,97,481.00

(C) Value of Imported & Indigenous raw material & stores consumed.

	Current Year		Previous Year	
	Value	%age	Value	%age
Raw Material				
Indigenous	76,94,45,936.85	73.71	76,71,81,625.00	86.84
Imported	27,44,89,853.63	26.29	11,62,85,285.00	13.16
Stores & Spares				
Indigenous	4,15,12,805.20	100.00	5,72,54,294.00	100.00

Note: Figures wherever in brackets stands for previous year.

For Dass Khanna & Co.
Chartered Accountants

For and on Behalf of the Board

(Rakesh Soni)
Partner
M.No. 83142
Place : Ludhiana
Dated : 31-08-2012

(Devinder Garg)
Chairman Cum
Managing Director

(Vaneera Garg)
Director

GARG FURNACE LIMITED

GARG FURNACE LIMITED
Regd. Office: Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana

PROXY FORM

I/We _____
Of _____ in the district of _____
_____ 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 39TH ANNUAL GENERAL MEETING of the Members of the Company to be
held on Saturday, the 29th day of September, 2012 at 9:30 A.M. at Regd. Office at Kanganwal Road, VPO Jugiana,
G.T. Road, Ludhiana.

Signed this _____ day of _____ 2012.

Signature _____
Address _____
Folio/DP ID/Client ID No. _____

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.

-----CUT HERE-----
GARG FURNACE LIMITED
Regd. Office: Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana

ATTENDANCE SLIP

I hereby record my presence at the 39th ANNUAL GENERAL MEETING of the above named Company being held at Regd. Office: Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana at 9:30 A.M. on Saturday, the 29th day of September, 2012.

Full Name of the Member _____ Signature _____
(In Block Letter)
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.

NO GIFTS/COUPONS SHALL BE DISTRIBUTED IN THE ANNUAL GENERAL MEETING.

BOOK POST
(PRINTED MATTER)

If undelivered please return to :-
GARG FURNACE LIMITED
Regd. Office :- Kangarwal Road,
Near Old Octroi Post Ambala Side,
V.P.O. Jugjana, G. T. Road,
LUDHIANA - 141 120.