



**38th
ANNUAL REPORT
2010-11**

GARG FURNACE LIMITED

MANAGEMENT**BOARD OF DIRECTORS**

CHAIRMAN & M.D.	-	Sh. J. C. Garg
MANAGING DIRECTOR	-	Sh. Davinder Garg
WHOLE TIME DIRECTOR	-	Smt. Vaneera Garg Sh. Toshak Garg
DIRECTOR (PROMOTER)	-	Sh. Sanjiv Garg
DIRECTOR (INDEPENDENT)	-	Sh. Yogi Raj Aggarwal Sh. Steven Soni Sh. Pawan Kumar Garg Sh. Sushil Singla Sh. Vivek Kaushal
AUDITOR	-	M/s. Dass Khanna & Co. B-XXX, 711, 1st Floor, Gurdev Nagar, Pakhowal Road, L U D H I A N A - 141 001.
COST AUDITOR	-	Khushwinder Verma & Associate H. No. S-200, Basant Vihar Colony, Noorwala Road, L U D H I A N A.
BANKERS	-	Punjab & Sind Bank Sabun Bazar, L U D H I A N A.
REGISTERED OFFICE & WORK	-	Kanganwal Road, Near Old Octroi Post Ambala Side, V.P.O. Jugiana, G. T. Road, L U D H I A N A - 141 120.

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NOTICE

Notice is hereby given that the 38th Annual General Meeting of the members of the company would be held on Friday, the 30th day of September, 2011 at 9:30 A.M. at the Registered office at Kanganwal Road V.P.O. Jugiana G.T. Road, Ludhiana to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date together with reports of Directors and Auditors thereon.
2. To appoint a director in place of Sh. Davinder Garg, who retires by rotation and being eligible offers himself for reappointment
3. To appoint a director in place of Smt. Vaneera Garg, who retires by rotation and being eligible offers herself for reappointment.
4. To appoint a director in place of Sh. J.C. Garg, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint auditors and to fix their remunerations M/s Dass Khanna & Co., Chartered Accountants Ludhiana, who retires on the conclusion of this meeting being eligible for reappointment

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:-
RESOLVED THAT Sh. Sushil Singla who was appointed as an additional director by the board of directors under Section 260 of the Companies Act 1956 on 11/05/2011, to hold office upto the date of ensuing Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956, be and is hereby appointed a director of the company, liable to retire by rotation under the Article of Association of the Company.
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:-
RESOLVED THAT Sh. Pawan Kumar Garg who was appointed as an additional director by the board of directors on 30/07/2011 under Section 260 of the Companies Act 1956, to hold office upto the date of ensuing Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956, be and is hereby appointed a director of the company, liable to retire by rotation under the Article of Association of the Company
8. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:-
RESOLVED THAT Sh. Stevon Soni who was appointed as an additional director by the board of directors on 30/07/2011 under Section 260 of the Companies Act 1956, to hold office upto the date of ensuing Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956, be and is hereby appointed a director of the company, liable to retire by rotation under the Article of Association of the Company.

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

RESOLVED THAT Sh. Yogi Raj Aggarwal who was appointed as an additional director by the board of directors on 30/07/2011 under Section 260 of the Companies Act 1956, to hold office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956, be and is hereby appointed a director of the company, liable to retire by rotation under the Article of Association of the Company.

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

RESOLVED THAT Sh. Toshak Garg who was appointed as an additional director by the board of directors on 30/07/2011 under Section 260 of the Companies Act 1956, to hold office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956, be and is hereby appointed a director of the company, liable to retire by rotation under the Article of Association of the Company.

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

RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 311, schedule XIII and other applicable provisions, if any, of the Companies Act '1956, the consent of the company be and is hereby accorded to the increased salary of Sh. Davinder Garg Managing Director of the company w.e.f 01-04-2011 of Rs.70000 P.M from Rs. 50000.00 PM, for his remaining tenure, who was appointed by the members for a period of 5 years w.e.f. 01-08-2010.

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

1. Salary : Rs. 70000/- per month (Rupees Seventy Thousand Only)
- 2 Commission : NIL
3. Perquisites : The following perquisites will be allowed in addition to salary subject to a maximum of Rs. 100,000/- P.a.
 - i) Expenditure incurred/reimbursed by Company on Gas, Electricity, Water & Furnishing subject to a ceiling of 10% of the salary.
 - ii) Medical re-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.
 - iii) Leave Travel Concession for self, spouse, dependant children and dependant parents once in a year to and from any place in India, subject to the condition that only actual fare and no hotel expenses will be allowed.
 - iv) Club Fees: Subject to a maximum of two clubs, admission and life membership will also be allowed.
 - v) Personal Accident Insurance: Premium not to exceed Rs. '10,000/- per annum.
 - vi) Gratuity payment shall not exceed half a month's salary for each completed year of service subject to a ceiling of Rs. 10,00,000/-.

FURTHER:

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

12. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution ;

RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 311, schedule XIII and other applicable provisions, if any, of the Companies Act 1956, the consent of the company be and is hereby accorded to the appointment of Sh. Toshak Garg as whole time Director of the company for 3 years w.e.f 01-09-2011 on a remuneration as per detail as given hereunder.

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

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

For and on behalf of the Board

Sd/-
Davinder Garg
Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company. In order the Proxies are effective it should be deposited with registered office of the company not less than forty eight hours before the time of the meeting.
2. The information pursuant to corporate Governance clause of listing agreement(s) regarding the directors seeking appointment/ reappointment in Annual General Meeting as proposed in item no. 2,3,4,6,7,8,9 &10 is also given hereunder and is part of this Notice.
3. The Register of Members and Share Transfer Register of the Company will remain closed from 29th September, 2011 to 30th September, 2011 (both days inclusive)
4. Members seeking any information with regard to Annual accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of Meeting so as to enable the management to keep the relevant information ready.
5. Members are requested to bring the copy of Annual Report arongwith them at the meeting.
6. Members are requested to notify immediately any change in their address & Email Address to the company/RTA.

For and on behalf. of the Board

Sd/-
DAVINDER GARG
Managing Director

Date : 29/08/2011

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

ITEM NO. 6 to 10

Sh. Sushil Singla has appointed as an additional director by Board of directors w.e.f 11/05/2011, and Sh. Pawan Garg, Sh. Stevon Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg have appointed as additional directors by Board of directors w.e.f, 30/07/2011 pursuant to the provisions contained in the Article 109 of the Article of Association of the Company and section 260 of the Companies Act, 1956. They all shall hold offices as director upto the date of ensuing Annual General Meeting of the company. The company has received notices together with requisite deposit from the members of the company under section 257 of the Companies Act, 1956 proposing the candidatures of Sh. Sushil Singla, Sh. Pawan Garg, Sh. Stevon Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg as directors of the company. Further the company has received declarations from Sh. Sushil Singla, Sh. Pawan Garg, Sh. Stevon Soni, Sh. Yogi Raj Aggarwal & Sh. Toshak Garg certifying that they are not disqualified in terms of section 274 (1) (g) of the Act.

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

ITEM No. 11:

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

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

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

ITEM No. 12:

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

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

For and on behalf of the Board

Sd/-

Davinder Garg
Managing Director

Place: LUDHIANA

Date: 29-08-2011

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

Name of the Director	Sh. Jagdish Chand Garg	Sh. Davinder Garg	Smt. Vaneera Garg	Sh. Pawan Garg	Sh. Sushil Single	Sh. Gaurav Soni	Sh. Yogi Raj Aggarwal	Sh. Toshak Garg
Date of Birth	14.07.1915	25.05.1966	25.05.1966	25/01/1960	14/10/1962	06/10/1967	30/07/1975	17/11/1960
Date of Appointment	Since Inception	19.01.1998	01.05.2010	30/07/2011	11/05/2011	30/07/2011	30/07/2011	30/07/2011
Qualification	Metric	B.A.	B.A.	BE	CA	LLB	CA	B-Tech
Expertise in Specific Area	Industrial and Business experience of about 37 yrs in Iron & Steel Industry.	Industrial and Business experience of about 22 yrs in Iron & Steel	Business experience of about 15 yrs in Iron & Steel	Industrial and Business experience of about 22 yrs in Iron & Steel Industry.	Practicing Chartered Accountant Since 1985	Advocate in Dist Court Ludhiana Since 1989	Practicing Chartered Accountant Since 1995	Nil
Directorship in other Companies	Nil	Garg Fincap Ltd., Avtar Export(P) Ltd., Vaneera Steels Ltd	Avtar Export(P) Ltd., Vaneera Steels Ltd,GAL Collex Pvt Limited	Nil	Shiva Textiles Ltd., Bhawani Industries Ltd., Yoginders Worsted Ltd., Shiva Speciality Yarns Ltd., Himachal Films Ltd.	Nil	Nil	Vaneera Steels Ltd
Chairman/Member of committees of other Companies	Nil	Nil	Nil	Nil		Nil	Nil	Nil

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@skyllinerta.com

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

DIRECTORS

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

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

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- i. That in the preparation of annual accounts, the applicable accounting standard have been followed and wherever required proper explanations relating to material departures have been given.
- ii. That appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year as at 31.03.2011 and of the profits of the company for the year ended 31.03.2011.
- iii. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. That annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The company has put in place a system of Corporate Governance. A Separate report on Corporate Governance forming part of the Annual Report is annexed hereto. A Certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under The

Corporate Governance clause of the Listing Agreement is annexed to the report on Corporate Governance.

AUDITORS

M/s Dass Khanna & Co. Chartered Accountants, Ludhiana retires at the conclusion of ensuing Annual General Meeting. They have indicated their willingness to accept reappointment and have further confirmed their eligibility u/s 224(1B) of the Companies Act, 1956.

The Auditor's Report is self explanatory and therefore do not call for any further comments.

COST AUDITORS

The Board of Directors has appointed M/s Khuswinder Kumar & Associates, Cost Accountants, Ludhiana as the Cost Auditors of the Company for the year 2010-11. The approval of the Central Government in this regard has also been received. The Cost Auditors Report will be sent to the Central Government as required under law.

FIXED DEPOSITS

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

INDUSTRIAL RELATIONS

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

PARTICULARS OF EMPLOYEES

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

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

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

ACKNOWLEDGMENT

The Directors wish to extend their sincere thanks to the Punjab & Sind Bank, Punjab State Power Corporation Limited, Container Corporation of India, other State & Central Government Agencies, Suppliers and Customers for their continued support and co-operation. The Directors also wish to place on record their deep appreciation for the services rendered by the workers & staff at all levels.

For and on behalf of the Board

Sd/-

Place: LUDHIANA.
Date: 29.08.2011

(JAGDISH CHAND GARG)
CHAIRMAN

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, 2011.

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
Electricity		
a) Purchased		
Units (KWH)(in Units)	19868240	21869306
Total amount @	Rs. 100400261.00	Rs. 108211462.00
Rate per unit	Rs. 5.05	Rs. 4.95
b) Own Generation		
i) Through Diesel Generator		
Units (KWH)	21850	22630
Units per litre of diesel	3.80	3.80
Oil Cost/unit	Rs. 9.73	Rs. 8.64
ii) Through steam Turbine	Nil	Nil
2. Furnace Oil		
Quantity (Ltrs)	1428865	1474870
Total Amount	Rs. 36686542.00	Rs. 31265659.00
Average Rate per Ltr.	Rs. 25.67	Rs. 21.20

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity (KWH)	Steel Ingots, Rounds, Castings/Wire Rod	512 Units(*)	597 Units(*)
Furnace Oil & Diesel	Rounds/Castings /Wire Rod	68 Ltrs.	77 Ltrs.

(*) Consumption for separate products is not feasible.

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are as under

- A. Research and Development (R&D) Nil
- B. Technology absorption, adoption and innovation Nil

The manufacturing process is based on the indigenous know-how. We are adopting water cooling system with heat exchanger and colloid-A- Tran equipment for improvement in the working of the plant.

III. FOREIGN EXCHANGE EARNING AND OUT GO

	2010-2011	2009-2010
Total Foreign Exchange earned	1497481.00	14725.00
Used (CIF Value of Imports)	Rs. 11,44,42,278.41.00	Rs. 139823953.00

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY

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

2. BOARD OF DIRECTORS

The Board of Directors consists of 8 directors. The composition and category of Directors as on 31/03/2011 are as follows:-

Category	Name of Directors	
Promoter/Executive Directors	Jagdish Chand Garg	- Chairman & Managing Director
	Sanjiv Garg	- Director
	Davinder Garg	- Managing Director
	Vaneera Garg	- Whole time Director
Independent/Non-Executive Directors	Ashwani Kumar	
	Arun Kumar Singh	
	Vivek Kaushal	
	Ashwani Kumar Aggarwal	
Nominee/Institutional Directors	Nil	

Attendance of each director at the Board Meeting, last Annual General Meeting and number of other directorship and chairmanship/Membership of

Name of Director	Attendance Particulars		No. of other directorships and Committee membership/Chairman-		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Jagdish Chand Garg	7	Present	2	None	None
Sanjiv Garg	7	Present	2	1	None
Davinder Garg	7	Present	3	1	None
Vaneera Garg*	4	Present	3	None	None
Ashwani Kumar	5	Present	9	2	2
Arun Kumar Singh	5	Present	None	2	None
Vivek Kaushal	7	Present	None	2	None
Ashwani Kumar Aggarwal	5	--	None	1	1
Rajiv Garg *	2	--			

Vaneera Garg become director of the company w.e.f 01.08.2010

* Rajiv Garg resigned from directorship w.e.f 31.07.2010

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: 30.04.2010, 17.06.2010, 31.07.2010, 18.08.2010, 24.09.2010, 31.10.2010 & 31.01.2011

3. AUDIT COMMITTEE

The Audit Committee comprises of three Independent, Non Executive Directors viz Sh. Ashwani Kumar Chairman, Sh Arun Kumar Singh & Sh Vivek Kaushal. The terms of reference of the Audit Committee are as contained in Corporate Governance Clause of the listing agreement. The Audit Committee met five times during the year. The dates on which meeting were held are 30.04.2010, 31.07.2010, 18.08.2010, 31.10.2010 & 31.01.2011. All the members of the Audit Committee have attended all the meetings.

4. REMUNERATION COMMITTEE

The Board of the company has constituted a Remuneration Committee comprising of 3 Independent Non Executive Directors viz. Sh Ashwani Kumar Aggarwal, Chairman, Sh Arun Kumar Singh & Sh Vivek Kaushal. The remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Wholetime Directors based on performance.

The remuneration policy is directed towards rewarding performance based on review of achievement on a Periodic basis.

Only one meeting was held during the year and all the members of the Committee attend the meeting.

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

a) **Executive Directors**

<u>Name</u>	<u>Designation</u>	<u>Salary</u>	<u>Other</u>	<u>Total</u>
Sh. Jagdish Chand Garg	Chairman & Managing Director	6,00,000		6,00,000
Sh .Davinder Garg	Managing Director	5,60,000		5,60,000
Smt. Vaneera Garg *	Whole Time Director	4,00,000		4,00,000
Sh. Sanjiv Garg *	Director	1,60,000		1,60,000

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

*Sh. Sanjiv Garg has paid salary up to 31/07/2010

*Smt. Vaneera Garg has received salary w.e.f 01/08/2010

5. **SHAREHOLDING**

No Non-Executive Directors hold any shares in the Equity Capital of the Company except that Shri Ashwani Kumar Aggarwal holds 200 Equity shares of the Company as Karta of his HUF.

6. **SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

The Board of the Company has constituted a Shareholder's/Investor's Grievances Committee comprising of Sh Ashwani Kumar (Chairman), Sh Sanjiv Garg and Sh Davinder Garg. The Committee inter alia approves issue of duplicate certificates and 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 have delegated the power of approving transfer of securities to the Managing Director.

The Board has designated Sh. Jaspal Singh Executive Secretarial Department as Compliance Officer. The total number of letters/complaints received and replied to the satisfaction of shareholders during the year ended 31st March, 2011 were NIL. Outstanding letters/complaints as on 31st March, 2011 were NIL. No request for transfer/dematerialization was pending for approval as on 31st March, 2011.

7. **GENERAL BODY MEETINGS**

Detail of last three Annual General Meetings

<u>Meeting</u>	<u>Day</u>	<u>Date</u>	<u>Time</u>	<u>Venue</u>	<u>No. of Special Resolutions</u>
35 th AGM	Saturday	30.09.2008	9.30 AM	Registered Office at Kangarwal Road, VPO Jugiana, G.T. Road, Ludhiana.	1
36 th AGM	Wednesday	30.09.2009	9.30 AM	Registered Office at Kangarwal Road, VPO Jugiana, G.T. Road, Ludhiana	-
37 th AGM	Thursday	30.09.2010	9.30 AM	Registered Office at Kangarwal Road, VPO Jugiana, G.T. Road, Ludhiana	3

During the financial year 2010-11 resolution has been passed through Postal ballot. Further, resolution U/s 372A requiring approval through Postal Ballots is being sent for Shareholder's approval along with this Annual Report.

8. DISCLOSURES

During the year, there was no material/significant transaction with the directors or the management, or relatives etc that have any Potential conflict with the interest of the company at large. Also there has not been any non-compliance by the company in respect of which Penalties or Strictures were imposed by the Stock Exchange or SEBI or any other Statutory Authority during the last three years. The management has not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and that it has provided protection to the "Whistle Blower" from unfair termination and other unfair or prejudicial employment practices.

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) 38th Annual General Meeting

Date : 30th September, 2011.
Time : 9.30 A.M
Venue : Registered Office:
Kanganwal Road, VPO Juglana, G.T.Road, Ludhiana.

ii) Financial Calendar 2011-12 (Tentative)

First Quarter Results : July, 2011.
Second Quarter Results : October, 2011.
Third Quarter Results : January, 2012.
Forth Quarter Results : April, 2012.
Date of Book Closure : 29.09.2011 to 30.09.2011
(Both days inclusive)

Dividend Payment due : Within 30 days after declaration.

vi) 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- 141001.
2. The Delhi Stock Exchange Association Limited(DSE),
DSE House, 3/1 Asaf Ali Road, New Delhi- 110 002.
3. The Stock Exchange Mumbai(BSE),
1st Floor, New Trading Ring, Rotunda Building, P.J.Towers,
Dalal Street, Fort, Mumbai-400 001.

vii) Stock Market price data for the year 2010-2011.

	BSE PRICES		BSE SENSEX	
	HIGH (RS)	LOW (RS)	HIGH (RS)	LOW (RS)
April 2010	29.00	19.40	17970.02	17390.09
May 2010	28.25	21.50	17386.08	16022.48
June 2010	31.10	27.00	17076.55	16572.03
July 2010	31.30	25.55	18130.17	17441.44
Aug 2010	32.75	27.10	18454.94	17971.12
Sept 2010	34.90	28.60	20117.38	18205.87
Oct 2010	36.30	27.60	20887.88	19872.15
Nov 2010	40.60	27.25	21004.96	19136.61
Dec 2010	29.00	23.80	20509.09	19242.36
Jan 2011	26.85	21.05	20561.05	19327.76
Feb 2011	23.05	20.00	18505.82	17463.04
Mar 2011	21.90	16.15	18445.22	18701.73

vii) 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,
216, 1st Floor, Sant Nagar,
East of Kailash, NEW DELHI-110064.
TEL: 26292682, 26292683, FAX: 26292681
Email-admin@skyfinerta.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.

x) **Distribution of Shareholding as on 31st March, 2011**

Range No. of shares	Share holders		Shares	
	Numbers	% of total	Numbers	% to total
Upto 500	1372	81.62	2,34,276	5.84
501 to 1000	180	9.52	1,35,513	3.38
1001 to 2000	64	3.81	98,806	2.46
2001 to 3000	22	1.31	56,508	1.41
3001 to 4000	12	0.71	42,700	1.07
4001 to 5000	8	0.48	35,870	0.89
5001 to 10000	14	0.83	1,02,811	2.56
10001 and above	29	1.73	33,02,216	82.38
	<u>1681</u>	<u>100.00</u>	<u>40,08,700</u>	<u>100.00</u>

xi) **Dematerialisation of shares**

As on 31st March, 2011, 44.01% of the Equity Share Capital comprising 1784385 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- 4892400(30 lines)

Fax : 0161- 2512285

Email : gargfurnace@yahoo.com

Chairman's Declaration

I Jagdish Chand Garg Chairman of Garg Furnace Limited declare that all Board members and senior Management Personal have affirmed compliance with code of conduct for Board & Senior Management personal for the year ended 31st March 2011.

Sd/-

**JAGDISH CHAND GARG
CHAIRMAN**

Place: LUDHIANA.

Date : 29.08.2011

**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, 2011 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
(Regd. No. 000402 N)

Sd/-

**(RAKESH SONI)
PARTNER
M. No. 83142**

Place: LUDHIANA.

Date : 29.08.2011

AUDITORS' REPORT

To

The Members of
GARG FURNACE LIMITED

1. We have audited the attached balance sheet of Garg Furnace Limited, Kangarwal Road, V.P.O. Jugiana, G. T. Road, Ludhiana, as at 31st March 2011, the profit and loss account and also the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, We report that none of the directors is disqualified as on 31st March 2011 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 as per Annexure-II 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, 2011.
- b) In the case of the profit and loss account; of the profit for the year ended on that date and.
- c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

Place : LUDHIANA
DATE :- 29-08-2011For Dass Khanna & Co.
Chartered Accountants
(Registration No. 000402 N)**Sd/-****(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, 2011)

- (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 (ii) (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. 0.50 Lacs.
- 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.

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

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

Sd/-

(RAKESH SONI)
PARTNER
M. No. 83142

Place: LUDHIANA,
Date : 29-08-2011

BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS		CURRENT YEAR		PREVIOUS YEAR	
		Rs.	P.	Rs.	P.
SOURCE OF FUNDS					
SHAREHOLDERS' FUND					
Share Capital	A	4,00,87,000.00		4,00,87,000.00	
Reserves and Surplus	B	23,68,36,167.28		22,45,01,530.25	
		<u>27,69,23,167.28</u>		<u>26,45,88,530.25</u>	
2 LOAN FUNDS					
Secured Loans	C	18,90,57,165.19		13,00,02,669.04	
Unsecured Loans	D	1,99,39,982.00		49,70,200.00	
		<u>20,89,97,147.19</u>		<u>13,49,72,869.04</u>	
3 DEFERRED TAX LIABILITY					
		73,06,553.00		68,09,318.00	
Total		<u>49,32,26,867.47</u>		<u>40,63,70,717.29</u>	
APPLICATION OF FUNDS					
1 FIXED ASSETS					
Gross Block	E	16,99,00,008.43		15,60,00,320.43	
Less: Depreciation		9,83,42,577.33		9,50,28,546.76	
Net Block		<u>7,15,57,431.10</u>		<u>6,09,71,773.67</u>	
Capital Work in Progress		2,95,07,047.99		27,44,043.00	
Total		<u>10,10,64,479.09</u>		<u>6,37,15,816.67</u>	
2 INVESTMENTS					
	F	2,53,60,000.00		2,53,60,000.00	
3 CURRENT ASSETS, LOANS & ADVANCES					
Inventories	G	9,32,85,566.00		13,38,38,463.00	
Sundry Debtors	H	35,16,59,960.60		27,23,09,436.23	
Cash and Bank Balances	I	1,23,38,743.73		1,33,79,300.25	
Loans and Advances	J	6,70,21,121.66		8,89,74,227.27	
		<u>52,43,05,391.99</u>		<u>50,85,01,428.75</u>	
4 CURRENT LIABILITIES & PROVISIONS					
Liabilities	K	15,62,00,656.61		19,12,06,528.13	
Provisions	L	13,02,347.00		-	
		<u>15,75,03,003.61</u>		<u>19,12,06,528.13</u>	
NET CURRENT ASSETS	(3-4)	36,68,02,388.38		31,72,94,900.62	
Total		<u>49,32,26,867.47</u>		<u>40,63,70,717.29</u>	
Notes on Accounts	T				

Subject to our separate report of even date

For Dass Khanna & Co.

Chartered Accountants

Sd/-
(Rakesh Soni)
PartnerM.No. 83142
Place : Ludhiana
Dated : 29-08-2011

Sd/-

(J.C.Garg)
Chairman

Sd/-

(Davinder Garg)
Managing Director

For and on Behalf of the Board

Sd/-

(Vaneera Garg)
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
INCOME				
Sales (Gross)	1,86,80,49,780.00		1,55,31,07,736.00	
Less: Excise Duty	<u>11,45,75,012.00</u>		<u>7,92,89,857.00</u>	
Sales (Net)	1,75,34,74,768.00		1,47,38,17,879.00	
Other Income	M	<u>11,80,154.19</u>	<u>4,05,324.55</u>	
Total		<u>1,75,46,54,922.19</u>	<u>1,47,42,23,203.55</u>	
EXPENDITURE				
Material Consumed	N	1,52,47,51,707.40	1,23,75,54,428.93	
Manufacturing Expenses	O	16,31,50,935.00	16,96,90,444.74	
Personnel Expenses	P	1,54,69,338.00	1,68,68,884.50	
Administrative and Other Expenses	Q	68,31,350.52	68,45,125.38	
Financial Expenses(Net)	R	1,47,89,148.23	1,64,96,722.87	
Selling Expenses	S	26,27,391.04	32,03,221.68	
Depreciation		<u>80,83,657.97</u>	<u>71,71,997.41</u>	
Total		<u>1,73,57,03,528.16</u>	<u>1,45,80,30,825.51</u>	
Profit before Tax		1,89,51,394.03	1,61,92,378.04	
Provision for Taxation				
Current Year Tax		(61,20,000.00)	(27,52,000.00)	
Deferred Tax Liability		(4,97,235.00)	(3,92,018.00)	
Profit after Taxation		1,23,34,159.03	1,30,48,360.04	
Prior Year Tax Provisions/Adjustments		478.00	1,59,966.00	
Balance Brought Forward				
From Previous Year		<u>1,56,97,100.25</u>	<u>1,74,88,774.21</u>	
Amount Available For Appropriation		2,80,31,737.28	3,06,97,100.25	
APPROPRIATIONS				
Transferred to General Reserve		1,30,00,000.00	1,50,00,000.00	
Balance Carried Over to Balance Sheet		<u>1,50,31,737.28</u>	<u>1,56,97,100.25</u>	
Total		<u>2,80,31,737.28</u>	<u>3,06,97,100.25</u>	
Basic earning per share of Rs. 10/- each		3.08	3.82	
Diluted earning per share of Rs. 10/-each (Refer note no. 7 of Annexure-T)		3.08	3.29	

Notes on Accounts

T

Subject to our separate report of even date

For Dass Khanna & Co.

Chartered Accountants

Sd/-

Sd/-
(Rakesh Guni)
Partner(J.C.Garg)
Chairman

M.No. 83142

Place : Ludhiana

Dated : 29-08-2011

For and on Behalf of the Board

Sd/-

(Davinder Garg)
Managing Director

Sd/-

(Vaneera Garg)
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
(A) Cash Flow From Operating Activities :				
Net Profit before tax	1,89,51,394.03		1,61,92,378.04	
Adjusted for :				
Depreciation	80,83,657.97		71,71,997.41	
Interest Received	(56,59,939.00)		(23,63,972.00)	
Interest Charged	1,81,43,033.19		1,65,43,511.00	
Prior Year adjustment	00.00		00.00	
(Profit)/Loss on sale of Fixed Assets	11,095.60		(53,377.55)	
Operating Profit before working Capital Changes	3,95,29,241.79		3,74,90,536.90	
Adjusted for :				
Trade and other Receivables	(5,73,97,416.73)		(1,68,48,563.47)	
Inventories	4,05,52,897.00		(4,33,93,598.00)	
Trade Payables & Provisions	(3,37,03,524.52)		1,69,26,787.76	
Cash Generated From Operations	(1,10,18,802.46)		(58,24,836.81)	
Taxes Paid	(61,19,522.00)		(25,92,034.00)	
Net Cash from operating Activities (A)	(1,71,38,324.46)		(84,16,870.81)	
(B) Cash From Investing Activities				
Purchase of fixed assets	(5,06,69,415.99)		(1,23,64,840.00)	
Sale of fixed assets	52,26,000.00		90,000.00	
Purchase of Investments -			(2,191.00)	
Interest received	56,59,939.00		23,63,972.00	
Net Cash from Investing Activities (B)	(3,97,83,476.99)		(99,13,059.00)	
(C) Cash Flow From Financing Activities				
Proceeds from Short Term borrowings (Net)	1,08,41,450.96		65,12,662.94	
Proceeds from Long Term Borrowings (Net)	6,31,82,827.19		(4,65,822.00)	
Interest paid	(1,81,43,033.19)		(1,65,43,511.00)	
Equity Warrants	-		2,72,60,000.00	
Net cash from Financing Activities (C)	5,58,81,244.96		1,67,83,329.94	
Net Increase in Cash and Cash Equivalents (A+B+C)	(10,40,556.49)		(15,46,599.87)	
Cash and Cash Equivalents (Opening Balance)	1,33,79,300.25		1,49,25,900.12	
Cash and Cash Equivalents (Closing Balance)	1,23,38,743.76		1,33,79,300.25	
NOTES ON ACCOUNTS	T			

Subject to our separate report of even date

For Dass Khanna & Co.

Chartered Accountants

Sd/-

(Rakesh Soni)

Partner

M.No. 83142

Place : Ludhiana

Dated :29-08-2011

Sd/-

(J.C.Garg)

Chairman

Sd/-

(Davinder Garg)

Managing Director

For and on Behalf of the Board

Sd/-

(Vaneera Garg)

Director

SHARE CAPITAL ANNEXURE-

ANNEXURE- A

PARTICULARS	AS AT 31-03-2011 Rs.	AS AT 31-03-2010 Rs.
AUTHORISED		
1,00,00,000 Equity Shares of Rs. 10/- each fully paid up	10,00,00,000.00	10,00,00,000.00
Total	<u>10,00,00,000.00</u>	<u>10,00,00,000.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
40,08,700 Equity Shares of Rs. 10/- each fully paid up (of the above 4,10,000 Shares are allotted as fully paid up Bonus Shares by the Capitalisation of General Reserve)	4,00,87,000.00	4,00,87,000.00
Total	<u>4,00,87,000.00</u>	<u>4,00,87,000.00</u>
RESERVES AND SURPLUS		
GENERAL RESERVE		
As per Last Year Balance Sheet	14,99,23,930.00	13,49,23,930.00
Add : Transferred from P&L A/c	1,30,00,000.00	1,50,00,000.00
	16,29,23,930.00	14,99,23,930.00
CAPITAL RESERVE	23,50,000.00	23,50,000.00
SECURITIES PREMIUM ACCOUNT	5,65,30,500.00	5,65,30,500.00
SURPLUS		
As per annexed Profit & Loss Account	1,50,31,737.28	1,56,97,100.25
Total	<u>23,68,56,167.28</u>	<u>22,45,01,530.25</u>

ANNEXURE- B

SECURED LOANS

ANNEXURE- C

PUNJAB & SIND BANK		
I) CASH CREDIT OVERDRAFTS		
(Secured by hypothecation of Stock in-trade and Book Debts of the Company)		
i) In Rupees	14,08,44,120.00	8,29,62,669.04
ii) In Foreign Currency	0.00	4,70,40,000.00
(The overdraft is further secured by legal mortgage of land, building & hypothecation of Plant & Machinery of the Company and personal guarantee of Promoter Directors)		
ii) TERM LOAN	4,82,13,045.19	0.00
(Secured By Charge On Fixed Assets of The Company & Personal Guarantee Of Promoter Directors)		
Total	<u>18,90,57,165.19</u>	<u>13,00,02,669.04</u>

UNSECURED LOANS

ANNEXURE- D

OTHER LOANS & ADVANCES

From Directors	50,000.00	50,000.00
From Companies	<u>1,98,89,982.00</u>	<u>49,20,200.00</u>
Total	<u>1,99,39,982.00</u>	<u>4,970,200.00</u>

DEPRECIATION CHART AS PER SCHEDULE XIV (AT SLM RATES) OF THE COMPANIES ACT, 1956.

FIXED ASSETS

ANNEXURE- E

S. NAME OF No. ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	AS AT 01.04.2010	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	TOTAL AS AT 31.03.2011	AS AT 01.04.2010	PROVIDED DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL AS AT 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
1. LAND	19,63,626.40	0.00	0.00	19,63,626.40	0.00	0.00	0.00	0.00	19,63,626.40	19,63,626.40
2. BUILDING	1,82,15,389.89	0.00	0.00	1,82,15,389.89	63,79,548.00	5,82,198.00	0.00	89,61,716.00	1,13,53,653.68	1,13,35,821.89
3. PLANT & MACHINERY	19,75,81,384.35	81,58,190.00	0.00	11,55,39,514.35	7,77,22,453.88	48,28,732.00	0.00	3,25,51,185.88	3,28,88,328.47	2,98,95,969.47
4. VEHICLES	2,80,79,387.85	1,56,17,855.00	1,00,89,723.00	1,19,89,669.85	92,73,815.45	25,29,450.97	47,89,827.48	70,32,439.02	2,46,58,280.28	1,83,05,752.43
5. OFFICE EQUIPMENT	15,84,854.86	1,28,446.00	0.00	17,11,308.86	18,79,863.42	98,592.00	0.00	11,68,674.42	5,42,626.24	5,14,772.24
6. FURNITURE & FIXTURES	7,75,747.45	4,750.00	0.00	7,80,497.45	5,82,847.01	44,716.00	0.00	6,27,562.91	1,52,935.44	1,92,989.44
TOTAL	19,80,00,339.45	2,39,06,411.00	1,00,89,723.00	18,89,90,068.45	9,58,28,946.76	80,83,857.97	47,89,827.48	9,83,42,877.35	7,15,57,491.16	6,89,71,773.67

INVESTMENTS

ANNEXURE- F

PARTICULARS	AS AT 31.03-2011		AS AT 31.03-2010	
	RS.	P.	RS.	P.
LONG TERM INVESTMENTS (AT COST)				
1 NON-TRADE (UNQUOTED)				
412000 Equity Shares of Rs. 10/-each fully paid up in Gargsons Investments Pvt.Ltd.	41,20,000.00		41,20,000.00	
12000 Equity Shares of Rs. 10/-each fully paid up in Sudhir Forgings Pvt. Ltd.	1,20,000.00		1,20,000.00	
412000 Equity Shares of Rs. 10/-each fully paid up in Shubham Investment Pvt.Ltd.	41,20,000.00		41,20,000.00	
17,00,000, 6% Redeemable Non Cumulative Preference Shares of Rs. 10/- each fully Paid up in Garg Acrylics Ltd.	17,00,000.00		1,70,00,000.00	
Total	<u>2,53,60,000.00</u>		<u>2,53,60,000.00</u>	

INVENTORIES

ANNEXURE- G

(Taken as valued and certified by the directors)

Raw Materials	7,28,90,438.00	71,85,4318.00
Work in Process	19,25,888.00	23,95,610.00
Finished Goods	1,25,43,636.00	3,75,97,804.00
Stores and Spares	59,25,604.00	81,99,058.00
Goods in Transit	<u>0.00</u>	<u>1,39,91,673.00</u>
Total	<u>9,32,85,566.00</u>	<u>13,38,38,463.00</u>

SUNDRY DEBTORS

ANNEXURE- H

(Unsecured Considered Good)

a) Outstanding for a period

exceeding six months

3,35,68,528.57	2,39,29,450.57
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b) Other

31,80,91,432.03	24,83,79,987.66
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Total	<u>35,16,59,960.60</u>	<u>27,23,09,438.23</u>
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CASH AND BANK BALANCES

ANNEXURE- I

Cash in hand (Including Imprest)

15,86,651.31	21,96,802.31
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Balance with Scheduled Banks

In Current Accounts

2,02,092.42	6,32,497.94
-------------	-------------

In Fixed Deposit Accounts (under lien against LCs & BGs)

1,05,50,000.00	1,05,50,000.00
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Total	<u>1,23,38,743.73</u>	<u>1,33,79,300.25</u>
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LOANS AND ADVANCES

ANNEXURE- J

(Unsecured Considered Good)

Advances Recoverable in cash or in kind

or for value to be received

4,45,29,900.41	6,07,87,452.02
----------------	----------------

Securities

<u>32,09,367.25</u>	<u>32,08,887.25</u>
---------------------	---------------------

Advance Tax Paid

-	42,20,389.00
---	--------------

(-) Prov For Tax -

-	<u>27,52,000.00</u>	14,68,389.00
---	---------------------	---------------------

Balance With Excise Authorities

1,92,81,834.00	2,35,09,499.00
----------------	----------------

Total	<u>6,70,21,121.66</u>	<u>8,89,74,227.27</u>
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LIABILITIES

ANNEXURE- K

Acceptance Payable

6,89,48,421.00	6,36,86,061.00
----------------	----------------

Sundry Creditors

(a) Due to Micro & Small Enterprises

0.00	0.00
------	------

(b) Due to Others

6,15,29,830.57	7,42,37,878.49
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Others Liabilities

2,57,22,605.04	5,32,82,588.64
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Total	<u>15,62,00,656.61</u>	<u>19,12,06,528.13</u>
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PROVISIONS

ANNEXURE- L

Provisions for Taxation

61,20,000	-
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(-) Advance Tax Paid

<u>48,17,653</u>	<u>13,02,347.00</u>	-	-
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Total	<u>13,02,347.00</u>	-	-
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GARG FURNACE LIMITED

OTHER INCOME			ANNEXURE- M
PARTICULARS	AS AT		AS AT
	31-03-2011		31-03-2010
	Rs.	P.	Rs. P.
Miscellaneous Receipts	11,80,154.19		3,49,756.00
Share of Profit from Partnership Firm		0.00	2,191.00
Profit on Sale of Fixed Assets		0.00	53,377.55
Total	<u>11,80,154.19</u>		<u>4,05,324.55</u>
MATERIAL CONSUMED			ANNEXURE- N
Opening Stock			
Raw Materials	7,16,54,318.00		3,62,60,278.00
Work in Process	23,95,610.00		49,41,198.00
Finished Goods	3,75,97,804.00		4,13,30,208.00
	<u>11,16,47,732.00</u>		<u>8,25,31,682.00</u>
Add: Purchases	<u>1,50,04,63,937.40</u>		<u>1,26,81,52,160.93</u>
Less : Capitalised		0.00	14,81,682.00
Closing Stock			
Raw Materials	7,28,90,438.00		7,16,54,318.00
Work in Process	19,25,898.00		23,95,610.00
Finished Goods	1,25,43,636.00		3,75,97,804.00
	<u>8,73,59,962.00</u>		<u>11,18,47,732.00</u>
Material Consumed	1,52,47,51,707.40		12,37,5,54,428.93
MANUFACTURING EXPENSES			ANNEXURE- O
Store & Spares Consumed	5,72,54,294.00		5,30,02,940.74
Power and Fuel	10,04,00,261.00		10,82,11,462.00
Machinery Repair and Maintenance	40,76,213.00		42,04,909.00
Electric Repair and Maintenance	220322.00		1,71,270.00
Excise Duty on Closing Stock	1171345.00		33,70,828.00
Machining & Grinding Expenses	28500.00		9,29,035.00
Total	<u>18,31,50,935.00</u>		<u>18,98,90,444.74</u>
PERSONNEL EXPENSES			ANNEXURE- P
Salary, Wages and Other Allowances	1,37,49,896.00		1,46,42,372.00
Contribution to Employees State Insurance Scheme	3,73,225.00		3,99,390.00
Contribution to Employees Provident Fund	8,80,004.00		9,48,085.00
Contribution to Punjab Labour Welfare Fund	3,464.00		39,80.00
Gratuity	1,65,334.00		4,72,654.00
Labour Welfare	2,58,304.00		3,72,075.50
Employees Group Insurance Scheme	41,111.00		30,328.00
Total	<u>1,54,69,338.00</u>		<u>1,68,68,884.50</u>

ADMINISTRATIVE AND OTHER EXPENSES

ANNEXURE- Q

PARTICULARS	AS AT 31-03-2011		AS AT 31-03-2010	
	Rs.	P.	Rs.	P.
Rates & Taxes	8,87,774.30		2,50,538.20	
Postage, Telegrams, Telephone and Telex	2,91,660.40		49,64,06.98	
Printing & Stationery	2,16,825.00		2,27,266.00	
Legal & Professional Charges	5,95,938.00		5,06,335.00	
Insurance	9,46,090.00		8,97,682.00	
Travelling And Conveyance	2,500.00		1,808.00	
DIRECTORS REMUNERATION				
Remuneration	1720000.00		14,40,000.00	
Travelling Expenses	1,66,148.61		3,38,791.96	
AUDITORS REMUNERATION				
Audit Fee	1,15,000.00		1,15,000.00	
Tax Audit Fee	35,000.00		35,000.00	
Cost Audit Fee	20,000.00		20,000.00	
Subscription and Periodicals	90,910.00		1,08,218.00	
REPAIR & MAINTENANCE				
Building	76,187.00		4,68,672.00	
Vehicles	14,23,988.61		16,33,733.24	
Office Equipments	67,271.00		1,18,181.00	
Charity and Donation	23,250.00		30,800.00	
Miscellaneous Expenses	1,08,631.00		1,41,355.00	
Listing Fee	33,081.00		11,030.00	
Festival Expenses	0.00		4,310.00	
Loss on Sale of Fixed Assets	11,095.60		0.00	
Total	<u>68,31,350.52</u>		<u>68,45,125.38</u>	
FINANCIAL EXPENSES (NET)			ANNEXURE- R	
Interest Paid on				
Loans	10,08,551.19		6,83,184.00	
Bank Overdrafts	1,71,34,482.00		1,58,60,327.00	
Bank & Other Charges	19,66,935.04		13,83,440.87	
Foreign Exchange Fluctuation Charges	3,39,119.00		9,33,743.00	
	<u>2,04,49,087.23</u>		<u>1,88,60,694.87</u>	
LESS				
Interest received Gross	56,59,939.00		23,63,972.00	
TDS 617453 (Previous Year 405753)				
Total	<u>1,47,89,148.23</u>		<u>1,64,96,722.87</u>	
SELLING EXPENSES			ANNEXURE- S	
Carriage, Freight & Octroi Outwards	13,67,631.00		19,30,724.00	
Advertisement	94,157.00		1,52,180.00	
Brokerage & Commission	11,45,589.00		5,19,679.00	
Rebate & Discount	0.00		5,52,457.64	
Export Expenses	2,956.04		4,437.04	
Service Tax Paid	17,058.00		43,744.00	
Total	<u>26,27,391.04</u>		<u>32,03,221.68</u>	

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**ANNEXURE 'T'****I. Accounting Policies****a) Accounting Conventions**

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

b) Inventories

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

- | | | |
|------|---|--|
| i) | For raw-material | - FIFO Method |
| ii) | For Stores & spares | - FIFO Method for boughtout items
and weighted average material cost for
inhouse manufactured items. |
| iii) | For Work in Process & Finished Goods
PLUS Conversion Cost. | - Weighted Average Material Cost |
| iv) | For Goods in transit | - At Cost plus expenses incurred up
to their present condition and location. |

c) Depreciation

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

d) Investments

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

e) Fixed Assets

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

f) Revenue Recognition

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

g) Excise Duty

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

h) Employee's Retirement Benefits

- | | |
|-----|---|
| a) | Short Term Employee Benefits:
Short Term Employee Benefits are recognized as an expenses on an undiscounted basis 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 En and Miscellaneous Provisions Act, 1952 and is charged to the profit and loss accot |
| ii) | Defined Benefit Plans
Gratuity:
Provision for gratuity liability to employees is made on the basis of actuarial valuatn year. |
| c) | The actuarial gain/loss is recognized in statement of profit and loss account. |

i) FOREIGN CURRENCY TRANSACTIONS

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

j) Accounting for Taxes on Income

Provision for taxation comprises of current tax and deferred tax. Current Tax is the amount of income tax determined to be payable in respect of taxable income for a period. Deferred tax is the tax effect of timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

k) Government Grants

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

l) Impairment of Assets.

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

m) Provisions and Contingent Liabilities

- (i) 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.

n) Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. There are no Dilutive Potential Shares outstanding During the period, so DEPS is same as BEPS.

o) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying assets 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.

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

- a. For Bank Guarantee Rs. 12.07 Lacs (Previous Year Rs. 49.67 Lacs)
- b. For letter of credits Rs. 689.48 Lacs (Previous Year Rs. 684.56 Lacs)
- c. For Corporate Guarantee given on behalf of others Rs. 16475.00 Lacs (Previous Year Rs. 29526.50 Lacs)
- d. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 13.38 Lacs

1. Debit or Credit Balances on whatsoever account are subject to confirmation from parties.
2. 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.
3. The company has paid remuneration to directors within the limits prescribed in the Schedule XIII to the Companies Act, 1956 as given below:

	Current Year	Previous Year
Salary	Rs. 17,20,000/-	Rs. 14,40,000/-
Non cash perks*	Rs. 1,18,800/-	Rs. 1,18,800/-

* Value calculated as per Income Tax Rules 1962.

4. The Company has not received information from vendors/service providers regarding their status under Micro, Small and Medium Enterprises Development Act, 2008 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act have not been given.
5. 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:-

	2010-11	2009-10
Basic Earnings		
a) Calculation of weighted average number of Equity shares of Rs. 10/- each		
Number of Equity Shares at the beginning of the year	40,08,700	34,48,700
Number of equity shares at the end of the year	40,08,700	40,08,700
Weighted average number of equity Shares Outstanding during the year	40,08,700	3,45,6371
b) Net profit after tax available for Equity share holders	Rs.1,23,34,637	Rs.1,32,08,326
c) Basic earning per Equity shares of Rs. 10/- each	Rs. 3.08	Rs. 3.82
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	40,08,700	34,48,700
Number of equity shares at the end of the year	40,08,700	40,08,700
Weighted average number of equity Shares Outstanding during the year	40,08,700	40,08,700
b) Net profit after tax available for Equity share holders	Rs.1,23,34,637	Rs.1,32,08,326
c) Diluted earning per share of Rs. 10/- each	Rs. 3.08	Rs. 3.29

9. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (Last drawn salary) for each completed year of service subject to a maximum amount of Rs. 500000.00.

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

	31-03-2011		31-03-2010	
	Rs.	P	Rs.	P
1. CHANGES IN THE PRESENT VALUE OF OBLIGATION				
Present value of obligation at the beginning of the Period	24,39,234.00		22,77,198.00	
Interest Cost	1,62,132.00		1,83,148.00	
Current Service Cost	3,28,202.00		3,87,971.00	
Benefits Paid	(9,47,990.00)		(2,45,076.00)	
Actuarial (Gain)/Loss on Obligation	(3,23,000.00)		(1,44,005.00)	
Present Value of Obligation at the end of the period	16,56,578.00		24,39,234.00	
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	16,56,578		24,39,234.00	
Funded Status	(16,56,578)		(24,39,234.0)	
4. ACTUARIAL GAIN/ LOSS RECOGNIZED				
Actuarial gain/(loss) on Obligation	3,23,000.00		1,44,005.00	
Actuarial gain/(loss) on Plan Assets		--		--
Total (gain)/loss for the period	(3,23,000.00)		(1,44,005.00)	
Actuarial (gain)/loss recognized in the period	(3,23,000.00)		(1,44,005.00)	
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	16,56,578.00		24,39,234.00	
Fair value of Plan assets at the end of the period		--		--
Funded Status	(16,56,578.00)		(24,39,234.00)	
Unrecognized Actuarial (Gain)/Loss at the end of the period		--		--
Net Assets/(Liability) recognized in the Balance sheet	(16,56,578.00)		(24,39,234.00)	

6. EXPENSE RECOGNIZED IN THE STATEMENT OF PROFIT & LOSS

Current Service Cost	3,26,202	3,67,971.00
Interest Cost	1,62,132	1,83,146.00
Expected Return on Plan assets		-
Actuarial (Gain)/Loss recognized in the period	(3,23,000)	(1,44,005.00)
Expenses recognized in the statement of Profit & Loss	1,65,334	4,07,112.00

ACTUARIAL ASSUMPTION (ECONOMIC & DEMOGRAPHIC)

i) Imputed rate of interest	08.25% P.A.	08.50% 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	16.45 Years	18.04 Years

Method of Valuation : Projected Unit Credit Method

10. Related Party Disclosure:

i) Name of related parties and description of relationship

A. Key Management Personnel

Sh. Jagdish Chand Garg - Chairman
 Sh. Davinder Garg - MD
 Smt Vaneera Garg - Wholetime Director

Summary of Transaction	Associates		Key Management Personnel	
	31/03/11	31/03/10	31/03/11	31/03/10
Rent Rec.	NIL	60,000.00		
Remuneration Paid			17,20,000.00	14,40,000.00
Investment Made	NIL	2,191.00		
Sale Made	NIL	24,49,373.00		
Payment Made	NIL	8,000.00		
Balance Outstanding	NIL	(1,12,33,915.96)		

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.

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

Item of Timing difference as at	Accumulated Deferred Tax Asset/(Liability) as at 01.04.2010	Charge/Credit during the year	Balance Assets/ Liability) 31.03.2011
	(Rs.)	(Rs.)	(Rs.)
Depreciation	(76,41,405.00)	(2,15,463.00)	(78,56,868.00)
Expenses Allowable	8,32,087.00	(2,81,772.00)	5,50,315.00
Total	(68,09,318.00)	(4,97,235.00)	(73,06,553.00)

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

13. Segment Information as required by Accounting Standard (AS)-17 on Segment Reporting issued by the Institute of Chartered Accountants of India is disclosed hereunder :-
The company has identified two reportable segments viz; Iron & Steel Products & Textile Products.

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

	IRON & STEEL PRODUCTS	TEXTILE PRODUCTS	TOTAL
REVENUE			
External Sales	1,36,93,18,879.00	49,87,30,901.00	18,68,049,780.00
Inter Segment Sales	-----	-----	-----
Other Income	11,80,154.19	0.00	11,80,154.19
Total Revenue	1,37,04,99,033.19	49,87,30,901.00	1,86,92,29,934.19
RESULT			
Segment Result	2,9831,,320.84	1,09,40,571.94	40,57,1892.78
Unallocated Corporate Expenses			6,83,1350.52
Operating Profit			33,74,0542.26
Interest Expense			14,78,9148.23
Income Tax - current			- 6,12,0000.00
- deferred			- 49,7235.00
Profit from ordinary activities			12,33,4159.03
Extra ordinary loss/(income)			0.00
Net Profit			12,33,4159.03
OTHER INFORMATION			
Segment Assets	47,21,85,130.66	5,21,20,261.33	5,24,30,5391.99
Unallocated Corporate Assets			30,17,7653.00
Total Assets			5,54,48,3044.99
Segment Liabilities	15,48,51,071.21	13,49,585.40	1,56,20,0656.61
Unallocated Corporate Liabilities			2,22,42,3700.19
Total Liabilities			3,78,62,4356.80
Capital Expenditure	19,94,07,056.42		1,99,40,7056.42
Depreciation	9,83,42,577.33		98,34,2577.33
Non Cash Expenses other than depreciation	-----	-----	-----

14. Previous year figure have been regrouped/rearranged wherever considered necessary to make them comparable with current year figure.
15. Annexure 'A' to 'T' form an integral part of the Balance sheet and profit & loss Account and have been duly authenticated.
16. Additional Information as required by Schedule VI to the Companies Act, 1956.

A) Turnover

Items	Quantity		Value (Rs.)	
	Current Year	Previous Year	Current Year	Previous Year
Iron & Steel products (M.T.)				
(Pcs)	40212.105	32823.331	1,36,08,50,279.00	1,05,06,77,155.00
	4621	14361		
Textile Products				
M.T	1106.099	2620.051	49,87,30,901.00	50,29,74,641.00
MTR	8316.750	122727.950		
PCS	945077			

B) Gross Income derived from Services rendered Rs. 4,68,600/- (Prev. year Rs.55,940/-)

C) Stock of Goods Produced/Traded

Items	Opening Stock		Closing Stock	
	Quantity (M.T.)	Value (Rs.)	Quantity (M.T.)	Value (Rs.)
Iron & Steel Products				
Current Year	1157.164	3,60,97,324.00	372.175	1,25,43,636.00
Previous Year	1335.390	4,13,30,168.00	1157.164	3,60,97,324.00
Textile Products				
Current Year	5.557	15,00,480	---	---
Previous Year	---	---	5.557	15,00,480

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

	Units	Current Year	Previous Year
i) Licensed Capacity	M.T.	N.A	N.A
Under the liberalised Industrial policy of Govt. of India, the company's products do not require any industrial license.			
i) Installed Capacity	M.T.	85000	85000
ii) Actual Production			
- Iron & Steel Products	M.T.	38789.357	36629.952
	Pcs.	4621	14361

Includes 2346.675 MT (2647.230 MT) by products viz Runner & Risers and end cutting produced during the year, of which 1334.980 MT (1948.190 MT) has been used for re-melting and 1155.570 MT (591.510 MT) has been sold. It also includes 1024.500 MT (3519.900 MT) of ingots transferred to floor for production of Rounds and Wire Rod. Further, 236.530 MT (507.380 MT) Ingot Mould transferred to floor for self consumption and 40.875 MT (207.000 MT) rejected ingots moulds received back from floor has been re-melted.

(E) Raw Material Consumed

Class of Goods	Quantity (M.T.)		Value (Rs.)	
	Current Year	Previous Year	Current Year	Previous Year
Melting Scrap*	19165.900	19186.775	37,20,58,394.00	32,16,46,440.45
Ferros	146.827	261.700	2,32,99,008.00	1,39,04,670.61
M.S.Ingots	6960.870	5139.200	19,21,82,659.83	11,43,85,855.00
Billets	10395.82	9721.245	29,59,26,849.00	23,78,96,178.95
	28421.417	34,308.92	88,34,66,910.83	68,78,33,145.01

* Apart from these 1334.980 (1948.190 MT) of by-products (Runner Risers & End Cutting) are used for melting.

F) Trading Goods Purchased

Class of Goods	Quantity (M.T.)		Value (Rs.)	
	Current Year	Previous Year	Current Year	Previous Year
Steel Products	4203.607	2085.405	14,58,21,702.00	6,02,73,314.05
Textile Products				
M.T				
MTR.	1100.542	2645.442	48,63,01,688.00	48,14,63,937.00
PCS	8548.750	122727.950		
	845077	00.00		
			63,21,23,390.00	54,17,37,251.05

G) CIF Value of Imports

Rs.11,44,42,278.41 (Previous year Rs. 13,98,23,953.00)

H) Earning in Foreign Exchange :

FOB value of Exports of goods Rs. 14,97,481.00(Previous year Rs. 14725.00)

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

	Current Year		Previous Year	
	Value	%age	Value	%age
Raw Material				
Indigenous	76,71,81,625.00	86.84	54,52,58,796.12	79.27
Imported	11,62,85,285.00	13.16	14,25,74,348.89	20.73
Stores & Spares				
Indigenous	5,72,54,294.00	100.00	5,30,02,940.74	100.00

Note: Figures wherever in brackets stands for previous year.

17. Additional information as required under Part IV of Schedule VI of the Companies Act, 1956 :-

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

Subject to our separate report of even date

For and on Behalf of the Board

For Dass Khanna & Co.
Chartered Accountants

Sd/-
(Rakesh Soni)
Partner

Sd/-
(J.C.Garg)
Chairman

Sd/-
(Davinder Garg)
Managing Director

Sd/-
(Vaneera Garg)
Director

M.No. 83142

Place : Ludhiana

Dated :29-08-2011

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 38th ANNUAL GENERAL MEETING of the Members of the Company to be
 held on Friday, the 30th day of September, 2011 at 9:30 A.M. at Regd. Office at Kanganwal Road, VPO Jugiana,
 G.T. Road, Ludhiana.

Signed this _____ day of _____, 2011

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 38th 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 Friday, the 30th day of September,
 2011.

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.