



45th
ANNUAL REPORT
2017-18

GARG FURNACE LIMITED

GARG FURNACE LIMITED

MANAGEMENT

BOARD OF DIRECTORS

| | | |
|-------------------------------------|---|---|
| DIRECTORS (PROMOTERS) | : | Sh. Devinder Garg (Executive Chairman) Smt. Vaneera Garg (Women, Non Executive Director) |
| DIRECTORS INDEPENDENT | : | Sh. Pawan Kumar Garg Sh. Amit Gupta |
| AUDITOR | : | M/s R.K Chadha & Co. GT Road, Miller Ganj, LUDHIANA 141 003, (PB) INDIA. |
| COST AUDITOR | : | Meenu & Associates H.No. S-200, Basant Vihar Colony, Noorwala Road, LUDHIANA. |
| BANKERS | : | Indian Bank |
| REGISTERED OFFICE & WORK | : | Kanganwal Road, Near Old Octroi Post Ambala Side, V.P.O. Jugiana, G.T. Road, LUDHIANA-141120 |

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GARG FURNACE LIMITED

GARG FURNACE LIMITED

CIN: L99999PB1973PLC003385

Regd. Office: Kanganwal Road, V.P.O. Jugiana, G.T. Road, Ludhiana-141120

Phone: 0161-2512285, +91-84279-00130

Email: gargfurnace@yahoo.com, Web: www.gargfurnace.com

NOTICE

Notice is hereby given that the 45th Annual General Meeting of the members of the company would be held on Saturday, the 29th day of September, 2018 at 10:30 A.M. at the Registered office at Kanganwal Road V.P.O. Jugiana G.T. Road, Ludhiana-141120 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended March 31, 2018 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Devinder Garg (DIN: 01665456), who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution

“RESOLVED THAT, pursuant to the first proviso to Section 139(1) of the Companies Act, 2013, read with the first proviso to Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, the re-appointment of M/s R.K. Chadha & Company. Chartered Accountants Ludhiana (ICAI Registration No. 003513N), as the auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting until the conclusion of the Next Annual General Meeting of the Company, on such remuneration as may be decided by the Board of Directors of the Company, be and is hereby ratified.”

SPECIAL BUSINESSES

4. **To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the Company hereby ratifies the remuneration of INR. 20000.00 (Rs. Twenty Thousand Only) plus out-of-pocket expenses payable to M/S Meenu & Associates, Cost Accountants (Firm's Registration No. Frn; 100729) who have been appointed by the Board of Directors as the Cost Auditors of the Company, to conduct the audit of the cost records of the Company, for the Financial Year ending 31 March, 2019.”

5. **To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:**

"RESOLVED "RESOLVED THAT pursuant to provisions of appropriate Article of Article of Association of the

GARG FURNACE LIMITED

Company and Sections, 198,269,309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) subject to such other consents, approvals and permissions if any needed, the approval of members of company be and is hereby given to the re-appointment of Mr. Devinder Garg (DIN: 01665456) as the Managing Director of the company for a period of three years with effect from 01/08/2018 on the terms and conditions hereinafter mentioned in explanatory statement attached to this proposed motion.

"RESOLVED FURTHER THAT other directors of the company be and are hereby authorized severally to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and sign and execute all applications, documents and writings that may be required, on behalf of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

For and on behalf of the Board

Place: LUDHIANA
Date: 01/09/2018

Sd/-
Devinder Garg
Chairman
DIN : 01665456

GARG FURNACE LIMITED

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY (IES) TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PER CENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. PROVIDED THAT A MEMBER HOLDING MORE THAN TEN PER CENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

THE INSTRUMENT APPOINTING THE PROXY IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED, DULY COMPLETED AND SIGNED, AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS SENT HERewith. PROXIES SUBMITTED ON BEHALF OF THE COMPANIES, SOCIETIES ETC., MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/AUTHORITY, AS APPLICABLE.

- b) Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of the Special business under Item Nos. 4 & 5 above, is annexed hereto.
- c) The Board of Directors of your Company comprised of 4 directors of which 2 directors viz. Mr. Pawan Kumar (DIN: 03591023), & , Mr. AMIT GUPTA (DIN : 03615152), are Independent Directors, who are not liable to retire by rotation in terms of Sections 149 and 152 of the Companies Act, 2013. Further, Mr. Devinder Garg, appointed as Chairman & Managing Director of your Company, Mrs.Vaneera Garg Non Executive -Woman Director are appointed are subject to retires by rotation, and one of them Mr. Devinder Garg are liable to retire by rotation at this AGM in pursuance with the provisions of the Companies Act, 2013.
- d) The relevant details of Directors seeking appointments/re-appointment under Item Nos. 2 above, as required by regulation as applicable of SEBI (LO&DR) Regulations 2016, is also annexed.
- e) The Register of Members and Share Transfer books of the Company will remain closed from Thursday, September 27, 2018 to Saturday, September 29, 2018 (both days inclusive).
- f) Shareholders holding shares in the physical form are requested to notify any change in their address/mandate/bank details / e-mail address to, the Registrars and Transfer Agents, to facilitate better services.
- g) Members are requested to register their e-mail addresses with the Company / Depository Participant to enable us to send you the Report and Accounts, Notices etc. in electronic mode, as a measure of support to the Green Initiative in Corporate Governance of the Ministry of Corporate Affairs, Government of India.
- h) SEBI vide its circular ref no. MRD/DoP/ Cir-05/2009 dated 20.05.2009 has clarified that for securities market transactions and off-market/ private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish a copy of the PAN Card to the Company/RTA for registration of such transfer of shares irrespective of the amount of such transaction.
- i) All intended transferee(s) are, therefore, requested to furnish a self certified copy of their PAN Card along with the relevant transfer deed for registration of transfer of shares. Please note that the shares lodged for transfer without self certified copy of PAN Card of the transferee(s) shall be returned under objection.
- j) Members desirous of any additional information as regards the Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready at the meeting.
- k) Members are requested to bring the admission slips along with their copies of the Annual Report to the meeting.
- l) The Company has provided facility of e-voting to its members as prescribed under the Companies Act, 2013. The instructions for e-voting are annexed to this Notice.
- m) The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
- n) The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 read with Rules issued thereunder will be available for inspection by the

members at the Annual General Meeting.

o) Voting through electronic means

I. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the company is pleased to provide members facility to exercise their rights to vote at the 45th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services Limited (CDSL). The instructions for e-voting are as under:

1. The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on Wednesday, 26th September, 2018 (9.00AM IST) and ends on Friday, 28th September, 2018 (5.30PM IST). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 21st September, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website - www.evotingindia.com
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

| For Members holding shares in Demat Form and Physical Form | |
|---|---|
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the the first two letters of their name and the 8 digits of the sequence number in the PAN field. Sequence number is printed on address slip • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field |
| Date of Birth (DOB) | <ul style="list-style-type: none"> • Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details | <ul style="list-style-type: none"> • Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v). |

(ix) After entering these details appropriately, click on "SUBMIT" tab.

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- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant Garg Furnace Limited on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xviii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system. Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) Note for Non - Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to www.helpdesk.evotingindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (l) Any person, who acquires shares of the Company and become Member of the Company after dispatch of the Notice and holding shares as on the cut-off date 21ST September, 2018 may follow the same instructions as mentioned above for e-Voting.
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or call 1800225533.
- All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Deputy Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013, or send an email to helpdesk.evoting@cdslindia.com or call 1800225533.

- i) Shri Baldev R Arora of M/s. Baldev Arora & Associates, Practicing Company Secretaries has been appointed as Scrutinizer to scrutinize voting process in a fair and transparent manner.
- ii) The Scrutinizer shall immediately after the conclusion of voting at the General meeting first count the vote cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in employment of the Company and make not later than three days of conclusion of the meeting a consolidated Scrutinizer's Report of the total votes cast in favor or against, if any, to the Chairman or a person authorized by him in voting who shall countersign the same.

The Scrutinizer shall submit his report to the Chairman after completion of the scrutiny. The result of the voting on the Resolutions at the meeting shall be announced by the Chairman. The results declared along with the Scrutinizer's report, will be posted on the Company's Website by 1st October, 2018.

The investors may contact for redressal of their grievances/queries. For this purpose, they may either write to him at the registered office address or e-mail their grievances /queries to the Company e-mail address

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EXPLANATORY STATEMENT

As required by Section 102 of the Companies Act, 2013 (the Act), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos.3 to 4 of the accompanying Notice dated 1st September, 2018:

A brief profile of the Directors to be appointed is given below, along with 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. Devinder Garg |
| Date of Birth | 25/05/1965 |
| Date of Appointment | 15/11/2016 |
| Qualification | B.A |
| Expertise in Specific Area | Business Experience of More then 21 Yrs. |
| Directorship in other Companies | Nil |
| Chairman/Member of committees of other Companies | Nil |

Item No. 3:

Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules made thereunder, the current auditors of the Company, M/s R.K. Chadha & Company. Chartered Accountants Ludhiana (ICAI Registration No. 003513N) was appointed by the shareholders at the 45th Annual General Meeting until the conclusion of the 49th Annual General Meeting, subject to ratification by shareholders at each annual general meeting.

The members are requested to ratify the appointment of M/s R.K. Chadha & Company. Chartered Accountants Ludhiana (ICAI Registration No. 003513N) as statutory auditors of the Company and to fix their remuneration for the year 2018-19.

Accordingly, Ordinary Resolution is submitted to the meeting for the consideration and approval of members.

None of the Directors, Key Managerial Persons or their relatives, in any way, concerned or interested in the said resolution.

Item No. 4:

The Company is required under Section 148 of the Act to have the audit of its cost records conducted by a Cost Accountant in Practice. The Board of Directors of the Company has on the recommendation of the Audit Committee, approved the appointment and remuneration M/S Meenu & Associates, Cost Accountants (Firm's Registration No. Frn; 100729) of the Company to conduct audit of cost records of the Company for products covered under the Companies (Cost Records and Audit) Rules, 2014 for the Financial Year ending 31 March, 2019, at a remuneration of Rs. 20000.00 plus reimbursement of out-of-pocket expenses.

In accordance with the provisions of Section 148 of the Act read with Companies (Cost Records and Audit) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors has to be ratified by the members of the Company.

Accordingly, the consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 4 of the Notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year ending 31 March, 2019. None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or

interested in the Resolution mentioned at Item No. 4 of the Notice.

The Board recommends the resolution set forth in Item No. 4 for the approval of the Members.

Item No. 5

The Board of Directors at its meeting held on 01/09/2018 re-appointed Mr. Devinder Garg (DIN: 01665456) as Managing Director of the Company with effect from August 1, 2018 for the period of Three years subject to approval of shareholders in ensuing Annual General Meeting and on the basis of recommendation of Nomination and Remuneration Committee with a condition the revised remuneration as mentioned below shall be paid from 01/09/2018.

The main terms and conditions of his re-appointment as Managing Director, as contained in the said agreement are furnished below:

Salary : Rs.100000/- (Rs. One Lac /Month only)

Perquisites

Perquisites should be allowed in addition to the salary as but within the overall limit, but not more than the salary fixed per month (Rs. One Lac per month), if any, prescribed under Schedule XIII of the Companies Act, 1956, as amended from time to time. The perquisites shall be evaluated etc. as per Income Tax Rules, wherever applicable and in the absence of any such rules, at actual cost.

- a) Housing House Rent Allowance shall be allowed as per the rules of the Company within the overall limit specified above.
- b) Medical Reimbursement Expenses incurred for the appointee and his family subject upto to a ceiling of three month's salary in a year or nine month's salary over a period of three years.
- c) Leave Travel Assistance First Class Air Fare for self and family once in a year to any destination. Family defined as spouse and two dependent children.
- d) Club Fees and expenses at clubs subject to a maximum of two clubs. This will not include life membership fees.
- e) Personal accident insurance as per rules of the Company
- f) Employer's contribution to Provident fund/superannuation fund As per Rules of the Company
- g) Gratuity payable shall be at the rate of 15 days salary for each completed year of service in accordance with the rules.
- h) Car/Telephone Car with driver for use on company's business and telephone/telefax facilities at residence will be provided to the appointee. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the appointee.
- i) Electricity expenses at residence as per limit prescribed in Income Tax Rules

The aforesaid remuneration will be subject to the limit of 5% of the net profits as laid down under sub-section (3) of section 309 of the Companies Act, 1956.

Minimum Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Devinder Garg (DIN: 01665456), the Company has no profits or the profits

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of the Company are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above.

None of the Directors and Key Managerial Personnel of the Company, except Mrs. VANEERA GARG Non Executive Women Director being relative of appointee, are concerned or interested in the Resolution mentioned at Item No. 5 of the Notice.

The Board recommends the resolution set forth in Item No. 5 for the approval of the Members.

For and on behalf of the Board

Sd/-

Devinder Garg

Chairman

DIN : 01665456

Place: LUDHIANA

Date: 01/09/2018

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DIRECTORS' REPORT

The Members of
Garg Furnace Limited

The Directors of your company have pleasure in presenting the 45th Annual Report on the affair of the company together with the Audited Accounts for the year ending 31st March, 2018.

FINANCIAL RESULTS

| | (Rupees in Lacs) | |
|---|-------------------------|----------------|
| | 2017-18 | 2016-17 |
| Operating Income | 6721.21 | 5961.00 |
| Profit before depreciation, Interest & tax | 60.73 | (1104.63) |
| Interest & Financial Expenses | 67.96 | 105.80 |
| Profit before depreciation & tax | (7.23) | (1210.43) |
| Depreciation | 131.09 | 135.91 |
| Profit before tax | (138.32) | (1346.34) |
| Provision for tax -Current Tax | 0.00 | 0.00 |
| -Deferred Tax Asset | 126.75 | 0.00 |
| Less : Mat Credit Entitlement | 0.00 | 0.00 |
| Profit after Tax | (11.57) | (1346.34) |
| Prior year Tax adjustments / Depreciation to Reverse as per Schedule - II | | |
| Balance brought forward | (2450.93) | (1095.78) |
| APPROPRIATIONS | | |
| Transfer to General Reserve | 0 | 0 |
| Balance carried over to Balance Sheet | (11.57) | (1355.14) |

DIVIDEND

The Board of Directors do not recommend payment of dividend for the year under review.

SHARE CAPITAL

There was no public issue, rights issue, bonus issue or preferential issue etc. during the year. The Company has not issued shares with differential voting rights, sweat equity shares nor has it granted any stock options.

OPERATIONS

Detailed information on the operations of the different business lines of the Company and details on the state of affairs of the Company are covered in the Management Discussion and Analysis Report

EXTRACT OF ANNUAL RETURN

The extract of annual return as provided under sub-section (3) of section 92 of the Companies Act, 2013, in the prescribed Form MGT-9 is annexed to this Report.

NUMBER OF MEETINGS OF THE BOARD

There were 5 meetings of the Board held during the year 30/05/2017, 14/08/2017, 01/09/2017, 15/11/2017 and

15/02/2018; detailed information is given in the Corporate Governance Report, annexed hereto as part of Board Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under clause (c) of sub-section (3) of section 134 of Companies Act, 2013 directors, to the best of their knowledge and belief, state that -

- (a) in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that 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 and of the profit and loss of the Company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DECLARATION BY INDEPENDENT DIRECTORS

The independent directors have submitted the Declaration of Independence, as required pursuant to section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section (6).

DIRECTORS' REMUNERATION POLICY AND CRITERIA FOR MATTERS UNDER SECTION 178

Information regarding Directors' Remuneration Policy and criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178 are provided in the Corporate Governance Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Information regarding loans, guarantees and investments covered under the provisions of section 186 of the Companies Act, 2013 are detailed in the Financial Statements.

RELATED PARTY TRANSACTIONS

There are related party transactions (RPTs) entered into by the Company during the financial year, which attracted the provisions of section 188 of Companies Act, 2013. There being 'material' related party transactions as defined under regulation as applicable of SEBI (LO&DR) Regulations 2016, there are details to be disclosed in Form AOC-2 in that regard.

During the year 2016-17, pursuant to section 177 of the Companies Act, 2013 regulation as applicable of SEBI (LO&DR) Regulations 2016, all RPTs were placed before Audit Committee for its prior/omnibus approval as well as shareholders' approval has been taken in this regard.

MATERIAL CHANGES AND COMMITMENTS

There have been no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this Report.

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 134 (3)(m) of The Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 is annexed and forms part of this report.

RISK MANAGEMENT POLICY

Information on the development and implementation of a Risk Management Policy for the Company including identification therein of elements of risk which in the opinion of the Board may threaten the existence of the Company is given in the Corporate Governance Report.

CORPORATE SOCIAL RESPONSIBILITY

Provisions of section 135 of the Companies Act, 2013 are not applicable to Company

FORMAL ANNUAL EVALUATION OF THE PERFORMANCE OF BOARD, ITS COMMITTEES AND DIRECTORS

Information on the manner in which formal annual evaluation has been made by the Board of its own performance and that of its Committees and individual directors is given in the Corporate Governance Report.

SUBSIDIARIES AND JOINT VENTURE

Company has no subsidiary, associate and Company in Joint Venture

DIRECTORS AND KEY MANAGERIAL PERSONNEL

- a. In light of the provisions of the Companies Act, 2013, Sh. Devinder Garg executive, director of the Company, retires from the Board by rotation this year and being eligible, offers himself for re-appointment. The information as required to be disclosed as per regulation as applicable of SEBI (LO&DR) Regulations 2016 in case of re-appointment of the director is provided in the Notice of the ensuing annual general meeting.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

During the year under review, there were no significant and material orders passed by the regulators or courts or tribunals, which may impact the going concern status of the Company and its operations in future, however the accounts of the company were declared by the banks as Non-Performing Assets (NPA) and thereafter the bank has taken symbolic possession of assets of the company u/s 13(4) of THE SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002 in 2017, the action of the bank has been challenged by the company before the Concerned Debt Recovery Tribunal (DRT). Further the management was under negotiation with the bank for one time settlement (OTS) of account. The bank has approved the One Time Settlement (OTS) proposal of the company vide its letter dated 13/08/2018, which has taken on record by board of directors in its meeting held on 14/08/2018, and authorised Managing Director to negotiate further and give acceptance of said OTS proposal on behalf of company. The company has accepted the said OTS proposal and First Instalment in this regard has been deposited with Bank.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Internal financial controls with reference to the financial statements were adequate and Operating effectively.

PRESENTATION OF FINANCIAL RESULTS

The financial results of the Company for the year ended 31 March 2018 have been disclosed as per Schedule III to the Companies Act, 2013. The same are placed on the Company's website.

STATUTORY DISCLOSURES

As Company has no subsidiaries and joint ventures Company, the summary of the key financials of the Company's (Form AOC-1) is not applicable to comply.

Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the prescribed particulars are set out in an annexure to the Directors' Report. As per provisions of section 136(1) of the said Act, these particulars will be made available to shareholder on request.

A Cash Flow Statement for the year 2017-18 is attached to the Balance Sheet.

Pursuant to the legislation 'Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace Act, 2013' introduced by the Government of India, which came into effect from 9 December 2013, the Company has framed a Policy on Prevention of Sexual Harassment at Workplace. There was no case reported during the year

under review under the said Policy.

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.

Particulars of Employees

Information as per Section 197 of the Companies Act, 2013 (the 'Act') read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report is NIL. However salary being paid to whole time directors is mentioned in Corporate Governance Report.

Annual Performance Evaluation by Board

Pursuant to the provisions of the Companies Act, 2013 and regulation as applicable of SEBI (LO&DR) Regulations 2016, the Board has carried out an Annual Performance Evaluation of its own performance, the Directors individually as well as the evaluation of the working of the Committees. The manner in which the evaluation was carried out has been explained in the Corporate Governance Report.

Risk Management

The Board of Directors of your Company has, on recommendation of the Risk Management Committee framed and adopted a policy on Risk Management of the Company. The broad terms of reference of the Committee are stated in the Corporate Governance Report.

Vigil Mechanism

Your Company has an effective Vigil Mechanism system which is embedded in its Code of Conduct. The Code of Conduct of your Company serves as a guide for daily business interactions, reflecting your Company's standard for appropriate behavior and living Corporate Values. The Code of Conduct applies to all GFL People, including Directors, Officers, and all employees of the Company. Even your Company vendors and suppliers are also subject to these requirements as adherence to the Code is a prerequisite for conducting business with your Company.

Nomination & Remuneration Policy

The Board of Directors of your Company has, on recommendation of the Nomination & Remuneration Committee, framed and adopted a policy for selection and appointment of Directors, Senior Management and their remuneration. The contents of the policy are stated in the Corporate Governance Report.

AUDITORS

STATUTORY AUDITOR

Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules made thereunder, the current auditors of the Company, M/s R.K. Chadha & Company. Chartered Accountants Ludhiana (ICAI Registration No. 003513N) was appointed by the shareholders at the 45th Annual General Meeting until the conclusion of the 49th Annual General Meeting, subject to ratification by shareholders at each annual general meeting.

The members are requested to ratify the appointment of M/s R.K. Chadha & Company. Chartered Accountants Ludhiana (ICAI Registration No. 003513N) as statutory auditors of the Company and to fix their remuneration for the year 2018-19.

Reply to remarks in Statutory Audit Report

The does not contain any qualification, reservation or adverse or disclaimer made by statutory auditor except as mentioned in Para Emphasis of Matter

- (a) Interested not provided for on borrowings, and has not paid to the bank due to the operational losses suffered by the company, because that operating assets are not generating revenue on account of various factor beyond the control of company, such as slump in steel industry and delayed payment from customers, is posting challenges to meet the cash flow needs. The Company is taking adequate steps to resolve the liquidity issues. Further the sale of the company significantly reduced due to slump & cut throat competition with china market etc. As in last quarter of Financial Year, bank has declared the account of company as Non Performing asset (NPA). The bank has approved the One Time Settlement (OTS) proposal of the company vide its letter dated 13/08/2018, which has taken on record by board of directions in its meeting held on 14/08/2018, and authorised Managing Director to negotiate further and give acceptance of said OTS proposal on behalf of company. The company has accepted the said OTS proposal and First Instalment in this regard has been deposited with Bank.
- (b) Remark is self explanatory.
- (c) Remark is self explanatory.
- (d) Explained in related note.
- (e) Management is in process to confirm/reconcile balances with the concerned parties.
- (f) Explained in related para.

Basis for Qualified Opinion

- (I) Because of huge losses suffered during last two financial years as explained above in Para(a), the organization structure is also forced to become unshaped, but Management is looking for a competent person to appoint him as Company Secretary and Key Managerial Personal of the Company,
- (ii) Provision in respect of impairment /loss on assets is not require as management has view that due to slump & cut throat competition in iron industries / market is temporally and hope will recover soon.

SECRETARIAL AUDITOR

Pursuant to the provisions of section 204 of the Companies Act, 2013 and Rules made thereunder the Company has appointed, Baldev Arora & Associates, (membership number: 4283) Company Secretaries in Practice, to undertake the secretarial audit of the Company. Secretarial Audit Report for the year 2017-18 given by Baldev Arora

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& Associates in the prescribed form MR-3 is annexed to this Report. The Secretarial Audit Report for the year under review does not contain any qualification, reservation or adverse remark or disclaimer made by the secretarial auditor except some observations.

Para wise replay of said observation are given hereunder

- (a) Because of huge losses suffered during last two financial years as explained above in Para(a), the organization structure is also forced to become unshaped, but Management is looking for a competent person to appoint him as Company Secretary and Key Managerial Personal of the Company.
- (b) Company has an active website, which is being modified as per the requirement of Law.
- (c) Company has taken all approvals of members of the company/Audit Committee/board of Directors in respect of related parties transaction made during the year.

COST AUDITOR

Pursuant to section 148 of the Companies Act, 2013 and Rules made thereunder, Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Meenu & Associates, (firm registration number: FRN: 100729) Cost Accountants, to audit the cost accounts of the Company for the financial year 2018-19 at a remuneration of 20000.00 plus service tax, out-of pocket and travel and living expenses, subject to ratification by the shareholders at annual general meeting. Accordingly, a resolution seeking members' ratification for the remuneration payable to cost auditor is included in the Notice convening the annual general meeting.

INDUSTRIAL RELATIONS

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board

Sd/-

Devinder Garg

Chairman

DIN : 01665456

Place: LUDHIANA

Date: 01/09/2018

ANNEXURE TO BOARD REPORT

Information pursuant to Section 134 (3)(m) of The Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 and forming part of the Director's Report for the year ended 31st March, 2016.

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. The Company has installed LED lamps in place of failed Tube lights and CFL thereby reducing energy consumption in lighting during the year
- b) Additional Investment and proposals if any, : No.
being implemented for reduction of energy consumption.
- c) Impact of Measures taken at (a) above for : 5% Saving in Energy consumption.
reduction of energy consumption and consequent impact on the cost of production of goods.
- 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

| 1. Electricity | <u>Current Year</u> | <u>Previous Year</u> |
|---|---------------------|----------------------|
| a) Purchased | | |
| Units(KWH) (in Units) | 23172750 | 19848374 |
| Total amount | Rs. 141524777.00 | Rs. 134944411.00 |
| Rate per unit | Rs. 6.10 | Rs. 6.80 |
| b) Own Generation | <u>Current Year</u> | <u>Previous Year</u> |
| i) Through Diesel Generator Units (KWH) | 20116 | 15939 |
| Units per litre of diesel | 3.90 | 3.90 |
| Oil Cost/unit | Rs. 16.13 | Rs. 14.62 |
| ii) Through steam Turbine | Nil | Nil |
| 2. Coal | | |
| Quantity (Kgs) | 242750 | 211660 |
| Total Amount | Rs. 2220413.00 | Rs. 1912363.00 |
| Average Rate per Kg | Rs. 9.15 | Rs. 9.03 |

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B. CONSUMPTION PER UNIT OF PRODUCTION

| Products | | <u>Current Year</u> | <u>Previous Year</u> |
|-------------------|---|---------------------|----------------------|
| Electricity (KWH) | Steel Ingots, Rounds, Castings/Wire Rod/Mig wire | 923 Units (*) | 730 Units (*) |
| Coal | Rounds/Castings/Wire Rod | 40 Kgs | 40 Kgs |

(*) Consumption for separate products is not feasible.

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are as under:

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

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

III. FOREIGN EXCHANGE EARNING AND OUT GO

| | 2017-2018 | 2016-2017 |
|-----------------------------|------------------|----------------|
| Total Foreign Exchange | Rs. 823393.00 | NIL |
| Used (CIF Value of Imports) | Rs. 93518967.84 | Rs. 2790948.78 |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) **BUSINESS REVIEW:**

STEEL INDUSTRY - GLOBAL PERSPECTIVE

The world economy has experienced subdued growth for another year in 2018. Underperformance in the world economy was observed across almost all regions and major economic groups. Most developed economies continued struggling against the lingering effects of the financial crisis, grappling in particular with the challenges of taking appropriate fiscal and monetary policy actions. A number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new headwinds during 2018 on both international and domestic fronts.

INDIAN OUTLOOK

Slow growth has been observed in the demand for steel products in India primarily due to near stagnant growth in steel consuming sectors like Infrastructure, housing, auto and consumer goods.

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

COMPANY'S BUSINESS STRATEGY

Due to increased capacities among steel mills and slowdown in auto sector and other steel consuming sectors this year will also difficult. As a result of overall down scenario we face squeeze in margins. This Situation is likely to continue at least for the first half of year.

COMPANY'S FUTURE OUTLOOK

Your Company, however, believes in the future of high quality products. As the country is witnessing the slowdown in growth, the steel industry has slowed down. This is having a serious impact on business sentiments for steel industry, as a result this year the volume will be under stress and also margins for the first half of the year.

B) PRODUCTION AND SALES REVIEW

During the year under review, the company has produced 19002.645 Metric tons of Steel products. The operating receipts of the company has increased to Rs. 67.21 Crores from Rs.59.61 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 70 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.

CORPORATE GOVERNANCE REPORT**1. COMPANY'S PHILOSOPHY**

The company GARG FURNACE LIMITED (GFL) 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.

The commitment of (GFL) to the highest standards of good corporate governance practices pursuant to Regulation as applicable of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2016 (herein after mentioned in regulation as applicable of SEBI(LO&DR) Regulations 2016" Ethical dealings, transparency, fairness, disclosure and accountability are the main thrust to the working of the GFL maintains the same tradition and commitment.

This Report, therefore states compliance as per requirements of Companies Act, 2013, regulation as applicable of SEBI (LO&DR) Regulations 2016.

Given below are the Company's corporate governance policies and practices for 2017-18. As will be seen, GFL's corporate governance practices and disclosures have gone well beyond complying with the statutory and regulatory requirements in accordance with the provisions of regulation as applicable of SEBI (LO&DR) Regulations 2016.

2. BOARD OF DIRECTORS

The Board of Directors consists of 4 directors. The composition and category of Directors as on 31/03/2018 are as follows:-

| <u>Category</u> | <u>Name of Directors</u> |
|-------------------------------------|--|
| Promoter/Executive Directors | : Sh. Devinder Garg - Chairman & Managing Director |
| Woman Director | : Smt. Vaneera Garg-Non Executive Woman Director |
| Independent/Non-Executive Directors | : Sh. Pawan Kumar Sh. Amit Gupta |

GARG FURNACE LIMITED

Nominee/Institutional Directors : Nil

Attendance of each director at the Board Meeting, last Annual General Meeting and number of other directorship and chairmanship/Membership of Committee of each Director in various companies.

| Name of Director | Attendance Particulars | | No. of other directorships and Committee membership/Chairman | | |
|-------------------|------------------------|----------|--|----------------------|------------------------|
| | Board Meeting | Last AGM | Other Directorship | Committee Membership | Committee Chairmanship |
| Sh. Davinder Garg | 5 | Present | None | None | None |
| Smt. Vaneera Garg | 5 | Present | None | 3 | 1 |
| Sh. Pawan Kumar | 5 | Present | None | 3 | None |
| Sh. Amit Gupta | 5 | Present | None | 3 | 2 |

NUMBER OF MEETINGS OF THE BOARD

During the year, 5 Board Meetings were held as against the minimum requirement of 4 meetings. The dates on which the meetings were held are: 30/05/2017, 14/08/2017, 01/09/2017, 15/11/2017 and 15/02/2018.

NON-EXECUTIVE DIRECTORS' COMPENSATION

Company is not paying any remuneration to any Non Executive Director.

INFORMATION SUPPLIED TO THE BOARD

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to officers of the Company. In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various significant items.

In terms of quality and importance, the information supplied by Management to the Board of the Company is far ahead of the list mandated under regulation as applicable of SEBI (LO&DR) Regulations 2016,

REVIEW OF LEGAL COMPLIANCE REPORTS

During the year, the Board periodically reviewed compliance reports with respect to the various laws applicable to the Company, as prepared and placed before it by the Management.

CODE OF CONDUCT

Regulation as applicable of SEBI (LO&DR) Regulations 2016, requires listed companies to lay down a code of conduct for its directors and senior management, incorporating duties of directors as laid down in the Companies Act, 2013.

The Company pursuant to regulation as applicable of SEBI (LO&DR) Regulations 2016, already had a Code of Conduct for Directors and members of Senior Management.

The Board at its meeting on 10 September 2014 adopted a revised Code of Conduct for all Directors and Senior Management of the Company and the same has been placed on the Company's website.

All Directors and Senior Management personnel have affirmed compliance with the new code for 2017-18. A declaration to this effect signed by the Managing Director is given in this Annual Report.

MAXIMUM TENURE OF INDEPENDENT DIRECTORS

The maximum tenure of independent directors is in accordance with the Companies Act, 2013 regulation as applicable of SEBI (LO&DR) Regulations 2016.

FORMAL LETTER OF APPOINTMENT TO INDEPENDENT DIRECTORS

The Company issues a formal letter of appointment to independent directors in the manner as provided in the Companies Act, 2013 and regulation as applicable of SEBI (LO&DR) Regulations 2016,. The terms and conditions of appointment of independent directors are placed on the Company's website.

PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and erstwhile clause 49 of listing Agreement / regulation as applicable of SEBI (LO&DR) Regulations 2016, the Board shall carry out an annual performance evaluation of its own performance, and that of its Committees and individual directors from FY 2017-18. Manner in which such formal annual evaluation to be made by the Board is given below:

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Board at its meeting held on 15 February 2018. The criteria are placed on the Company's website.

Based on the said criteria, rating sheets to be filled by each of the directors towards the end of the year with regard to evaluation of performance of the Board, its Committees and Directors (except for the director being evaluated) for the year under review.

A consolidated summary of the ratings given by each of the directors shall be then prepared, based on which a report of performance evaluation to be prepared by the Chairman in respect of the performance of the Board, its Committees and Directors during the year under review.

The report of performance evaluation so arrived at shall then noted and discussed by the Nomination and Remuneration Committee and Board at their meetings to be held in March 2018.

As per the report of performance evaluation, the Board shall determine, inter alia, whether to continue the term of appointment of the independent director.

REMUNERATION POLICY

The Board on the recommendation of the Nomination and Remuneration Committee has framed a Remuneration Policy, providing (a) criteria for determining qualifications, positive attributes and independence of directors and (b) a policy on remuneration for directors, key managerial personnel and other employees. The detailed Remuneration Policy are placed on Company's website.

BOARD DIVERSITY POLICY

In compliance with regulation as applicable of SEBI (LO&DR) Regulations 2016, the Board through its Nomination and Remuneration Committee has formulated a Policy on Board Diversity.

The objective of the Policy is to ensure that the Board is comprised of adequate number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company.

FAMILIARISATION PROGRAMME

With a view to familiarizing the independent directors with the Company's operations, as required under regulation as applicable of SEBI (LO&DR) Regulations 2016, the Company has held various familiarization programmes for the Independent Directors throughout the year on an ongoing and continuous basis. Some of the familiarisation programmes carried out during the year was as under:-

1. Various presentations were made by business heads of the Company and its various subsidiaries from time to time on different functions and areas.
2. Deliberations were held and presentations were made from time to time on major developments in the areas of the new Companies Act, 2013, regulation as applicable of SEBI (LO&DR) Regulations 2016.

WHISTLE BLOWER POLICY/VIGIL MECHANISM

Pursuant to section 177(9) of Companies Act, 2013 and regulation as applicable of SEBI (LO&DR) Regulations 2016, the Board of Directors at its meeting held on 15/02/2018, formulate a Whistle Blower Policy.

The Whistle Blower Policy/Vigil mechanism provides a mechanism for the director/employee to report violations, without fear of victimisation of any unethical behavior, suspected or actual fraud, violation of the Code of Conduct

etc. which are detrimental to the organisation's interest.

The mechanism protects whistle blower from any kind of discrimination, harassment, victimisation or any other unfair employment practice.

The directors in all cases and employees in appropriate or exceptional cases will have direct access to the Chairman of the Audit Committee. The said Policy is placed on the Company's website.

SUBSIDIARY COMPANIES

Company has no subsidiary Company.

RELATED PARTY TRANSACTIONS

All related party transactions (RPTs) which were entered into during the financial year were on an arm's length basis and were in the ordinary course of business and did not attract provisions of section 188 of Companies Act, 2013 and were also material RPTs under regulation as applicable of SEBI (LO&DR) Regulations 2016 and approval of shareholders has been received in this regard.

During the year 2017-18, as required under section 177 of the Companies Act, 2013 and regulation as applicable of SEBI (LO&DR) Regulations 2016, all RPTs were placed before Audit Committee for prior approval.

A summary statement of transactions with related parties was placed periodically before the Audit Committee during the year.

A statement showing the disclosure of transactions with related parties as required under IND AS 24 is set out separately in this Annual Report.

Details of 'material' transactions, if any, with related parties are disclosed to stock exchanges on quarterly basis along with the compliance report on corporate governance.

There were no material transactions entered into with related parties, during the period under review, which may have had no any potential conflict with the interests of the Company.

DISCLOSURES

Suitable disclosures have been made in the financial statements, together with the Management's explanation in the event of any treatment being different from that prescribed in Accounting Standards.

AUDIT COMMITTEE

The Audit Committee comprises of independent/ Non Executive Directors viz Sh.Pawan Kumar, Sh. Amit Gupta & Smt.Vaneera Garg, the terms of reference of the Audit Committee are as contained in Corporate Governance Clause of the listing agreement. The Audit Committee met 5 times during the year. The dates on which meeting were held are 30/05/2017, 14/08/2017, 01/09/2017, 15/11/2017 and 15/02/2018, and attended by members as under:

| Name of Director | Attendance Particulars |
|------------------|--------------------------|
| | Audit Committee Meetings |
| Sh.Pawan Kumar | 5 |
| Sh Amit Gupta | 5 |
| Smt.Vaneera Garg | 5 |

REMUNERATION COMMITTEE

The Board of the company had constituted a Remuneration Committee comprising of 3 independent/ Non Executive Directors viz Sh.Pawan Kumar, Sh Amit Gupta & Smt.Vaneera 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.

Two meeting was held on 30/05/2017 & 14/08/2017 during the year and all the members of the Committee attend

the meetings.

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

a) Executive Directors

| Name | Designation | Salary | Other | Total |
|-------------------|-------------------------|----------|-------|----------|
| Sh. Devinder Garg | Chairman | 8,40,000 | ---- | 8,40,000 |
| Smt. Vaneera Garg | Non Executive Directors | 80,000 | ---- | 80,000 |

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

REMUNERATION OF DIRECTORS

Pecuniary transactions with non-executive directors

During the year under review, there were no pecuniary transactions with any non-executive director of the Company.

The register of contracts is maintained by the Company under section 189 of the Companies Act, 2013. The register is signed by all the directors present at the respective Board meetings.

MANAGING DIRECTOR

During the year under review, the Company has paid remuneration to Managing Director and other whole time directors of the Company as provided above and in detail in an Annexure to the Directors' Report in Form MGT-9.

REMUNERATION TO DIRECTORS

Details of remuneration paid/payable to directors during 2017-18 are provided above and in an annexure to the Directors' Report in Form MGT-9.

SHAREHOLDING OF DIRECTORS

Information on shares held by directors in the Company as on 31 March 2018 is provided in the annexure to the Directors' Report in Form MGT-9.

INDEPENDENT DIRECTORS' MEETING

In compliance with Schedule IV to the Companies Act, 2013 and regulation as applicable of SEBI (LO&DR) Regulations 2016, the Independent Directors held their separate meeting on 15/02/2018, without the attendance of non-independent directors and members of management, inter alia, to discuss the following:

- i) Review the performance of non-independent directors and the Board as a whole;
- ii) Review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors; and
- iii) Assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

All independent directors were present at the meeting, deliberated on the above and expressed their satisfaction.

MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

This is given as separate chapter in the Annual Report.

DISCLOSURE OF MATERIAL TRANSACTIONS

Under regulation as applicable of SEBI (LO&DR) Regulations 2016, Senior Management has made periodical disclosures to the Board relating to all material financial and commercial transactions where they had (or were deemed to have had) personal interest that might have been in potential conflict with the interest of the Company.

The same was nil.

COMPLIANCES REGARDING INSIDER TRADING

The Company had in place a 'Code of Conduct for Prevention of Insider Trading and Corporate Disclosure Practices', in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended. These

regulations have been substituted by SEBI with a new set of Regulations, which has come into effect from 15 May 2016.

Regulation 8 of the newly introduced Regulations, required the Company to formulate a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI), which the Company needs to follow in order to adhere to each of the principles set out in Schedule A to the said Regulations.

Further, regulation 9(1) of these Regulations required a listed company to formulate a Code of Conduct to Regulate, Monitor and Report Trading by its employees and other connected persons, towards achieving compliance with the said Regulations, adopting the minimum standards, set out in Schedule B to the Regulations.

Accordingly, the Board at its meeting held on 15-02-2018, approved and adopted:

- a) Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information; and
- b) Code of Conduct to Regulate, Monitor and Report Trading by its employees and other connected persons.

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board of the Company has re-constituted a Shareholder's/Investor's Grievances Committee comprising of Sh Pawan Kumar (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 total number of letters/complaints received and replied to the satisfaction of shareholders during the year ended 31st March, 2018 were NIL. Outstanding letters/complaints as on 31st March, 2018 were Nil. No request for transfer/dematerialization was pending for approval as on 31st March, 2018.

COMMUNICATION TO SHAREHOLDERS

Section 20 and 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 permit companies to service delivery of documents electronically on the registered members'/ shareholders' email addresses. The Company, during the year under review sent documents, such as notice calling the general meeting, audited financial statements, directors' report, auditors' report etc. in electronic form at the email addresses provided by the shareholders and made available by them to the Company through the depositories. Shareholders desiring to receive the said documents in physical form continued to get the same in physical form, upon request.

All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the Company's website.

The Company also files the following information, statements and reports on the Company website as specified by SEBI:

1. Full version of the annual report including the balance sheet, statement of profit and loss, directors' report, corporate governance report, auditors' report, cash flow statements, half-yearly financial statements and quarterly financial statements.
2. Shareholding pattern.

INFORMATION ON GENERAL BODY MEETINGS AND DETAILS OF SPECIAL RESOLUTION(S) PASSED

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> |
|----------------|------------|-------------|-------------|--|-----------------------------------|
| 42nd AGM | Wednesday | 30.09.2015 | 9.30 AM | Registered Office at Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana | 4 |

GARG FURNACE LIMITED

| | | | | | |
|----------|--------|------------|----------|---|---|
| 43rd AGM | Friday | 30.09.2016 | 10.30 AM | Registered Office at Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana. | 0 |
| 44th AGM | Friday | 29.09.2017 | 10.30 AM | Registered Office at Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana | 0 |

DETAILS OF CAPITAL MARKET NON-COMPLIANCE, IF ANY

There was no non-compliance by the Company of any legal requirements; nor has there been any penalty/stricture imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years.

CEO/CFO CERTIFICATION

The MD and CFO have certified to the Board with regard to the financial statements and other matters as per regulation applicable of SEBI (LO&DR) Regulations 2016. The certificate is contained in this Annual Report.

REPORT ON CORPORATE GOVERNANCE

This chapter, read together with the information given in the Directors' Report and the chapters on Management Discussion and Analysis and General Shareholder Information, constitute the compliance report on corporate governance during 201-18. The Company has been regularly forwarding the quarterly compliance report to the stock exchanges as required under regulation applicable of SEBI (LO&DR) Regulations 2016.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Company has obtained the certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down in under regulation applicable of SEBI (LO&DR) Regulations 2016. This certificate is annexed to the Directors' Report and will be sent to the stock exchanges alongwith the Annual Report to be filed by the Company.

COMPLIANCE OF MANDATORY AND NON-MANDATORY REQUIREMENTS UNDER regulation applicable of SEBI (LO&DR) Regulations 2016.

Mandatory

The Company has complied with all the mandatory requirements of as per regulation applicable of SEBI (LO&DR) Regulations 2016.

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.

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.

GENERAL SHAREHOLDERS INFORMATION

i) 45th Annual General Meeting

Date : Saturday, 29th September, 2018.
 Time : 10.30 A.M
 Venue : Registered Office:
 Kanganwal Road, VPO Jugiana, G.T.Road, Ludhiana.

ii) Financial Calendar 2018-18 (Tentative)

First Quarter Results : July, 2018
 Second Quarter Results : October, 2018
 Third Quarter Results : January, 2019
 Forth Quarter Results : April, 2019

iii) Date of Book Closure : 27.09.2018 to 29.09.2018
 (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 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.

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), 530615

vii) Stock Market price data for the year 201-18

BSE PRICES

| Month | Open | High Rs. | Low Rs. | Close Rs. | No. of shares. | Total Turnover INR |
|--------|-------|-------------|------------|--------------|----------------|-----------------------|
| Apr 17 | 9.05 | 11.25 | 9.05 | 11.00 | 1,500 | 15,123 |
| May 17 | 10.90 | 12.07 | 10.90 | 12.05 | 4,999 | 57,684 |
| Jun 17 | 12.05 | 13.80 | 12.05 | 12.50 | 5,707 | 75,602 |
| Jul 17 | 13.10 | 15.12 | 13.10 | 13.50 | 1,897 | 27,105 |
| Aug 17 | 13.50 | 14.00 | 13.30 | 13.30 | 2,460 | 33,568 |
| Sep 17 | 13.70 | 14.38 | 13.64 | 13.64 | 8,672 | 1,23,498 |

GARG FURNACE LIMITED

| | | | | | | |
|--------|-------|-------|-------|-------|-------|--------|
| Oct 17 | 14.32 | 14.32 | 13.61 | 13.61 | 1,021 | 14,605 |
| Nov 17 | 14.28 | 14.28 | 10.65 | 10.75 | 3,939 | 47,495 |
| Dec 17 | 11.28 | 11.83 | 10.22 | 10.22 | 1,546 | 17,475 |
| Jan 18 | 10.73 | 11.25 | 10.00 | 10.69 | 3,250 | 34,359 |
| Feb 18 | 10.16 | 10.69 | 10.16 | 10.61 | 883 | 9,120 |
| Mar 18 | 10.61 | 10.61 | 10.61 | 10.61 | 200 | 2,122 |

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.

x) Distribution of Shareholding as on 31st March, 2018

Nominal Value of Each Share : Rs. 10.00

| Share or Debenture holding Nominal Value | Number of Shareholder | % to Total Numbers | Share or Debenture holding amount | % to Total Amount |
|---|--------------------------|-----------------------|---|----------------------|
| (Rs.) | | | (Rs.) | |
| 1 | 2 | 3 | 4 | 5 |
| Up To 5,000 | 1261 | 81.35 | 2204960 | 5.5 |
| 5001 To 10,000 | 134 | 8.65 | 1102560 | 2.75 |
| 10001 To 20,000 | 60 | 3.87 | 921260 | 2.3 |
| 20001 To 30,000 | 30 | 1.94 | 808690 | 2.02 |
| 30001 To 40,000 | 14 | 0.9 | 484280 | 1.21 |
| 40001 To 50,000 | 9 | 0.58 | 408590 | 1.02 |
| 50001 To 1,00,000 | 13 | 0.84 | 945860 | 2.36 |
| 1,00,000 and Above | 29 | 1.87 | 33210800 | 82.85 |
| Total | 1550 | 100 | 40087000 | 100 |

xi) Dematerialization of shares

As on 31st March, 2018, 64.43 % of the Equity Share Capital comprising 25,84,725 Equity Shares was dematerialized.

GARG FURNACE LIMITED

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 : www.gargfurnaceltd.com

NOMINATION

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form (SH-13) will be sent by the share transfer agent of the Company upon such request and is also available on the Company's website www.gargfurnaceltd.com Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

VOTING THROUGH ELECTRONIC MEANS

Pursuant to section 108 of the Companies Act, 2013 and the Rules made thereunder, every listed company is required to provide its members facility to exercise their right to vote at general meetings by electronic means.

The Company has entered into an arrangement with CDSL, the authorised agency for this purpose, to facilitate such e-voting for its members.

The shareholders would therefore be able to exercise their voting rights on the items put up in the Notice of annual general meeting, through such e-voting method. Further, in accordance with the Companies (Management and Administration) Rules, 2014 as amended, the Company shall also be making arrangements to provide for e-voting facility at the venue of the annual general meeting.

Shareholders who are attending the meeting and who have not already cast their votes by remote e-voting shall only be able to exercise their right of voting at the meeting.

Cut-off date, as per the amended Rules shall be 21st September, 2018 and the remote e-voting shall be open for a period of three (3) days, from Wednesday, 26th September, 2018 (9.00AM IST) and ends on Friday, 28th September, 2018 (5.30PM IST).

The Board has appointed Baldev Arora & Associates, Practicing Company Secretary as scrutinizer for the e-voting process.

Detailed procedure is given in the Notice of the eighth annual general meeting and is also placed on the website of the Company.

Shareholders may get in touch with the Company Secretary for further assistance.

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 2018.

Place: LUDHIANA.

Date : 01.09.2018

Sd/-
DEVINDER GARG
CHAIRMAN
DIN : 01665456

GARG FURNACE LIMITED

Auditors' Certificate on Compliance of Corporate Governance under Corporate Governance Regulation as applicable of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2016 of the said company with the Stock Exchanges

To

The Members of
Garg Furnace Limited,

1. We, R.K. Chadha & Co., Chartered Accountants, the Statutory Auditors of Garg Furnace Limited ("the company") have examined the compliance of conditions of Corporate Governance by the company, for the year ended March 31, 2018, as stipulated in Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) and para C and D of schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Managements' Responsibility

2. The compliance of conditions of Corporate Governance is the responsibility of the management. This responsibility includes the design, implementation and maintenance of internal control and procedure to ensure the compliance with the conditions of the corporate governance stipulated in Listing Regulations.

Auditor's Responsibility

3. Our examination is 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.
4. We have carried out an examination of the relevant records of the company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India (the ICAI), the standard on Auditing specified under section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for special purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.
5. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC-1), Quality Control for Firms that perform audits and Review of Historical Financial Information and other assurance and Related Services Engagements.

Opinion

6. Based on Our examination of relevant records and according to the information and explanations given to us and the representations provided by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) and para C and D of schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, except:
 - (i) the web site of the company, which has not been updated with Information as required under Listing Agreement / Listing Regulations, as applicable.
 - (ii) the Company has not appointed the company secretary as required by sec 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
7. 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 RK Chadha & Co.
Chartered Accountants

Sd/-

Paresh Chadha (Partner)

Mem. No. 518195

Place: LUDHIANA

Date : 01/09/2018

GARG FURNACE LIMITED

EXTRACT OF ANNUAL RETURN (FORM MGT-9)

As on the financial year ended on 31 March 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

I. Registration and other details

| | |
|---|---|
| Corporate identification number (CIN) | L99999PB1973PLC003385 |
| Registration date | 27/12/1973 |
| Name of the Company | Garg Furnace Limited |
| Category/sub-category of the Company | Company Limited by Shares/Indian Non Govt Company |
| Address of the registered office and contact details | Kanganwal Road, VPO Jugiana, G.T. Road, Ludhiana- 141 120. Telephone : 0161- 4692400(30 lines) Fax : 0161- 2512285 Email : gargfurnace@yahoo.com Web Site : www.gargfurnaceltd.com |
| Whether listed Company | YES |
| Name, address and contact details of Registrar and Transfer Agent | 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 |

II. Principal business activities of the Company

| Sr. No. | Name and description of main products / services | NIC Code of the product / service | % to total turnover of the Company |
|---------|--|-----------------------------------|------------------------------------|
| 1 | Manufacturing & trading of Iron & Steel | 330.2 | 100.00 |
| 2 | Trading of Textile | 609.1 | Nil |
| 3 | Trading of Chemicals (Dyes & Chemicals) | 615 | Nil |

III. Particulars of holding, subsidiary and associate Companies

| Sr. % of shares held as on 31 March 2017 Applicable section | No Name of the company | CIN/GLN | Holding/ Subsidiary Associate | % of shares held as on 31 March 2018 | Applicable section |
|---|------------------------|---------|-------------------------------|--------------------------------------|--------------------|
| Nil | Nil | Nil | Nil | Nil | Nil |

IV. Shareholding pattern

(equity share capital breakup as percentage of total equity)

GARG FURNACE LIMITED

I) Category-wise shareholding

| Category of shareholders | No. of shares held at the beginning of the year as on 1 April 2017 | | | | No. of shares held at the end of the year as on 31 March 2018 | | | | % change during the year |
|---|---|----------------|----------------|-------------------------|--|----------------|----------------|-------------------------|--------------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. Promoters | | | | | | | | | |
| (1) India | | | | | | | | | |
| a) Individual/HUF | 828342 | 1046860 | 1875202 | 46.78 | 828342 | 1046860 | 1875202 | 46.78 | 0.00 |
| b) Central government | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) State government (s) | | | | | | | | | |
| d) Bodies corporate | 492900 | 206600 | 699500 | 17.45 | 492900 | 206600 | 699500 | 17.45 | 0.00 |
| e) Banks/Financial institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Any other.... | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0.00 |
| Sub-total (A) (1):- | 1321242 | 1253460 | 2574702 | 64.23 | 1321242 | 1253460 | 2574702 | 64.23 | 0.00 |
| (2) Foreign | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| a) NRIs-Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Other-Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) Bodies corporate | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) Banks/Financial institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Any other.... | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (A) (2):- | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Total shareholding of Promoter (A) = (A)(1) + (A)(2) | 1321242 | 1253460 | 2574702 | 64.23 | 1321242 | 1253460 | 2574702 | 64.23 | 0.0 0.0 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| a) Mutual funds | 0 | 200 | 200 | 0.00 | 0 | 200 | 200 | 0.00 | |
| b) Banks/Financial institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| 1. Institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| a) Mutual funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Banks/Financial institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) Central government | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) State government(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Venture capital funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Insurance companies | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| g) Foreign institutional investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.06 |
| h) Foreign venture capital funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| l) Any others | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| l Foreign portfolio investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total(B)(1): | 200 | 0 | 200 | 0.00 | 0 | 200 | 200 | 0.00 | 0.00 |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies corporate | 578676 | 7800 | 586476 | 14.63 | 581615 | 7800 | 589415 | 14.70 | 0.07 |

GARG FURNACE LIMITED

| | | | | | | | | | |
|---|----------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|-------------|
| i) Indian | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| ii) Overseas | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| l) Individual shareholders holding nominal share capital upto B 1 lakh | 521068 | 143315 | 664383 | 16.57 | 515349 | 141615 | 656964 | 16.39 | -0.18 |
| ii) Individual shareholders holding nominal share capital in excess of B 1 lakh | 129697 | 0 | 129697 | 3.24 | 130297 | 0 | 130297 | 3.25 | 0.01 |
| c) Any others-HUF | 31292 | 280000 | 311292 | 0.78 | 33920 | 0 | 33920 | 0.85 | 0.07 |
| l Foreign nationals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| l Non-resident Indians | 1050 | 20900 | 21950 | 0.55 | 2302 | 20900 | 23202 | 0.58 | 0.03 |
| Foreign bodies-DR | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Trusts | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Clearing members | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | |
| Sub-total(B)(2):- | 1261783 | 172015 | 1433798 | 35.77 | 1263483 | 170315 | 1433798 | 35.77 | 0.00 |
| Total Public Shareholding (B) = (B)(1) + (B)(2) | 1261783 | 172015 | 1433798 | 35.77 | 1263483 | 170315 | 1433798 | 35.77 | 0.00 |
| C. Shares held by custodian for GDRs | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0.00 |
| Grand total (A+B+C) | 2583025 | 1425675 | 4008700 | 100.00 | 2584725 | 1423975 | 4008700 | 100.00 | 0.00 |

ii) Shareholding of promoters

| Category of shareholders | No. of shares held at the beginning of the year as on 1 April 2017 | | | | No. of shares held at the end of the year as on 31 March 2018 | | | | % change during the year |
|---|--|----------|--------|-------------------|---|----------|--------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. Promoters | | | | | | | | | |
| DHARAM PALL GARG & SONS HUF | 0 | 92580 | 92580 | 2.31 | 0 | 92580 | 92580 | 2.31 | 0.00 |
| JAGDISH CHAND GARG HUF | 0 | 85500 | 85500 | 2.13 | 0 | 85500 | 85500 | 2.13 | 0.00 |
| PUSHPA DEVI | 0 | 134520 | 134520 | 3.36 | 0 | 134520 | 134520 | 3.36 | 0.00 |
| SANJEEV GARG# | 0 | 222120 | 222120 | 5.54 | 0 | 222120 | 222120 | 5.54 | 0.00 |
| RAJIV GARG # | 0 | 287720 | 287720 | 7.18 | 0 | 287720 | 287720 | 7.18 | 0.00 |
| DHRUV GARG | 0 | 33560 | 33560 | 0.84 | 0 | 33560 | 33560 | 0.84 | 0.00 |
| SANJEEV GARG HUF | 0 | 13000 | 13000 | 0.32 | 0 | 13000 | 13000 | 0.32 | 0.00 |
| RENU GARG | 0 | 34260 | 34260 | 0.85 | 0 | 34260 | 34260 | 0.85 | 0.00 |
| NEELU GARG | 0 | 47500 | 47500 | 1.18 | 0 | 47500 | 47500 | 1.18 | 0.00 |
| UJJWAL GARG | 0 | 49700 | 49700 | 1.24 | 0 | 49700 | 49700 | 1.24 | 0.00 |
| RAJIV GARG HUF | 0 | 40400 | 40400 | 1.01 | 0 | 40400 | 40400 | 1.01 | 0.00 |
| AMARPREET SINGH THUKRAL | 0 | 1000 | 1000 | 0.02 | 0 | 1000 | 1000 | 0.02 | 0.00 |
| SUBHASH CHANDRA GUPTA | 0 | 1000 | 1000 | 0.02 | 0 | 1000 | 1000 | 0.02 | 0.00 |
| SANJEEV GARG# | 0 | 200 | 200 | 0.00 | 0 | 200 | 200 | 0.00 | 0.00 |
| RAJIV GARG # | 0 | 200 | 200 | 0.00 | 0 | 200 | 200 | 0.00 | 0.00 |
| GARG FINCAP LIMITED | 0 | 206600 | 206600 | 5.15 | 0 | 206600 | 206600 | 5.15 | 0.00 |
| DEVINDER GARG KARTA OF DAVINDER GAG HUF # | 0 | | 3600 | 0.09 | 0 | | 3600 | 0.09 | 0.00 |

GARG FURNACE LIMITED

| | | | | | | | | | |
|--------------------------------------|--------|---|---------|-------|--------|---|---------|-------|------|
| DAVINDER GARG | 284040 | 0 | 284040 | 7.09 | 284040 | 0 | 284040 | 7.09 | 0.00 |
| VANEERA GARG | 97000 | 0 | 97000 | 2.42 | 97000 | 0 | 97000 | 2.42 | 0.00 |
| DAVINDER GARG HUF# | 20000 | 0 | 20000 | 0.50 | 20000 | 0 | 20000 | 0.50 | 0.00 |
| TOSHAH GARG | 216951 | 0 | 216951 | 5.41 | 216951 | 0 | 216951 | 5.41 | 0.00 |
| DAKSH GARG# | 185150 | 0 | 185150 | 4.62 | 185150 | 0 | 185150 | 4.62 | 0.00 |
| BASANT INVESTMENTS PRIVATE LIMITED | 155100 | 0 | 155100 | 3.87 | 155100 | 0 | 155100 | 3.87 | 0.00 |
| SHUBHAM INVESTMENTS PRIVATE LIMITED | 169500 | 0 | 169500 | 4.23 | 169500 | 0 | 169500 | 4.23 | 0.00 |
| GARGSONS INVESTMENTS PRIVATE LIMITED | 168300 | 0 | 168300 | 4.20 | 168300 | 0 | 168300 | 4.20 | 0.00 |
| DAKSH GARG# | 25201 | 0 | 25201 | 0.63 | 25201 | 0 | 25201 | 0.63 | 0.00 |
| # All have 2 folios | | | 2574702 | 64.23 | | | 2574702 | 64.23 | 0.00 |

iii) Change in promoters' shareholding

| Sr. No. | Name of the promoters | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---------|-----------------------|---|----------------------------------|---|----------------------------------|
| | | No. of shares | & of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Nil | Nil | Nil | Nil | Nil |

iv) Shareholding pattern of top ten shareholders (other than directors, promoters and holders of GDRs and ADRs)

| Sr. No. | Name of the shareholders | Shareholding at the beginning of the year | | Cumulative shareholding during the year | | No. of shares held at the end of the year as on 31 March 2018 | |
|---------|----------------------------------|---|----------------------------------|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Shiv Narayan Investments Pvt Ltd | 535000 | 13.35 | 0 | 0.00 | 535000 | 13.35 |
| 2 | Harsha Hitesh Javeri | 65100 | 1.62 | 97 | 0.00 | 65197 | 1.63 |
| 3 | Hitesh Ramji Javeri | 64597 | 1.61 | 503 | 0.00 | 65100 | 1.62 |
| 4 | Sohagbhai Vinaychandra Nanavati | 15600 | 0.39 | 300 | 0.00 | 15900 | 0.40 |
| 5 | Himachal Yarn Limited | 15493 | 0.40 | 0 | 0.00 | 15493 | 0.40 |
| 6 | Bhadresh Ramniklal Shah | 15379 | 0.39 | 0 | 0.00 | 15379 | 0.39 |
| 7 | Sujatha Mallu | 15200 | 0.38 | 0 | 0.00 | 15200 | 0.38 |
| 8 | Dinesh Shankar Khatu | 13800 | 0.34 | 0 | 0.00 | 13800 | 0.34 |
| 9 | Noratanmal Choraria | 11309 | 0.28 | 0 | 0.00 | 11309 | 0.28 |
| 10 | Hemendra Ratilal Mehta | 9999 | 0.25 | 0 | 0.00 | 9999 | 0.25 |

GARG FURNACE LIMITED

v) Shareholding of directors and key managerial personnel

| Sr. No. | Name of the directors/key managerial personnel (KMP) | Shareholding at the beginning of the year | | Cumulative shareholding during the year | | No. of shares held at the end of the year as on 31 March 2016 | |
|---------|--|---|----------------------------------|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Davinder Garg | 284040 | 7.09 | NIL | NIL | 284040 | 7.09 |
| 2 | Vaneera Garg | 97000 | 2.42 | NIL | NIL | 97000 | 2.42 |

V. Indebtedness

As on 31 March 2018, indebtedness of the Company including interest outstanding/accrued but not due for payment is **INR- 73,19,82,057.46**.

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 684514307.40 | 62067294.71 | 0.00 | 746581602.11 |
| ii) Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| iii) Interest accrued but not | 0.00 | 0.00 | 0.00 | 0.00 |
| Total (i+ii+iii) | 684514307.40 | 62067294.71 | 0.00 | 746581602.11 |
| Change in Indebtedness during the financial year | | | | |
| • Addition | 0.00 | 0.00 | 0.00 | 0.00 |
| • Reduction | 5733200.04 | 8866344.61 | 0.00 | 14599544.65 |
| Net Change | 5733200.04 | 8866344.61 | 0.00 | -14599544.65 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 678781107.36 | 53200950.10 | 0.00 | 731982057.46 |
| ii) Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| iii) Interest accrued but not due | 0.00 | 0.00 | 0.00 | 0.00 |
| Total (i+ii+iii) | 678781107.36 | 53200950.10 | 0.00 | 731982057.46 |

GARG FURNACE LIMITED

VI. Remuneration of directors and key managerial personnel

A. Remuneration to managing director(MD), whole-time directors(WTD) and/or Manager

| Sr. No. | Particulars of remuneration | Sh. Devinder Garg Chairman & Managing Director | Sh. Toshak Garg Jt. Managing Director upto 25-01-2016 | Sh. Vaneera Garg Whole Time Director upto 09-09-2016 | Total amount (in INR) |
|---------|--|--|--|---|--------------------------|
| 1 | Gross salary | | | | |
| | (a) Salary as per provisions contained under section 17(1) of the Income-tax Act, 1961 | 8,40,000.00 | | | 8,40,000.00 |
| | (b) Value of perquisites under section 17(2) of the Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 | 0.00 |
| | (c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Stock options | 0.00 | 0.00 | 0.00 | 0.00 |
| 3 | Sweat equity | 0.00 | 0.00 | 0.00 | 0.00 |
| 4 | Commission as % of profit others (thrice the annual basic salary) | 0.00 | 0.00 | 0.00 | 0.00 |
| 5 | Others - Contribution to provident fund etc | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total (A) | 8,40,000.00 | | | 8,40,000.00 |
| | Ceiling as per the Act# | # | # | # | # |

#Remuneration payable by companies having no profit or inadequate profit

Notes: Salary and perquisites include all elements of remuneration i.e. salary, allowances and benefits. No bonus, pension and performance linked incentive is paid to any of the directors. The Company has not issued any stock options to any of the directors.

The term of Managing Director does not exceed five years.

Appointment of Managing Director is governed by a service contract for a period of 5 years and notice period is of 90 days and is in compliance with the applicable provisions of the Companies Act, 2013.

B. Remuneration to other directors

(in INR)

| Particulars of remuneration | Name of directors | Total amount |
|--|-------------------|--------------|
| 1. Independent Directors | | |
| i) Fee for attending board/ committee meetings | 0.00 | 0.00 |
| ii) Commission | 0.00 | 0.00 |
| ii) Others | 0.00 | 0.00 |
| Total (1) | | |

GARG FURNACE LIMITED

| | | |
|---|---------------|---------------|
| 2. Non-Independent | | |
| Non-Executive Directors | | |
| i) Fee for attending board/ committee meetings | 0.00 | 0.00 |
| ii) Commission | 0.00 | 0.00 |
| iii) Others (Vaneera Garg) | 80,000 | 80,000 |
| Total (2) | 80,000 | 80,000 |
| Total (B) = (1 + 2) | 80,000 | 80,000 |
| Total Managerial Remuneration (A+B) | 0.00 | 0.00 |
| Overall Ceiling as per the Act | 0.00 | 0.00 |

Note: Overall ceiling as per Act is not applicable to sitting fees paid to non-executive directors.

C. Remuneration to key managerial personnel other than MD/WTD/Manager

| | Key managerial personnel | | | |
|------------|--|----------------------|-------------------------------|-------------|
| | | Company Secretary | Chief Financial Officer (CFO) | Total |
| Sr. No. | Particulars of remuneration | | | |
| 1 | Gross salary | 0.00 | 3,60,000.00 | 3,60,000.00 |
| | (a) Salary as per provisions contained under section 17(1) of the Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| | (b) Value of perquisites under section 17(2) of the Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| | (c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| 2 | Stock options | 0.00 | 0.00 | 0.00 |
| 3 | Sweat equity | 0.00 | 0.00 | 0.00 |
| 4 | Commission | 0.00 | 0.00 | 0.00 |
| | - as % of profit | 0.00 | 0.00 | 0.00 |
| | - others | 0.00 | 0.00 | 0.00 |
| 5 | Others | | | |
| | - Contribution to provident fund etc. | 0.00 | 0.00 | 0.00 |

GARG FURNACE LIMITED

VII. Penalties/punishment/compounding of offences:

During the year 2017-18, there were no penalties / punishment / compounding of offences under Companies Act, 2013.

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT / COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|-------------------------------|------------------------------------|
| A. COMPANY | Nil | Nil | Nil | Nil | Nil |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | Nil | Nil | Nil | Nil | Nil |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | Nil | Nil | Nil | Nil | Nil |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |

Place: LUDHIANA

Date : 01.09.2018

SD/-
DEVINDER GARG
CHAIRMAN
DIN : 01665456

GARG FURNACE LIMITED

Declaration by Chief Executive Officer (CEO)

I Devinder Garg , Managing Director of Garg Furnace Ltd. hereby declare that all the Board members and Senior Management have affirmed for the year ended 31 March 2018 compliance with the Code of Conduct of the Company.

Sd/-

Devinder Garg

Managing Director

Ludhiana: 30/05/ 2018

Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

We, Devinder Garg , Managing Director and Gurmeet Singh , Chief Financial Officer of Garg Furnace Limited ,certify to the Board:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2018 and that to the best of our knowledge and belief;
 - These statements do not contain any materially untrue statement nor omit any material fact or contain statements that might be misleading, and
 - These statements together present a true and fair view of the Company's affairs and are in compliance with the existing Accounting Standards, applicable laws and regulations;
2. That there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct;
3. That we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify these deficiencies; and
4. That we have informed the auditors and the Audit Committee of:
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Ludhiana: 30/05/ 2018

Sd/-
Devinder Garg
Managing Garg
DIN NO. 01665456

Sd/-
Gurmeet Singh
CFO

GARG FURNACE LIMITED

Form No.MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2018
[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the
Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Garg Furnace Limited,
Kanganwal Road, V.P.O. Jugiana,
G.T.Road, Ludhiana-141120

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Garg Furnace Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2018 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28 October 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.
- (vi) We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with laws relating to labour & industrial laws, Central, State & Local Tax Laws, Environmental laws as well as other laws specifically applicable to Company.

The Company has identified the following Laws as specifically applicable to the Company.

- The Legal Metrology Act 2009.
- The Hazardous waste (Management and Handling) Rules 1989.
- The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act 2002)
- The Recovery of Debts due to Banks and Financial Institutions Act, 1993

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
- (ii) The Listing Agreements entered into by the Company with Stock Exchanges.
- (iii) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- Company has its own operational Web site, but it not maintained, as required under applicable laws
- Office of Key managerial Personal as per section 203(1) (ii) of the companies Act 2013, was not filled during the year under review.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously or by the majority as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

Company has made material transactions with related party (ies) and management has informed that all the compliances in this regard has been made by the company and all the transactions done at prevailing market price/arm's length basis.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

CS. Baldev R. Arora

Proprietor

Baldev R. Arora & Associates

Company Secretaries

C.P. No. 4665-FCS-4283

7-New Punjab Mata Nagar, Pakhowal Road,

Ludhiana-141013

Place: Ludhiana

Dated: 01/09/2018

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

‘ANNEXURE A’

**To,
The Members,
Garg Furnace Limited,
Kanganwal Road, V.P.O. Jugiana,
G.T. Road, Ludhiana-141120**

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

CS. Baldev R. Arora
Proprietor
Baldev R. Arora & Associates
Company Secretaries
C.P.No. 4665-FCS-4283
7-New Punjab Mata Nagar, Pakhowal Road,
Ludhiana-141013
Place: Ludhiana
Dated: 01/09/2018

GARG FURNACE LIMITED

Detail pertaining to remuneration as required under section 197[12] of the Companies Act, 2013 read with Rule 5 [1] of The Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014.

- a. The ratio of remuneration of each Director to the median remuneration of the employees of the Company for the financial year:

| Name of Directors to whom salary paid | Salary paid -INR | Ratio of each Director to the median remuneration of the employee |
|---|------------------|---|
| SH.DEVINDER GARG, Chairman | 8,40,000.00 | |
| No remuneration has paid to any Non Executive/Independent Directors | N/A | |

- b. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary in the financial year:

There is no increase in remuneration of any Director, Chief Financial Officer and Company Secretary in the financial year

- c. The percentage increase in the median remuneration of employees in the financial year was 60%
- d. There were 70 permanent employees on the rolls of the Company as on 31st March, 2018
- e. The loss before tax for the financial year ended on 31st March, 2018 decreased by 89.62%, whereas the average increase in remuneration of employees was 60 %.
- f. The loss before tax for the financial year ended on 31st March, 2017 decreased by 89.62 %, whereas the remuneration of Key Managerial Personnel, viz. [1] the Managing Director was increased by 0 %, [2] Chief Financial Officer by 0 % and [3] Company Secretary by 0 %.
- g. The market capitalization of the Company was Rs.1,45,089.00 as on 31st March, 2018 as against Rs. 5,72.189.00 as on 31st March, 2017.
Whereas, EPS of the Company was Rs. (0.32) as on 31st March, 2018 as against Rs (33.81) as at 31st March, 2017.
- h. The Company came out with Initial Public Offer before 1995 at a price of Rs. 10/- per share. The market price of the share as on 31st March, 2017 was Rs. 10.01 on BSE Limited. The increased in price is 71.05. %, apart from the dividend received by the shareholders.
- i. The average annual increase in the salaries of the employees, other than managerial personnel was 60%, whereas the average increase in the managerial remuneration was 0 % for the financial year.
- j. There was no employee receiving remuneration higher than the highest paid Director during the financial year.
- k. The Company affirms remuneration is as per the Remuneration Policy of the Company.

For and on behalf of the Board

SD/-

Devinder Garg

Chairman

DIN : 01665456

Place: LUDHIANA

Date: 01/09/2018

INDEPENDENT AUDITORS' REPORT

To
The Members of
GARG FURNACE LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS Financial Statements of Garg Furnace Limited ("the Company"), Kanganwal Road, V.P.O. Jugiana, G. T. Road, Ludhiana, which comprise the Balance Sheet as at March 31, 2018, the Profit and Loss Statement (including Other Comprehensive Income), the Statement of changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these Standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including Other Comprehensive Income, the changes in Equity and Cash flows of the Company in accordance with the Accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our Responsibility is to express an opinion on these Standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Companies Act, 2013 ("the Act"). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Ind AS financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Standalone Ind AS financial statements. The procedures selected depend on auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Company's preparation and fair presentation of the Standalone Ind AS financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An auditor also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Standalone Ind AS financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone

financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and profit/loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following:

- a) The company has not provided for the interest on borrowings amounting to Rs. 3409 lacs pertaining to year ended 31st March 2018 as the account has become NPA and action u/s 13(4) of SARFAESI Act 2002 has been taken.
- b) The company has reversed the deferred tax liability of Rs. 126.75 lacs and not created the deferred tax asset against Business loss, as there is no virtual certainty supported by convincing evidence that so much future taxable income will be available against which such deferred tax assets can be realised.
- c) The earning (loss) per share for the year ended 31st March 2018 would have been Rs. (88.49) against reported earning (loss) per share of Rs. (0.32) after taking the effect of abovesaid Interest and DTL..
- d) Note 36 to the financial statements which describes the uncertainty related to outcome of appeal filed by the Company against demand of Punjab Power Corporation Ltd & appeal filed against demand by Income Tax Authority.
- e) The company has not arranged to make available the confirmations and/or reconciliations to verify the balances stated in the financial statements in respect of Trade Receivables, Loans & Advances & Trade payables.
- f) The Company has done major transactions with related party under section 188 for which the company has complied with all the procedures and obtained the approval of shareholders required to be obtained under section 188 of the Companies Act 2013. The Company has represented to us that these transactions were done at Arm's length basis and resolution was also filed for the same. However, we are unable to comment whether these transactions are at arm length basis.

However, our opinion is not modified in respect of these matters.

Basis of Qualified Opinion

- (i) Note 37 of the standalone Ind AS financial statements which says that as as required by sec 203 of the companies Act, 2013 read Companies (Appointment and remuneration of managerial personnel) rules, 2014 to appoint the Company secretary, company has not comply with these requirements.
- (ii) The management of the company has represented us that the recoverable amount of assets within the meaning of IND AS 36 'Impairment of Assets' is more than their carrying value and as such no amount needs to be recognized in the financial statements for impairment loss. In the absence of the workings of impairment having been prepared and made available to us for our review, we are unable to comment on whether the company needs to make a provision in respect of impairment loss on such assets and the amount of such provision.

QUALIFIED OPINION

In our opinion and to the best of our information and according to the explanations given to us subject to our comments in above paragraph, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of Company as at March 31,2018, and its loss total comprehensive income , its cash flows and change in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A' a statement on the matters specified in paragraph 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:

GARG FURNACE LIMITED

- a) We have sought & obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) 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.
- c) The Balance Sheet, the Statement of Profit and Loss, including other comprehensive income, Cash Flow Statement and statement of changes in equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on March 31, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of Section 164(2) of the Companies Act, 2013.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in Annexure B.
- g) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to explanations given to us:
 - i) The Company has disclosed the impact of pending litigations on its financial positions in its financial statements as referred to in note 30 to its financial statements.
 - ii) The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii) There were no amount which were required to be transferred to Investor Education and Protection Fund by the company.

Place: LUDHIANA.
Date : 30-05-2018

For R.K Chadha & Co.
Chartered Accountants
FRN. 003513N

Sd/-
Paresh Chadha
Partner
M. No. 518195

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

- (l) 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). The title deeds of immovable properties are held in the name of the company.
- (ii) a) The management has conducted the physical verification of inventory at reasonable intervals.
- b) The discrepancies noticed on physical verification of the inventory as compared to books records which has been properly dealt with in the books of account were not material.
- (iii) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 189 of the companies Act, 2013. Consequently, the provisions of clauses iii (a) to (C) of the order are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, the company has not given any loans, investments, guarantees, and security under the provisions of section 185 and 186 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iv) of the Order are not applicable to the Company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- (vi) 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 148(1) of the Companies Act, 2013 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.
- (vii) 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 explanations given to us, there are no dues of sales tax, income tax, custom duty, excise duty, cess and service tax which have not been deposited on account of any dispute except mentioned below:

| Name of Statute | Nature of Dues | Forum where appeal is pending | Period to which amount relates | Amount involved in Rs |
|----------------------|----------------|-------------------------------|--------------------------------|-----------------------|
| Income Tax Act, 1961 | Income Tax | ITAT | A.Y 2008-09 | 29.00 Lacs |
| Income Tax Act, 1961 | Income Tax | ITAT | A.Y 2011-12 | 12.11 Lacs |

- (viii) According to the information and explanation given to us, the company has default in repayment of dues to banks and financial institutions. The detail of default are as under:

| Sr. No. | Particulars | Amount (in lacs) | Nature of dues | Date since overdue |
|---------|--------------------|------------------|----------------------|--------------------|
| 1. | Indian Bank - MTL1 | 167.15 | Principal | 01.09.2015 |
| | | 47.00 | Interest (Term Loan) | |
| 2. | Indian Bank - MTL2 | 393.29 | Principal | 01.09.2015 |
| | | 136.00 | Interest (Term Loan) | |

GARG FURNACE LIMITED

| | | | | |
|----|-------------------------|---------|----------------------------|------------|
| 3. | Indian Bank - MTL3 | 199.09 | Principal | 01.10.2015 |
| | | 67.00 | Interest (Term Loan) | |
| 4. | Indian Bank - OCC | 3350.00 | Amount Overdue | 01.12.2015 |
| | | 1767.00 | Interest (Working Capital) | |
| 5. | Indian Bank - OCC Adhoc | 350.00 | Amount Overdue | 01.09.2015 |
| | | 166.00 | Interest (Working Capital) | |
| 6. | Indian Bank - LC/BC | 2327.00 | Amount Overdue | 01.01.2016 |
| | | 1226.00 | Interest (Working Capital) | |

- (ix) In our opinion and according to the information & explanation given to us, the term loans have been applied for the purpose for which they were obtained.
- (x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- (xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Standalone Ind AS Financial Statements as required by the Ind AS 24 but we are not able to comment up on Arm length price of these transactions. However, the company has complied all the procedures prescribed under section 188 for obtaining shareholder's approval.
- (xiv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company.
- (xv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company.
- (xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company.

Place: LUDHIANA.

Date : 30-05-2018

For R.K. Chadha
Chartered Accountants
FRN. 003513N

Paresh Chadha
Partner
M. No. 518195

"Annexure B" to the Independent Auditor's Report of even date on the Standalone Financial Statements of Garg Furnace Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Garg Furnace Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance

of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: LUDHIANA
Date : 30-05-2018

For R.K Chadha & Co.
Chartered Accountants
FRN. 003513N

Paresh Chadha
Partner
M. No. 518195

GARG FURNACE LIMITED

BALANCE SHEET AS AT 31 MARCH, 2018

| Particulars | Note No. | As at 31st March, 2018 | As at 31st March, 2017 | As at 1st April, 2016 |
|-------------------------------------|----------|---------------------------|---------------------------|--------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| a) Property, plant and equipment | 2 | 206,434,848.19 | 217,876,302.19 | 231,086,536.19 |
| b) Capital work-in-progress | 2 | 2,852,929.00 | - | - |
| c) Financial assets | | | | |
| i) Investments | 3 | 23,240,000.00 | 23,240,000.00 | 26,099,154.12 |
| ii) Loans | 4 | 22,961,472.00 | 34,400,439.04 | 31,607,274.04 |
| iii) Other financial assets | 5 | 4,598,705.83 | 3,884,289.83 | 6,868,969.83 |
| d) Other non-current assets | 6 | 164,472,478.25 | 204,997,542.25 | 198,656,942.25 |
| | | <u>424,560,433</u> | <u>484,398,573</u> | <u>494,318,876</u> |
| Current assets | | | | |
| a) Inventories | 7 | 110,124,323.00 | 27,036,245.00 | 109,618,465.00 |
| b) Financial assets | | | | |
| i) Trade receivables | 8 | 232,782,928.99 | 348,198,480.07 | 421,035,867.72 |
| ii) Cash and Cash equivalents | 9 | 23,057,999.43 | 3,831,951.69 | 21,598,849.08 |
| iii) Loans | 10 | 1,070,225.00 | 6,718,225.00 | 6,231,781.00 |
| iv) Other financial asset | 11 | 3,099,395.00 | 2,970,025.00 | 2,966,163.00 |
| c) Current tax assets (net) | 12 | 204,440.00 | 155,770.00 | 516,092.00 |
| d) Other current assets | 13 | 26,058,190.47 | 41,960,565.67 | 65,367,825.15 |
| | | <u>396,397,502</u> | <u>430,871,262</u> | <u>627,335,043</u> |
| Total Assets | | <u>820,957,935</u> | <u>915,269,836</u> | <u>1,121,653,919</u> |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| a) Equity Share capital | 14 | 40,087,000.00 | 40,087,000.00 | 40,087,000.00 |
| b) Other equity | 15 | 2,554,749.86 | 3,711,803.44 | 139,226,356.44 |
| | | <u>42,641,750</u> | <u>43,798,803</u> | <u>179,313,356</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| a) Financial liabilities | | | | |
| i) Borrowings | 16 | 45,024,851.46 | 53,188,026.37 | 110,400,126.84 |
| b) Provisions | 18 | 202,859.00 | 233,229.00 | 431,218.00 |
| c) Deferred tax liabilities (Net) | 17 | - | 12,675,427.00 | 12,675,427.00 |
| | | <u>45,227,710</u> | <u>66,096,682</u> | <u>123,506,772</u> |
| Current liabilities | | | | |
| a) Financial liabilities | | | | |
| i) Borrowings | 19 | 602,826,123.36 | 608,559,323.36 | 591,283,256.44 |
| ii) Trade and other payables | 20 | 37,003,753.00 | 85,242,374.52 | 149,377,870.00 |
| iii) Other financial liabilities | 21 | 84,536,611.64 | 85,331,028.34 | 50,993,324.60 |
| b) Other current liabilities | 22 | 8,691,555.84 | 26,215,893.71 | 27,155,900.06 |
| c) Provisions | 23 | 30,431.00 | 25,730.00 | 23,440.00 |
| | | <u>733,088,475</u> | <u>805,374,350</u> | <u>818,833,791</u> |
| Total Equity and liabilities | | <u>820,957,935</u> | <u>915,269,836</u> | <u>1,121,653,919</u> |

The accompanying notes are an integral part of these standalone financial statements

This is the Balance Sheet referred to in our report of even date

For R.K. Chadha & Co
Chartered Accountants
Firm Reg.No.003513N

For Garg Furnace Limited.

Paresh Chadha
Partner
(M.No.518195)

Sd/-
Devinder Garg
(Managing Director)
DIN NO. 01665456

Sd/-
Vaneera Garg
(Director)
DIN NO. 01283990

Place : Ludhiana
Date : 30-05-2018

GARG FURNACE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2018

| Particulars | Notes | For the period ending on 31 March 2018 | For the period ending on 31 March 2017 |
|--|-------|--|--|
| I INCOME | | | |
| Revenue from operations | 24 | 655,825,224.50 | 535,312,252.00 |
| Other operating revenue | 25 | 823,393.00 | - |
| Other Income | 26 | 49,962,598.99 | 3,003,355.17 |
| Total Income | | <u>706,611,216</u> | <u>538,315,607</u> |
| II EXPENSES | | | |
| Cost of materials consumed | 27 | 539,829,914.84 | 395,775,808.78 |
| Purchases of stock-in-trade | 28 | 901,122.00 | - |
| Change in inventories of finished goods, stock in trade and work -in-progress | 29 | (50,141,884.00) | 33,407,389.00 |
| Employee benefit expense | 30 | 14,138,174.00 | 8,763,952.00 |
| Finance costs | 31 | 6,796,462.30 | 9,483,591.39 |
| Depreciation and amortisation expense | 32 | 13,109,065.00 | 13,590,583.00 |
| Other expenses | 33 | 195,953,649.93 | 211,928,617.00 |
| Total Expenses | | <u>720,586,504</u> | <u>672,949,941</u> |
| III Profit/(loss) before exceptional items and tax | | (13,975,287.58) | (134,634,334.00) |
| IV Exceptional items | | | 880,219.00 |
| V Profit/(loss) before Tax Expenses (III-IV) | | (13,975,287.58) | (135,514,553.00) |
| VI Tax expense: | 34 | | |
| (1) Current tax | | - | - |
| (2) Deferred tax | | 12,675,427.00 | - |
| VII Profit/(loss) for the year (V-VI) | | (1,299,860.58) | (135,514,553.00) |
| Other comprehensive income (OCI) | | | |
| A Items that will not be reclassified to profit or loss | | | |
| Re-measurement of defined benefit liability | | 142,807.00 | |
| B Items that will be reclassified to profit or loss | | | |
| (i) Net (loss)/gain on FVOCI equity securities | | | |
| VIII Other Comprehensive Income for the year | | <u>142,807.00</u> | <u>-</u> |
| IX Total Comprehensive Income for the year | | <u>(1,157,053.58)</u> | <u>(135,514,553.00)</u> |
| X Earnings per equity share of ₹ 10 each (for continuing operation): | | | |
| Basic and Diluted | 35 | (0.29) | (33.81) |

The accompanying notes are an integral part of these standalone financial statements

This is the Balance Sheet referred to in our report of even date

For R.K. Chadha & Co

Chartered Accountants
Firm Reg.No.003513N

Paresh Chadha
Partner
(M.No.518195)

Place : Ludhiana
Date : 30-05-2018

For Garg Furnace Limited.

Sd/-
Devinder Garg
(Managing Director)
DIN NO. 01665456

Sd/-
Vaneera Garg
(Director)
DIN NO. 01283990

GARG FURNACE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|-----------------------------|-----------------------------|
| A Cash flow from operating activities | | |
| 1 Profit before tax | (13,975,287.58) | (135,514,553.00) |
| 2 Adjustments for: | | |
| Depreciation and amortisation | 13,109,065.00 | 13,590,583.00 |
| Re-measurement gains/ (losses) on defined benefit plans recognised through other comprehensive income | 142,807.00 | |
| Net (profit)/loss on sale of fixed assets | 3,158.00 | |
| Finance costs | 6,796,462.30 | 10,579,906.39 |
| Unrealised foreign exchange loss | | |
| Interest income on deposits | <u>(2,319,311.00)</u> | <u>(2,248,745.00)</u> |
| 3 Operating cash flow before working capital changes (1+2) | 3,756,893.72 | |
| 4 Change in working capital: (Excluding cash & bank balances) | | |
| Decrease/(Increase) in inventories | (83,088,078.00) | 82,582,220.00 |
| Decrease/(Increase) in trade receivables | 115,415,551.08 | 89,965,578.13 |
| Decrease/(Increase) in loans | (13,896,375.00) | (39,936,033.55) |
| Decrease/(Increase) in other assets | 72,621,950.00 | |
| Increase/(Decrease) in trade payables | (48,238,621.52) | (30,933,497.09) |
| Increase/(Decrease) in other liabilities | (18,344,424.00) | |
| Increase/(Decrease) in provisions | | |
| Change in working capital | <u>24,470,002.56</u> | <u>101,678,267.49</u> |
| 5 Cash generated from operations (3+4) | <u>28,226,896.28</u> | <u>(11,914,541.12)</u> |
| 6 Less : Taxes paid | | |
| 7 Net cash flow from operating activities (5-6) | 28,226,896.28 | (11,914,541.12) |
| B Cash flow from investing activities: | | |
| Proceeds from sale of property, plant and equipment | 740,000.00 | 2,859,154.12 |
| Purchase of property, plant and equipment | (5,263,698.00) | |
| Margin Money to Bank | | (380,349.00) |
| Interest received | 2,319,311.00 | 2,248,745.00 |
| Net cash generated/(used) in investing activities: | <u>(2,204,387.00)</u> | <u>4,727,550.12</u> |
| C Net cash flow from financing activities: | | |
| Finance cost paid | (6,796,462.00) | (10,579,906.00) |
| Net cash generated/(used) from financing activities: | (6,796,462.00) | (10,579,906.00) |
| D Net change in Cash & cash equivalents (A+B+C) | <u>19,226,047.28</u> | <u>(17,766,897.00)</u> |
| E - 1 Cash & cash equivalents as at end of the year | <u>23,057,999.36</u> | <u>3,831,952.08</u> |
| E - 2 Cash & cash equivalents as at the beginning of year | <u>3,831,952.08</u> | <u>21,598,849.08</u> |
| NET CHANGE IN CASH & CASH EQUIVALENTS (E 1-2) | 19,226,047.28 | 17,766,897.00 |

The accompanying notes forms an integral part of the financial statements.

For R.K. Chadha & Co
Chartered Accountants
Firm Reg.No.003513N

Paresh Chadha
Partner
(M.No.518195)

Place : Ludhiana
Date : 30-05-2018

For Garg Furnace Limited.

Sd/-
Devinder Garg
(Managing Director)
DIN NO. 01665456

Sd/-
Vaneera Garg
(Director)
DIN NO. 01283990

GARG FURNACE LIMITED

STATEMENT OF CHANGES IN EQUITY

(All amounts in Rs. , unless otherwise stated)

| Particulars | As at 31 March 2018 | | | | |
|---|-------------------------------|--|-----------------|-------------------------|---------------------|
| A. Equity Share Capital | | | | | |
| As at April 1, 2016 | | | | | 40,087,000 |
| Issue of Equity Share capital | | | | | - |
| As at March 31, 2017 | | | | | 40,087,000 |
| Issue of Equity Share capital | | | | | - |
| As at March 31, 2018 | | | | | 40,087,000 |
| B. Other Equity | | | | | |
| Attributable to the equity holders | | | | | |
| | Reserves & Surplus | | | | |
| Particulars | Securities Premium Reserve | Capital Reserves | General Reserve | Retained Earnings | Total |
| Balance as at April 1, 2016 | 56,530,500.00 | 2,350,000.00 | 189,923,930.00 | (109,578,073.56) | 139,226,356.44 |
| Profit for the year | - | - | - | (135,514,553.00) | (135,514,553.00) |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income/loss for the year | 56,530,500.00 | 2,350,000.00 | - | (245,092,626.56) | 3,711,803.44 |
| Transfer from Retained Earning | - | - | - | - | - |
| Transfer to General Reserve | - | - | - | - | - |
| Balance as at March 31, 2017 | 56,530,500.00 | 2,350,000.00 | - | (245,092,626.56) | 3,711,803.44 |
| Profit for the year | - | - | - | (1,299,860.58) | (1,299,860.58) |
| Remeasurement gain/(loss) on Defined benefit plan | - | - | - | 142,807.00 | 142,807.00 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income/loss for the year | 56,530,500.00 | 2,350,000.00 | - | (246,249,680.14) | 2,554,749.86 |
| Transfer from Retained Earning | - | - | - | - | - |
| Transfer to General Reserve | - | - | - | - | - |
| Balance as at March 31, 2018 | 56,530,500.00 | 2,350,000.00 | - | (246,249,680.14) | 2,554,749.86 |
| The accompanying notes forms an integral part of the financial statements. | | | | | |
| For R.K. Chadha & Co Chartered Accountants Firm Reg.No.003513N Paresh Chadha Partner (M.No.518195) Place : Ludhiana Date : 30-05-2018 | | For Garg Furnace Limited. Sd/- Devinder Garg (Managing Director) DIN NO. 01665456 Sd/- Vaneera Garg (Director) DIN NO. 01283990 | | | |

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

2. Property, plant and equipment and capital work in progress

a) Reconciliation of carrying amount

| | Leasehold land | Buildings | Furniture and Fixtures | Vehicles | Office Equipment | Property Plant & Equipment | Total(A) | Capital Work (B) in Progress | Total (A+B) |
|--|---------------------|----------------------|------------------------|---------------------|-------------------|----------------------------|-----------------------|------------------------------|-----------------------|
| Gross carrying value (deemed cost) | | | | | | | | | |
| Balance at 1 April 2016 | 2,468,126.40 | 54,658,742.69 | 291,489.44 | 88,649,904.77 | 775,730.86 | 164,242,542.03 | 231,086,536.19 | - | 231,086,536.19 |
| Additions made during the year | - | - | - | - | 49,867.00 | 330,482.00 | 380,349.00 | - | 380,349.00 |
| Disposals / adjustments during the year (refer note c) | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2017 | 2,468,126.40 | 54,658,742.69 | 291,489.44 | 8,649,904.77 | 825,597.86 | 164,573,024.03 | 231,466,885.19 | - | 231,466,885.19 |
| Balance at 1 April 2017 | 2,468,126.40 | 54,658,742.69 | 291,489.44 | 8,649,904.77 | 825,597.86 | 164,573,024.03 | 231,466,885.19 | - | 231,466,885.19 |
| Additions made during the year | - | - | 8,400.00 | - | 150,245.00 | 2,262,124.00 | 2,410,769.00 | 2,852,929.00 | 5,263,698.00 |
| Disposals / adjustments during the year | - | - | - | 343,158.00 | - | - | 343,158.00 | - | 343,158.00 |
| Balance at 31 March 2018 | 2,468,126.40 | 54,658,742.69 | 299,889.44 | 8,993,062.77 | 975,842.86 | 166,825,148.03 | 234,220,812.19 | 2,852,929.00 | 237,073,741.19 |
| Accumulated Depreciation | | | | | | | | | |
| Balance at 1 April 2016 | - | - | - | - | - | - | - | - | - |
| Add: Depreciation charge for the year | - | 1,977,016.00 | 48,955.00 | 1,589,431.00 | 195,144.00 | 9,780,037.00 | 13,590,583.00 | - | 13,590,583.00 |
| Less: On disposals / adjustments during the year | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2017 | - | 1,977,016.00 | 48,955.00 | 1,589,431.00 | 195,144.00 | 9,780,037.00 | 13,590,583.00 | - | 13,590,583.00 |
| Balance at 1 April 2017 | - | 1,977,016.00 | 48,955.00 | 1,589,431.00 | 195,144.00 | 9,780,037.00 | 13,590,583.00 | - | 13,590,583.00 |
| 13,590,583.00Add: Depreciation charge for the year | - | 1,977,016.00 | 49,491.00 | 1,553,490.00 | 95,284.00 | 9,433,784.00 | 13,109,065.00 | - | 13,109,065.00 |
| Less: On disposals / adjustments during the year | - | - | - | 1,086,316.00 | - | - | 1,086,316.00 | - | 1,086,316.00 |
| Balance at 31 March 2017 | - | 3,954,032.00 | 98,446.00 | 4,229,237.00 | 290,428.00 | 19,213,821.00 | 27,785,964.00 | - | 27,785,964.00 |
| Carrying amount (net) | | | | | | | | | |
| At 1 April 2016 | 2,468,126.40 | 54,658,742.69 | 291,489.44 | 8,649,904.77 | 775,730.86 | 164,242,542.03 | 231,086,536.19 | - | 231,086,536.19 |
| At 31 March 2017 | 2,468,126.40 | 52,681,726.69 | 242,534.44 | 7,060,473.77 | 630,453.86 | 154,792,987.03 | 217,876,302.19 | - | 217,876,302.19 |
| At March 31, 2018 | 2,468,126.40 | 50,704,710.69 | 201,443.44 | 4,763,825.77 | 685,414.86 | 147,611,327.03 | 206,434,848.19 | 2,852,929.00 | 209,287,777.19 |

b) The Company has elected Ind AS 101 exemption and continues with the carrying value for all of its property, plant and equipment and capital work in progress as its deemed cost as at the date of transition.

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | As At 31st March, 2018 | As At 31st March, 2017 | As At 31st March, 2016 |
|--|---------------------------|---------------------------|---------------------------|
| Note 3. Non-current investments | Amount | Amount | Amount |
| In equity instruments | | | |
| Unquoted | | | |
| At fair value through Other Comprehensive Income | | | |
| 2,12,000- Fully paid up Equity shares @ 10 each of Sudhir Forgings Pvt Ltd (as at 31st March, 2017- 2,12,000 and as at 1st April,2016- 2,12,000) | 2,120,000.00 | 2,120,000.00 | 2,120,000.00 |
| 4,12,000- Fully paid up Equity shares @ 10 each of Shubam Investment Pvt Ltd(as at 31st March, 2017- 4,12,000 and as at 1st April,2016- 4,12,000) | 4,120,000.00 | 4,120,000.00 | 4,120,000.00 |
| In Mutual Funds | | | |
| IDBI Mutual Fund | - | - | 2,859.154 |
| Sub total(a) | 6,240,000.00 | 6,240,000.00 | 9,099,154.12 |
| In Preference shares | | | |
| Unquoted | | | |
| At Amortised Cost | | | |
| 17,00,000- Fully paid up 6% Non Cumulative Redeemable Preference Shares @ 10 each of Garg Acrylics Ltd (as at 31st March,2017- 17,00,000 and as at 1st April,2016-17,00,000) | 17,000,000.00 | 17,000,000.00 | 17,000,000.00 |
| Sub total (b) | 17,000,000.00 | 17,000,000.00 | 17,000,000.00 |
| Grand Total (a+b) | 23,240,000.00 | 23,240,000.00 | 26,099,154.12 |
| Aggregate amount of unquoted investments at FVOCI | 6,240,000.00 | 6,240,000.00 | 9,099,154.12 |
| Aggregate amount of unquoted investments in Preference shares At Amortised Cost | 17,000,000.00 | 17,000,000.00 | 17,000,000.00 |
| Note 4. Loans | | | |
| (Unsecured, considered good unless otherwise stated) | | | |
| Loans Given | | | |
| Unsecured, considered good | <u>22,961,472.00</u> | <u>34,400,439.04</u> | <u>31,607,274.04</u> |
| | 22,961,472.00 | 34,400,439.04 | 31,607,274.04 |
| Note 5. Other Financial Assets | | | |
| Term deposits (With maturity of more than twelve months) | 4,598,705.83 | 3,884,289.83 | 6,868,969.83 |
| | <u>4,598,705.83</u> | <u>3,884,289.83</u> | <u>6,868,969.83</u> |
| Note:- 6. Other non-current assets | | | |
| Security Deposits | 19,007,437.25 | 16,941,305.25 | 11,979,705.25 |
| Electricity Bills Under Challenges | | 53,510,589.00 | 53,510,589.00 |
| 53,510,589.00 | | | |
| Other Advances | 91,379,178.00 | 133,970,374.00 | 132,591,374.00 |
| MAT Credit | <u>575,274.00</u> | <u>575,274.00</u> | <u>575,274.00</u> |
| | 164,472,478.25 | 204,997,542.25 | 198,656,942.25 |
| Note:-7 Inventories | | | |
| Raw Materials (At cost) | 46,349,823.00 | 13,410,784.00 | 16,509,599.00 |
| Work-in-Progress (At cost) | 1,903,202.00 | 2,531,225.00 | 2,531,225.00 |
| Finished Goods (At cost or net realisable value whichever is lower) | 61,098,648.00 | 10,328,741.00 | 43,736,130.00 |
| Store & Spares (At cost) | <u>772,650.00</u> | <u>765,495.00</u> | <u>46,841,511.00</u> |
| | 110,124,323.00 | 27,036,245.00 | 109,618,465.00 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | As At 31st March, 2018 | As At 31st March, 2017 | As At 31st March, 2016 |
|---|------------------------------|------------------------------|------------------------------|
| Note:- 8. Trade receivables (Unsecured, considered good unless otherwise stated) Unsecured | Amount | Amount | Amount |
| Considered good(i) Outstanding for a period exceeding six months from the date they are due. | 190,173,958.27 | 40,468,732.29 | 33,895,670.29 |
| ii) other Debts | <u>42,608,970.72</u> | <u>307,729,747.78</u> | <u>387,140,197.43</u> |
| | <u>232,782,928.99</u> | <u>348,198,480.07</u> | <u>421,035,867.72</u> |
| Note:- 9. Cash and bank equivalents | | | |
| Balances with banks | 22,862,416.43 | 3,689,533.02 | 10,462,894.41 |
| Cash on hand | 195,583.00 | 142,418.67 | 11,135,954.67 |
| | <u>23,057,999.43</u> | <u>3,831,951.69</u> | <u>21,598,849.08</u> |
| Note:-10. Loans (Unsecured, considered good unless otherwise stated) | | | |
| Loans Given | 1,070,225.00 | 6,718,225.00 | 6,231,781.00 |
| Total | 1,070,225.00 | 6,718,225.00 | 6,231,781.00 |
| Note:-11. Other financial assets | | | |
| Interest accrued but not received | 3,099,395.00 | 2,970,025.00 | 2,966,163.00 |
| | <u>3,099,395.00</u> | <u>2,970,025.00</u> | <u>2,966,163.00</u> |
| Note:- 12. Current tax assets (net) | | | |
| Advance income tax | 155,770.00 | 516,092.00 | 204,440.00 |
| | <u>155,770.00</u> | <u>516,092.00</u> | <u>204,440.00</u> |
| Note:-13. Other Current assets | | | |
| Advances to suppliers | 14,368,885.88 | 22,401,061.46 | 47,924,068.94 |
| Advances to employees | 187,696.00 | 230,461.00 | 42,289.00 |
| Balances with statutory authorities | 11,303,030.59 | 18,453,428.21 | 17,017,260.21 |
| Prepaid expenses | 198,578.00 | 312,543.00 | 384,207.00 |
| Cheque Deposit but not Clear | - | 563,072.00 | - |
| | <u>26,058,190.47</u> | <u>41,960,565.67</u> | <u>65,367,825.15</u> |
| Note:- 14 Equity Share Capital | | | |
| Authorised capital | | | |
| 1,00,00,000 Equity Shares of ? 10- each (31st March, 2017: 10,000,000 and 1st April,2016: 10,000,000) | 100,000,000 | 100,000,000 | 100,000,000 |
| | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued, subscribed and Fully paid up. | | | |
| 40,08,700 Equity Shares of ? 10- each (31st March, 2017: 40,08,700 and 1st April, 2016: 40,08,700) | 40,087,000 | 40,087,000 | 40,087,000 |
| Total | 40,087,000.00 | 40,087,000.00 | 40,087,000.00 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

a) Reconciliation of equity shares outstanding at the beginning and at the end of the year.

| | 31 March 2018 | | 31 March 2017 | |
|--|------------------|----------------|------------------|----------------|
| | No of shares | ₹ in Thousands | No of shares | ₹ in Thousands |
| Equity shares at the beginning of the year | 4,008,700 | 4,008.70 | 4,008,700 | 4,008.70 |
| Issued during the year | - | - | - | - |
| Equity shares at the end of the year | 4,008,700 | 4,009 | 4,008,700 | 4,009 |

b) Rights, Preferences and restrictions attached to shares

Equity shares: The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Details of shareholders holding more than 5% shares in the Company

| | As on 31 March 2018 | | As on 31 March 2017 | |
|---------------------------------|---------------------|-----------|---------------------|-----------|
| | No of shares | % holding | No of shares | % holding |
| Shiv Narayan Investment Pvt Ltd | 535,000.00 | 13.35% | 535,000 | 13.35% |
| Devinder Garg | 304,040.00 | 7.58% | 304,040 | 7.58% |
| Rajiv Garg | 287,920.00 | 7.18% | 287,920 | 7.18% |
| Sanjeev Garg | 222,320.00 | 5.55% | 222,320 | 5.55% |
| Toshak Garg | 216,950.00 | 5.41% | 216,950 | 5.41% |
| Garg Fincap Ltd | 206,600.00 | 5.15% | 206,600 | 5.15% |

Note:- 15 Other Equity

Securities Premium Reserve

| | | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| Opening Balance as per last Balance Sheet | 56,530,500.00 | 56,530,500.00 | 56,530,500.00 |
| Add : Additions during the year | - | - | - |
| Balance as at the year end | <u>56,530,500.00</u> | <u>56,530,500.00</u> | <u>56,530,500.00</u> |

Capital Reserves

| | | | |
|---|----------------------------|----------------------------|----------------------------|
| Opening Balance as per last Balance Sheet | 2,350,000.00 | 2,350,000.00 | 2,350,000.00 |
| Add : Additions during the year | - | - | - |
| Balance as at the year end | <u>2,350,000.00</u> | <u>2,350,000.00</u> | <u>2,350,000.00</u> |

General Reserve

| | | | |
|---|------------------------------|------------------------------|------------------------------|
| Opening Balance as per last Balance Sheet | 189,923,930.00 | 189,923,930.00 | 189,923,930.00 |
| Add : Additions during the year | - | - | - |
| Transfer from Retained Earning | - | - | - |
| Balance as at the year end | <u>189,923,930.00</u> | <u>189,923,930.00</u> | <u>189,923,930.00</u> |

Retained Earnings

| | | | |
|---|--------------------------------|--------------------------------|--------------------------------|
| Opening Balance as per last Balance Sheet | (245,092,626.56) | (109,578,073.56) | (109,578,073.56) |
| Profit for the year | (1,299,860.58) | (135,514,553.00) | - |
| Remeasurement gain/(loss) on Defined benefit plan | 142,807.00 | - | - |
| Other Comprehensive Income | - | - | - |
| Dividends (including tax thereon) | - | - | - |
| CSR Expense | - | - | - |
| Transfer to General Reserves | - | - | - |
| Balance as at the year end | <u>(246,249,680.14)</u> | <u>(245,092,626.56)</u> | <u>(109,578,073.56)</u> |

| | | | |
|--|--------------|--------------|----------------|
| Total (Net Reserve) Transfer to Balance Sheet | 2,554,749.86 | 3,711,803.44 | 139,226,356.44 |
|--|--------------|--------------|----------------|

Nature and purpose of reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

the Companies Act.

Capital reserve

The reserve comprises of profits/gains of capital nature earned by the Company and credited directly to such reserve. such reserve is utilised in accordance with provisions of the Act.

General reserve

"General reserve forms part of the retained earnings and is permitted to be distributed to shareholders as part of dividend."

| Note:-16. Non-Current borrowings | As At | As At | As At |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| Secured | 31st March, 2018 | 31st March, 2017 | 31st March, 2016 |
| Term Loan from Banks* | - | - | 40,427,984.00 |
| Unsecured | | | |
| Term Loan from Others** | 45,024,851.46 | 53,188,026.37 | 69,751,798.84 |
| Vehicle Loans from Banks | - | - | - |
| 220,344.00 | | | |
| | 45,024,851.46 | 53,188,026.37 | 110,400,126.84 |

*The Indian Bank has not charged interest of Rs. 250.00 lacs as the bank has declared account as NPA.

Terms of repayment for Long Term secured borrowings:

l) Terms of Repayment of term loans*

| Particulars | Amount pf Repayment | Rate of interest | Periodicity |
|------------------------|---------------------|------------------|-------------|
| HDB FINANCIAL SERVICES | 8,176,099 | 14% | 31.3.2019 |
| | 9,089,613 | | 31.3.2020 |
| | 10,091,319 | | 31.3.2021 |
| | 11,203,418 | | 31.3.2022 |
| | 14,640,502 | | 31.3.2023 |
| - | 53,200,950 | | |

* The term loan from Indian Bank does not include non current maturities, as the account has been declared as NPA and all the dues are payable on demand, hence shown separately in other financial liabilities. Refer Note-20

Term loans from banks are secured, in respect of respective facilities by way of :

**Other loans include loans from HDB Financial Services against residential property/plot in the name of Directors situated at plot B-35, Khasara no. 133-1/134-1,Block C, Sukhmani Enclave, South City, Ludhiana.

Note:- 17. Deferred tax liabilities/(assets) (net)

Deferred tax liability arising on account of :

Fixed Assets : Impact of difference between Tax Depreciation and depreciation/amortisation for financial reporting period

Deferred tax asset arising on account of :

Impact on account of Book Loss

Impact of Expenditure charged to statement of profit and loss in the current year but allowed for tax purpose on payment basis

Deferred Tax Liability Net

The company has reversed the deferred tax liability and not created the deferred tax asset against Business loss, as there is no virtual certainty supported by convincing evidence that so much future taxable income will be available against which such deferred tax assets can be realised.

Note:- 18. Provisions

| | | | |
|------------------------|----------------|----------------|----------------|
| Provision for Gratuity | 202,859.00 | 233,229.00 | 431,218.00 |
| | 202,859 | 233,229 | 431,218 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| Particulars | As At 31st March, 2018 | As At 31st March, 2017 | As At 31st March, 2016 |
|--------------------------------------|---------------------------|---------------------------|---------------------------|
| Note:- 19. Current borrowings | | | |
| Secured | | | |
| From Banks | | | |
| Working Capital borrowings* | | | |
| Cash Credit | 335,024,284.36 | 340,757,484.36 | 344,746,464.36 |
| Adhoc Cash Credit | 35,000,000.00 | 35,000,000.00 | 38,000,399.00 |
| Devolved LC/ Buyer Credit | 203,055,330.92 | 203,055,330.92 | 178,789,885.00 |
| Bank Guarantee (NSIC) | 29,746,508.08 | 29,746,508.08 | 29,746,508.08 |
| | 602,826,123.36 | 608,559,323.36 | 591,283,256.44 |

The Detail of amount and period of default of interest on short term borrowings at year end:

| Bank Name | Overdue interest(Crores) | Overdue Since |
|-------------------------|--------------------------|---------------|
| Indian Bank -OCC | 17.67 | 1.12.2015 |
| Indian Bank -OCC- Adhoc | 1.66 | 1.9.2015 |
| Indian Bank - LC/BC | 11.09 | 1.1.2016 |
| Defaulted Guarantee | 1.17 | |
| Total | 31.59 | |

* The Indian Bank has not charged interest of Rs. 31.59 Crores as the bank has declared account as NPA.

Working Capital Borrowings are secured by hypothecation of stock of Raw Materials, work-in-Progress, Finished Goods, Stores and Book Debts and further secured by 2nd charge on Fixed Assets of the Company and also personally guaranteed by some of the Directors of the Company and it carries interest @10.90 % p.a.

Note:- 20. Trade payables

| | | | |
|--|----------------------|----------------------|-----------------------|
| Due to micro, small and medium enterprises (refer note 45) | - | - | - |
| Acceptance Payables | - | - | 23,193,089.00 |
| Other than acceptances | <u>37,003,753.00</u> | <u>85,242,374.52</u> | <u>126,184,781.00</u> |
| | 37,003,753.00 | 85,242,374.52 | 149,377,870.00 |

Note:- 21. Other financial liabilities

| | | | |
|---|----------------------|----------------------|----------------------|
| Interest Accrued and due on Borrowings | 405,529.00 | 496,776.00 | 716,409.00 |
| Current maturities of long-term borrowings* | <u>84,131,082.64</u> | <u>84,834,252.34</u> | <u>50,276,915.60</u> |
| | 84,536,611.64 | 85,331,028.34 | 50,993,324.60 |

(a) Terms and Conditions of loans taken from Banks and status of continuing default as at year end:

| Bank Name | Interest rate | DP | Outstanding | Over due | Interest over due(crores) | Principal Over due |
|----------------------|---------------|------|-------------|--------------|---------------------------|--------------------|
| Indian Bank -MTL-I | 11.30% | 3.00 | 1.67 | 2.14 | 0.47 | 1.67 |
| Indian Bank -MTL-II | 11.30% | 5.00 | 3.93 | 5.29 | 1.36 | 3.93 |
| Indian Bank -MTL-III | 11.30% | 4.93 | 1.99 | 2.66 | 0.67 | 1.99 |
| Total | | | 7.59 | 10.09 | 2.50 | 7.59 |

* The Indian Bank has not charged interest of 250 lacs as the bank has declared above accounts as NPA.

(b) Term loans from banks are secured by equitable mortgage of entire land and building and existing plant and machinery of the company ranking parri passu basis and further secured by charge on the entire current assets of the company and personal guarantee of two directors.

(c) Terms Loans from Banks carry an Interest rate of 10.90 % p.a. and are repayable in equal monthly instalments. The year wise repayment due are as under :-

| Year End | MTL-III | MTL-II | MTL-I | Grand total |
|--------------|-------------------|-------------------|-------------------|-------------------|
| 31.3.2016 | 6,288,000 | 4,375,000 | 1,764,000 | |
| 31.3.2017 | 12,576,000 | 7,500,000 | 3,024,000 | |
| 31.3.2018 | 1,045,779 | 7,500,000 | 3,024,000 | |
| 31.3.2019 | - | 7,500,000 | 3,024,000 | |
| 31.3.2020 | - | 7,500,000 | 3,024,000 | |
| 31.3.2021 | - | 4,954,984 | 2,855,221 | |
| Total | 19,909,779 | 39,329,984 | 16,715,221 | 75,954,984 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | As At 31st March, 2018 | As At 31st March, 2017 | As At 31st March, 2016 |
|--|---------------------------|-----------------------------------|-----------------------------------|
| Note:- 22. Other current liabilities | | | |
| Statutory dues payables | 2,842,671.00 | 2,262,042.00 | 5,971,159.00 |
| Advance from customers | 729,829.84 | 6,344,117.24 | 5,226,481.59 |
| Expenses Payable | 1,128,761.00 | 11,958,363.47 | - |
| Cheque issued but not presented | 1,761,841.00 | 4,645,782.00 | 13,219,234.47 |
| Employee Related Payments | 2,228,453.00 | 1,005,589.00 | 1,227,453.00 |
| Due to Director | - | - | 1,511,572.00 |
| | <u>8,691,555.84</u> | <u>26,215,893.71</u> | <u>27,155,900.06</u> |
| Note:- 23. Provisions | | | |
| Provision for Gratuity | 30,431.00 | 25,730.00 | 23,440.00 |
| | <u>30,431.00</u> | <u>25,730.00</u> | <u>23,440.00</u> |
| Particulars | | As At 31st March, 2018 | As At 31st March, 2017 |
| Note:- 24. Revenue from operations | | | |
| Sale of products | | 672,120,865.50 | 596,100,370.00 |
| Less: Excise duty | | <u>16,295,641.00</u> | <u>60,788,118.00</u> |
| | | <u>655,825,224.50</u> | <u>535,312,252.00</u> |
| Note:- 24(a) Details of product Sold | | | |
| Non Alloy Steel round | | 399,837,283.75 | 391,120,541.00 |
| Scrap | | 1,139,065.00 | 9,357,297.00 |
| Wire rod | | 180,747,120.50 | 98,810,100.00 |
| Unmatched Casting | | 711,450.00 | 374,276.00 |
| Billets | | 87,360,601.75 | 96,438,156.00 |
| Alloy Steel round | | <u>2,325,344.50</u> | - |
| | | <u>672,120,865.50</u> | <u>596,100,370.00</u> |
| Note:- 25. Other Operating Revenue | | | |
| Exchange Rate Diff | | <u>823,393.00</u> | - |
| | | <u>823,393.00</u> | - |
| Note :- 26 Other Income | | | |
| Interest income | | 2,319,311.00 | 2,248,745.00 |
| Rebate and discount | | - | 13,618.52 |
| Profit on Sale of Mutual funds | | - | 87,147.65 |
| Misc. Income | | 152,532.00 | 637,844.00 |
| Rental Income | | 180,000.00 | 16,000.00 |
| Sundry Balances Written back | | <u>47,310,755.99</u> | - |
| | | <u>49,962,598.99</u> | <u>3,003,355.17</u> |
| Note:- 27 Cost of materials consumed | | | |
| Opening stock | | 13,410,784.00 | 16,509,599.00 |
| Add : Purchases (Net) | | 572,768,953.84 | 392,676,993.78 |
| Less: Closing Stock | | <u>46,349,823.00</u> | <u>13,410,784.00</u> |
| | | <u>539,829,914.84</u> | <u>395,775,808.78</u> |
| Note:- 28 Purchases of stock-in-trade | | | |
| M.S Scrap | | <u>901,122.00</u> | - |
| | | <u>901,122.00</u> | - |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | As At 31st March, 2018 | As At 31st March, 2017 |
|--|---------------------------|---------------------------|
| Note:- 29 Change in inventories of finished goods, stock in trade and work -in-progress | | |
| Opening stock | | |
| Work-in-Progress | 2,531,225.00 | 2,531,225.00 |
| Finished Goods / Stock in Trade | 10,328,741.00 | 43,736,130.00 |
| Less: Closing Stock | | |
| Work-in-Progress | 1,903,202.00 | 2,531,225.00 |
| Finished Goods / Stock in Trade | 61,098,648.00 | 10,328,741.00 |
| | <u>(50,141,884.00)</u> | <u>33,407,389.00</u> |
| Note :- 30 Employee benefit expense | | |
| Salary, Wages and other Allowances | 13,073,542.00 | 8,452,282.00 |
| Contribution to Provident and other funds | 938,699.00 | 284,703.00 |
| Staff Welfare Expenses | 125,933.00 | 26,967.00 |
| | <u>14,138,174.00</u> | <u>8,763,952.00</u> |
| Note:-31 Finance cost | | |
| Interest Expense | 6,210,230.39 | 9,154,192.27 |
| Other Borrowings Cost | 586,231.91 | 329,399.12 |
| | <u>6,796,462.30</u> | <u>9,483,591.39</u> |
| Note:- 32 Depreciation and amortisation expense | | |
| Depreciation of property, plant and equipment (Refer Note 2) | 13,109,065.00 | 13,590,583.00 |
| | <u>13,109,065.00</u> | <u>13,590,583.00</u> |
| Note:- 33 Other expenses | | |
| Manufacturing Expenses | | |
| Consumption of Stores, consumables & spare parts | 28,807,950.00 | 67,076,823.00 |
| Power and Fuel | 141,524,777.00 | 134,944,411.00 |
| Machinery Repairs and Maintenance | 146,158.00 | 856,906.00 |
| Excise duty on stocks | - | 1,147,638.00 |
| Custom Duty on Imports | 2,562,055.78 | - |
| Job work charges | 1,640,560.00 | - |
| | <u>174,681,500.78</u> | <u>204,025,778.00</u> |
| Administrative & Other Expenses | | |
| Rent | | |
| Rates & Taxes | 1,157,680.00 | 712,911.00 |
| Insurance | 364,928.00 | 649,230.00 |
| Legal & Professional Expenses | 1,325,709.00 | 982,888.00 |
| Postage, Telegrams, Telephone and Telex | 148,311.68 | 244,569.00 |
| Printing and Stationery | 24,807.00 | 81,058.00 |
| Travelling & Conveyance | 232,658.00 | 162,232.00 |
| Vehicle Repair & Maintenance | 955,858.00 | 1,667,018.00 |
| Repairs and Maintenance | 63,565.00 | 43,592.00 |
| Payment to Auditors* | 185,000.00 | 185,000.00 |
| Bad Debts | 13,922,719.62 | 932,453.00 |
| Loss on sale/discard of Fixed Assets | 3,158.00 | - |
| Repair and maintenance of Building | 59,901.00 | - |
| Foreign Exchange Fluctuation | - | 1,096,315.00 |
| Directors Remuneration | 920,000.00 | 840,000.00 |
| Security charges | 196,001.00 | - |
| Penalty | 449,669.00 | - |
| Interest on TDS | 1,070.00 | 2,221.00 |
| Charity & Donation | - | 500.00 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | As At 31st March, 2018 | As At 31st March, 2017 |
|---|---------------------------|---------------------------|
| Listing Fee | 260,910.00 | 232,340.00 |
| Previous Year Expenses | 840,019.00 | - |
| Miscellaneous Expenses | 90,685.00 | 2,648.00 |
| | <u>21,202,649.30</u> | <u>7,834,975.00</u> |
| *Include Director Travelling of ? 2.32 lakhs (previous year ? 1.54 lakhs) | | |
| Selling Expenses | | |
| Forwarding and Octroi | - | 4,520.00 |
| Rebate and Discount | 5,319.85 | - |
| Advertisement | 64,180.00 | 63,344.00 |
| | 69,499.85 | 67,864.00 |
| | <u>195,953,649.93</u> | <u>211,928,617.00</u> |
| *Payment to Auditors | | |
| As Auditor: | | |
| Audit fee | 125,000.00 | 125,000.00 |
| Tax audit fee | 40,000.00 | 40,000.00 |
| Cost audit Fee | 20,000.00 | 20,000.00 |
| | <u>185,000.00</u> | <u>185,000.00</u> |
| Note:-34 Income Tax Expenses | | |
| Tax expense recognized in the Statement of Profit and Loss | | |
| Current tax | | |
| Current Tax on taxable income for the year | - | - |
| Total current tax expense | | |
| Deferred Tax | | |
| Deferred tax charge/(credit) | 12,675,427.00 | - |
| | <u>12,675,427.00</u> | <u>-</u> |
| Note:- 35 Earnings per share (EPS) (Ind AS 33) | | |
| The Company's Earnings Per Share ('EPS') is determined based on the net profit attributable to the shareholders' of the Company . Basic earnings per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the year including share options, except where the result would be anti-dilutive. | | |
| Earnings Per Share has been computed as under: | | |
| Profit for the year attributable to the Equity holders of the Company | (1,157,053.58) | (135,514,553.00) |
| Weighted-average number of equity shares for basic EPS | 4,008,700.00 | 4,008,700.00 |
| Earnings Per Share (?) - Basic (Face value of ? 10 per share) (Diluted earning per share is same as basic earning per share.) | (0.29) | (33.81) |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| Particulars | As At 31st March, 2018 | As At 31st March, 2017 | As At 31st March, 2016 |
|---|---------------------------|---------------------------|---------------------------|
| Note:- 36 Contingent Liabilities (To the Extent not provided for) | | | |
| (b) Bank Guarantees in favour of suppliers and others. | 4,991,000 | 4,991,000 | 4,991,000 |
| (d) Appeal to ITAT under Income Tax Act 1961 | | | |
| (i) for AY 2008-09 | 2,900,000 | 2,900,000 | 2,900,000 |
| (ii) for AY 2010-11 | | 1,000,000 | 1,000,000 |
| (i) for AY 2011-12 | 1,211,000 | 1,211,000 | 1,211,000 |

The Company has contested the demand of Punjab power corporation limited of Rs 7,23,06,370/- on account of voltage surcharge. As against this a sum of Rs 5,35,10,589/- has been deposited under protest and stands included under the head "other non current assets". 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.

Note:- 37. Post Retirement Benefits Plans (Ind AS 19)
Defined Benefit Plan

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. For the funded plan the Company makes contributions to recognised funds in India. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|--|------------------------|------------------------|
| (I) Changes in Defined Benefit Obligation | | |
| Present value obligation as at the start of the year | 258,959.00 | 454,658.00 |
| Interest cost | 17,719.00 | 30,769.00 |
| Current service cost | 143,554.00 | 87,544.00 |
| Actuarial loss/(Gains) - Experience Changes | (139,942.00) | (227,387.00) |
| Actuarial loss / (Gains) Financial Assumption | - | - |
| Benefits paid | (44,135.00) | (86,625.00) |
| Diff in Present value of Obligation | (2,865.00) | - |
| Present value obligation as at the end of the year | 233,290.00 | 258,959.00 |
| (ii) Breakup of Actuarial gain/loss: | | |
| Actuarial (gain)/loss on arising from change in financial assumption | - | - |
| Actuarial (gain)/loss on arising from experience adjustment | (139,942.00) | (227,387.00) |
| Return on plan assets (greater)/less than discount rate | (139,942.00) | (227,387.00) |
| (iii) Net Asset / (Liability) recognised in the Balance Sheet | | |
| Present value obligation as at the end of the year | (233,290.00) | (258,959.00) |
| Fair value of plan assets as at the end of the year | - | - |
| Net Asset / (Liability) in the Balance Sheet | (233,290.00) | (258,959.00) |
| (iv) Amount recognized in the statement of profit and loss | | |
| Current service cost | 143,554.00 | 87,544.00 |
| Interest cost | 17,719.00 | 30,769.00 |
| Interest income on plan assets | - | - |
| (Income)/Expense recognised in the statement of profit and loss | 161,273.00 | 118,313.00 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| (v) Remeasurements recognised in the statement of Other Comprehensive Income (OCI) | | |
| Changes in Financial Assumptions | - | - |
| Experience Adjustments | (142,807.00) | - |
| Return on plan assets (greater)/less than discount rate | - | - |
| Amount recognised in Other Comprehensive Income | <u>(142,807.00)</u> | <u>-</u> |
| (vi) Actuarial assumptions | | |
| Discount Rate (p.a) | 7.48% | 7.48% |
| Salary Escalation Rate (p.a) | 8.00% | 8.00% |
| Employee Turnover rate | 20.00% | 20.00% |
| Mortality Rate | Indian Assured Lives Mortality (2006-08) Ult. Modified | Indian Assured Lives Mortality (2006-08) Ult. Modified |

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds of relevant economic markets and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

Particulars

Note:- 37. Post Retirement Benefits Plans (Ind AS 19) (contd.)

| SENSITIVITY CUM SCENARIO TESTING (GRATUITY) | | | | | |
|---|----|------|----|-----------|----------------------|
| | SR | IROI | AR | AVGL(RS.) | Difference over base |
| (viii) Sensitivity analysis for gratuity liability | -1 | -1 | -1 | 237,201 | 3911 |
| | -1 | 0 | -1 | 224,378 | (8,912) |
| | -1 | 1 | -1 | 212,660 | (20,630) |
| | -1 | -1 | 0 | 233,331 | 41 |
| Description of Risk Exposure: Actuarial Valuations are based on assumptions which are dynamic in nature and vary over time. As such entity is exposed to various risks as follows: | | | | | |
| | -1 | 0 | 0 | 220,898 | (12,392) |
| | -1 | 1 | 0 | 209,525 | (23,765) |
| A. Salary Increase - Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability | | | | | |
| | -1 | -1 | 1 | 222,564 | (10,726) |
| | -1 | 0 | 1 | 211,180 | (22,110) |
| B. Imputed rate of return (IROR)- Reduction in IROR in subsequent valuations can increase the plan's liability | | | | | |
| | -1 | 1 | 1 | 200,736 | (32,554) |
| C. Withdrawals- Actual withdrawals providing higher or lower than that assumed and change of withdrawal rates at subsequent valuations can impact plan's Liability. | | | | | |
| | 0 | -1 | -1 | 251,068 | 17,778 |
| | 0 | 0 | -1 | 237,163 | 3,873 |
| D. Morality- Actual deaths proving lower or higher than assumed in the valuation can | | | | | |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| | | | | | |
|--|---|----|----|---------|----------|
| impact the liabilities. | 0 | 1 | -1 | 224,464 | (8,826) |
| | 0 | -1 | 0 | 246,766 | 13,476 |
| This table reflects change in liabilities that will result from change in assumptions in respect of salary rise, imputed rate of return and attrition rates. | | | | | |
| | 0 | 0 | 0 | 233,290 | - |
| Deviation in expected Morality is of less significance and thus not included in analysis | | | | | |
| | 0 | 1 | 0 | 220,975 | (12,315) |
| | 0 | -1 | 1 | 234,839 | 1,549 |
| | 0 | 0 | 1 | 222,531 | (10,759) |
| | 0 | 1 | 1 | 211,252 | (22,038) |
| | 1 | -1 | -1 | 266,002 | 32,712 |
| | 1 | 0 | -1 | 250,898 | 17,608 |
| | 1 | 1 | -1 | 237,122 | 3,832 |
| | 1 | -1 | 0 | 261,206 | 27,916 |
| | 1 | 0 | 0 | 246,595 | 13,305 |
| | 1 | 1 | 0 | 233,258 | (32) |
| | 1 | -1 | 1 | 247,996 | 14,706 |
| | 1 | 0 | 1 | 234,687 | 1,397 |
| | 1 | 1 | 1 | 222,500 | (10,790) |

Note:-38 Segment Reporting

Operating Segments:

(a) Steel :- Ingot, Round and Wire Rod

(b) Textile Products

Identification of Segments:

The chief operational decision maker monitors the operating results of its Business segment separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements, Operating segment have been identified on the basis of nature of products and other quantitative criteria specified in the Ind AS 108.

Segment revenue results

The expenses and income which are not directly attributable to any business segment are shown as unallocable expenditure (net of allocable income).

Segment assets and Liabilities:

Segment assets include all operating assets used by the operating segment and mainly consist of property, plant and equipment's, trade receivables, Inventory and other operating assets. Segment liabilities primarily includes trade payable and other liabilities. Common assets and liabilities which can not be allocated to any of the business segment are shown as unallocable assets/liabilities.

Inter Segment transfer:

Inter Segment revenues are recognised at sales price. The same is based on market price and business risks. Profit or loss on inter segment transfer are eliminated at the group level.

Geographical segment

Geographical segment is considered based on sales within India only.

| Particulars | As at 31 March 2018 | As at 31 March 2017" |
|------------------------|------------------------|-------------------------|
| Segment Revenue | | |
| (a) Steel | 655,825,224.50 | 596,100,370.00 |
| Total Revenue | <u>655,825,224.50</u> | <u>596,100,370.00</u> |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| Particulars | As at 31 March 2018 | As at 31 March 2017" |
|---|--|-------------------------|
| Less: Inter Segment Revenue | - | - |
| Segment Revenue from External Customers | 655,825,224.50 | 596,100,370.00 |
| Segment Results | | |
| Segment results before interest & Finance cost | | |
| (a) Steel | 5,639,408.30 | (124,934,646.61) |
| Total Segment results | 5,639,408.30 | (124,934,646.61) |
| Less:- Interest & Finance Cost | 6,796,462.30 | 10,579,906.39 |
| Profits from Ordinary activities | (1,157,054.00) | (135,514,553.00) |
| Note:- 38 Segment Reporting {Cont...} | | |
| Segment Assets (net of Depreciation/Impairment) | | |
| (a) Steel | 504,862,026.97 | 586,000,916.55 |
| (b) Textile | 83,363,691.00 | 87,996,847.00 |
| Total Segment Assets | 588,225,717.97 | 673,997,763.55 |
| Segment Liabilities | | |
| (a) Steel | 46,304,127.84 | 112,214,003.23 |
| (b) Textile | - | - |
| Total Segment Liabilities | 46,304,127.84 | 112,214,003.23 |
| Capital Employed (Segment assets- Segment Liabilities) | | |
| (a) Steel | 458,557,899.13 | 473,786,913.32 |
| (b) Textile | 83,363,691.00 | 87,996,847.00 |
| | 541,921,590.13 | 561,783,760.32 |
| Note:- 39 Dues to micro and small suppliers | | |
| 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:- 40 Related party disclosure as per Ind AS 24 | | |
| a) Disclosure of related parties and relationship between the parties | | |
| Nature of relationship | Name of related party | |
| (i) Entities in which directors of the Company are able to exercise control or have significant influence | Vaneera Industries Ltd Avtar Exports Pvt Ltd Devinder Garg & Sons Huff | |
| *No transaction has taken place during the year. | | |
| (ii) Key management personnel (KMP) | Sh. Devinder Garg Smt Vaneera Garg | |
| (iii) Relatives of Key Management Personnel | Toshak Garg (Son of Director) Daksh Garg (Son of Director) | |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| (b) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st March, 2018 | | | | | | | | | |
|--|---------------|---------------------|-----------------------|------------------------|---------------------|-----------------------|------------------------|---------------------|-----------------------|
| | | | | As at 31 March 2018 | | | As at 31 March 2017 | | |
| (i) Enterprises in Which Key Management Personnel and relative of such personal is able to exercise significant influence or control. | | | | | | | | | |
| Purchase of goods | | | | 387,851,538.00 | | | 121,269,330.00 | | |
| Sales of Goods | | | | 692,919,727.50 | | | 332,244,761.00 | | |
| Rent received | | | | 180,000.00 | | | - | | |
| Loan received (Net) | | | | - | | | 100,000.00 | | |
| Balance Receivable/Payable (net) as on 31.03.2018 | | | | 12,753,453.72 | | | 67,016,130.00 | | |
| (c) The remuneration of directors and other members of Key management personnel during the year was as follows: | | | | | | | | | |
| Name of KMP | | | | | | | | | |
| Sh. Devinder Garg | | | | 840,000 | | | 840,000 | | |
| Smt Vaneera Garg | | | | <u>80,000</u> | | | <u>840,000</u> | | |
| | | | | <u>920,000</u> | | | <u>840,000</u> | | |
| Note:-41 Financial Instruments - Fair Vaue and Risk Management | | | | | | | | | |
| (a) Financial Instruments by category and fair value | | | | | | | | | |
| Particulars | 31 March 2018 | | | 31 March 2017 | | | 1 April 2016 | | |
| | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI | Amortised cost |
| Financial assets | | | | | | | | | |
| Investment | | | | | | | | | |
| -Equity instruments | - | 6,240,000.00 | - | - | 6,240,000.00 | - | - | 6,240,000.00 | - |
| -Mutual Funds | - | - | - | - | - | - | - | 2,859,154.12 | - |
| -Preference Share | - | 17,000,000.00 | - | - | 17,000,000 | - | - | 17,000,000.00 | - |
| Loans | - | 22,961,472.00 | - | - | 34,400,439 | - | - | 31,607,274.04 | - |
| Fixed Deposits | - | 4,598,705.83 | - | - | 3,884,290 | - | - | 6,868,969.83 | - |
| Trade receivables | - | 232,782,928.99 | - | - | 348,198,480 | - | - | 421,035,867.72 | - |
| Cash and cash equivalents | - | 23,057,999.43 | - | - | 3,831,952 | - | - | 21,598,849.08 | - |
| Loans | - | 1,070,225.00 | - | - | 6,718,225 | - | - | 6,231,781.00 | - |
| Other financial assets | - | 3,099,395.00 | - | - | 2,970,025 | - | - | 2,966,163.00 | - |
| Total | - | 6,240,000.00 | 304,570,726.25 | - | 6,240,000.00 | 417,003,410.63 | - | 9,099,154.12 | 507,308,904.67 |
| Financial liabilities | | | | | | | | | |
| Borrowings | - | - | 45,024,851.46 | - | - | 53,188,026.37 | - | - | 110,400,126.84 |
| Borrowings | - | - | 602,826,123.36 | - | - | 608,559,323.36 | - | - | 591,283,256.44 |
| Trade payable | - | - | 37,003,753.00 | - | - | 85,242,374.52 | - | - | 149,377,870.00 |
| Other Financial Liabilities | - | - | 84,536,611.64 | - | - | 85,331,028.34 | - | - | 50,993,324.60 |
| Total | - | - | 769,391,339.46 | - | - | 832,320,752.59 | - | - | 902,054,577.88 |

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| (b) Fair value hierarchy | | | | | | | | | |
|--|---------------|---------|---------------------|---------------|---------|---------------------|---------------------|---------|---------------------|
| The Company has classified its financial instruments into the three levels prescribed under the Indian Accounting standards (Ind AS 113). An explanation of each level follows underneath the table. | | | | | | | | | |
| Financial assets and liabilities measured at fair value - recurring fair value measurements | 31 March 2018 | | | 31 March 2017 | | | 01 April 2016 | | |
| Particulars | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | | | | |
| Non-current assets | | | | | | | | | |
| Equity instruments | | | 6,240,000.00 | | | 6,240,000.00 | | | 6,240,000.00 |
| Mutual Funds | - | | | - | | | 2,859,154.12 | | |
| Total financial assets | - | - | 6,240,000.00 | - | - | 6,240,000.00 | 2,859,154.12 | - | 6,240,000.00 |
| Financial liabilities | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - |

Level 1 : Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed mutual funds. The fair value of all mutual funds which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2 : The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3 : If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3. In the absence of observable inputs, unquoted equity securities are measured at carrying amounts.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to short term nature.

Interest Rates on long term borrowings calculated at fixed rate are equivalent to the market rate of interest. Accordingly, the carrying value of such long term debt approximates fair value.

Fair Value of all other non current assets has not been disclosed as the change from carrying amount is not significant.

Note:- 42. Financial risk management objectives and policies
Company has exposure to following risks arising from financial instruments:-

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loans, trade and other receivables, and cash & cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The company's senior management oversees the management of these risks. Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each risk, which are summarised as below:

(A) Market risk
'Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks. Financial instruments affected by market risk include loans and borrowings, deposits and payables/receivables in foreign currencies.

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is carrying its borrowings primarily at fixed rate. Thereby, the Company is not having any risk towards market rate of interest and

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

hence no sensitivity analysis has been done.

b) Foreign currency risks

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure in foreign currency is in Trade payables denominated in foreign currency. The Company is not restricting its exposure of risk in change in exchange rates. The Company expects the Indian Rupee to to strengthen and accordingly the Company is carrying the risk of change in exchange rates.

a) Foreign Currency Exposure

The Company is not exposed to any forward contract and there is no unrealised asset or liability, thereby no sensitivity analysis has been done.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including loans to related parties, deposits with banks and financial institutions and other financial instruments.

Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

Trade receivables

The Company closely monitors the credit-worthiness of the debtors on the basis of past trends. The Company assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred.

(C) Liquidity risk

The Company monitors its risk of a shortage of funds by estimating the future cash flows. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, cash credit facilities and bank loans. However, the company has a continuing default in repayment of dues to bank as a result the account has become NPA in FY 2015-16 and action u/s 13(4) of SARFAESI Act 2002 has already been taken. Moreover, the company has not provided for the interest on borrowings amounting to ` 3409 lacs pertaining to year ended 31st March 2018. The Company is taking adequate steps to resolve the liquidity issues and One Time Settlement proposal is also under process as reported by the management.

The table below summarises the maturity profile of the Company's Borrowings on contractual undiscounted payments -

| Particulars | 0-1 Years | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
|--------------------------------------|------------------|---------------------|---------------------|--------------------------|----------------|
| Year ended 31 March 2018 | | | | | |
| Contractual maturities of borrowings | 84,131,082.00 | 9,089,612.71 | 35,935,238.75 | | 129,155,933.46 |
| Particulars | 0-1 Years | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
| Year ended 31 March 2017 | | | | | |
| Contractual maturities of borrowings | 84,834,252.00 | 8,366,022.97 | 44,822,003.40 | | 138,022,278.37 |
| Particulars | 0-1 Years | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
| Year ended 01 April 2016 | | | | | |
| Contractual maturities of borrowings | 50,276,915.00 | 14642571.04 | 52901740.1 | 2207487.7 | 120,028,713.84 |

Note:- 43 Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade payables, less cash and cash equivalents.

GARG FURNACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in Rs. , unless otherwise stated)

| Particulars | As At 31st March, 2018 | As At 31st March, 2017 | As At 31st March, 2016 |
|---|---------------------------|---------------------------|---------------------------|
| Borrowings (Note 16) | 731,982,057.46 | 746,581,602.07 | 751,960,298.88 |
| Trade payables (Note 20) | 37,003,753.00 | 85,242,374.52 | 149,377,870.00 |
| Less: Cash and cash equivalents (Note 09) | 23,057,999.43 | 85,331,028.34 | 50,993,324.60 |
| Net debt | 745,927,811.03 | 917,155,004.93 | 952,331,493.48 |
| Equity | 42,641,749.86 | 43,798,803.44 | 179,313,356.44 |
| Capital and net debt | 788,569,560.89 | 960,953,808.37 | 1,131,644,849.92 |
| Gearing ratio | 94.59% | 95.44% | 84.15% |

Note:- 44 First Time Adoption as per Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

These financial statements, for the year ended 31 March 2018, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2017, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2018, together with the comparative period data as at and for the year ended 31 March 2017, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2016, the Company's date of transition to Ind AS. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A. Ind AS Optional exemptions availed.

(a) Deemed Cost

Under Ind AS paragraph D7 AA of Ind AS 101 permits a first time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and for Investment properties covered by Ind AS 40 Investment Properties.

Accordingly, the Company has elected to measure all of its properties, plant and equipment, Investment property and intangible assets at their previous GAAP carrying values.

(b) Designation of previously recognised financial instruments

Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument in other comprehensive income. Paragraph D19B of Ind AS 101 allows such designation of previously recognized financial assets as 'fair value through comprehensive income' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Accordingly, the Company has designated its equity investment as at FVTOCI on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

B. Ind AS Mandatory exceptions

(a) Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1st April, 2016 and 31st March, 2017 are consistent with the estimates as at the same date made in the conformity with previous GAAP. The Company made estimates for the following in accordance with Ind AS at the date of transition as these were not required under previous GAAP.

1.) Investment in equity instruments carried at FVOCI

(b) Classification and measurement of financial assets

As required under Ind AS 101 the company has assessed the classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

C. Transition to Ind AS - Reconciliations

"The following reconciliations provide a quantification of the effect of significant differences arising from the transition from previous GAAP to Ind AS required under Ind AS 101."

1.) Reconciliation of Balance sheet as at 1st April, 2016 (Transition Date)

2.) (a). Reconciliation of Balance sheet as at 31st March, 2017

(b). Reconciliation of Total Comprehensive Income for the year ended 31st March, 2017

3.) Reconciliation of Equity as at 1st April, 2016 and as at 31st March, 2017

4.) Reconciliation of Income statement as at 31st March, 2017

GARG FURNACE LIMITED

SUMMARY OF SIGNIFICANT STANDALONE ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

(All amounts ₹ in Lakhs, unless stated otherwise)

Note:- 44 First Time Adoption as per Ind AS (contd...)

The presentation requirements under Previous GAAP differs from Ind AS, and hence, Previous GAAP information has been regrouped for ease of reconciliation with Ind AS. The Regrouped Previous GAAP information is derived from the Financial Statements of the Company prepared in accordance with Previous GAAP.

1.) Reconciliation of Balance sheet as at 1st April, 2016

| Particulars | Notes | Indian GAAP | Indian AS adjustments | Ind AS |
|--|-------|-------------------------|-----------------------|-------------------------|
| I ASSETS | | | | |
| Non-current assets | | | | |
| a) Property, plant and equipment | | 231,086,536.19 | - | 231,086,536.19 |
| b) Capital work-in-progress | | - | - | - |
| c) Intangible Assets | | - | - | - |
| d) Investment property | | - | - | - |
| e) Financial assets | | - | - | - |
| i) Investments | | 26,099,154.12 | - | 26,099,154.12 |
| ii) Loans | | 31,607,274.04 | - | 31,607,274.04 |
| iii) Fixed Deposits | | 6,868,969.83 | - | 6,868,969.83 |
| f) Other non-current assets | | 198,656,942.25 | - | 198,656,942.25 |
| Current assets | | | | |
| a) Inventories | | 109,618,465.00 | - | 109,618,465.00 |
| b) Financial assets | | - | - | - |
| i) Trade receivables | | 421,035,867.72 | - | 421,035,867.72 |
| ii) Cash and Cash equivalents | | 21,598,849.08 | - | 21,598,849.08 |
| iii) Balances other than cash and cash equivalents | | - | - | - |
| v) Loans | | - | - | - |
| iv) Loans | | 6,231,781.00 | - | 6,231,781.00 |
| v) Other financial asset | | 2,966,163.00 | - | 2,966,163.00 |
| c) Government grant receivable | | - | - | - |
| d) Current tax assets (net) | | 516,092.00 | - | 516,092.00 |
| e) Other current assets | | 65,367,825.15 | - | 65,367,825.15 |
| Total Assets | | 1,121,653,919.38 | - | 1,121,653,919.38 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| a) Equity Share capital | | 40,087,000.00 | - | 40,087,000.00 |
| b) Other equity | | 139,226,356.44 | - | 139,226,356.44 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| a) Financial liabilities | | | | |
| i) Borrowings | | 110,400,126.84 | - | 110,400,126.84 |
| ii) Other financial liabilities | | - | - | - |
| b) Deferred tax liabilities (Net) | | 12,675,427.00 | - | 12,675,427.00 |
| c) Other non-current liabilities | | - | - | 0 |
| d) Provisions | | 431,218.00 | - | 431,218.00 |
| Current liabilities | | | | |
| a) Financial liabilities | | | | |
| i) Borrowings | | 591,283,256.44 | - | 591,283,256.44 |
| ii) Trade and other payables | | 149,377,870.00 | - | 149,377,870.00 |
| iii) Other financial liabilities | | 50,993,324.60 | - | 50,993,324.60 |
| b) Other current liabilities | | 27,155,900.06 | - | 27,155,900.06 |
| c) Provisions | | 23,440.00 | - | 23,440.00 |
| | | 1,121,653,919.38 | - | 1,121,653,919.38 |

GARG FURNACE LIMITED

SUMMARY OF SIGNIFICANT STANDALONE ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

(All amounts ₹ in Lakhs, unless stated otherwise)

| Note:- 44 First Time Adoption as per Ind AS (contd...) | | | | |
|--|-------|-----------------------|-----------------------|-----------------------|
| 2 (a). Reconciliation of Balance sheet as at 31st March, 2017 | | | | |
| Particulars | Notes | Indian GAAP | Indian AS adjustments | Ind AS |
| I ASSETS | | | | |
| Non-current assets | | | | |
| a) Property, plant and equipment | | 217,876,302.19 | - | 217,876,302.19 |
| b) Capital work-in-progress | | - | - | - |
| c) Intangible Assets | | - | - | - |
| d) Investment property | | - | - | - |
| e) Financial assets | | - | - | - |
| i) Investments | | 23,240,000.00 | - | 23,240,000.00 |
| ii) Loans | | 34,400,439.04 | - | 34,400,439.04 |
| iii) Fixed Deposits | | 3,884,289.83 | - | 3,884,289.83 |
| f) Other non-current assets | | 204,997,542.25 | - | 204,997,542.25 |
| Current assets | | | | |
| a) Inventories | | 27,036,245.00 | - | 27,036,245.00 |
| b) Financial assets | | - | - | - |
| i) Trade receivables | | 348,198,480.07 | - | 348,198,480.07 |
| ii) Cash and Cash equivalents | | 3,831,951.69 | - | 3,831,951.69 |
| iii) Balances other than cash and cash equivalents | | - | - | - |
| v) Loans | | - | - | - |
| iv) Loans | | 6,718,225.00 | - | 6,718,225.00 |
| v) Other financial asset | | 2,970,025.00 | - | 2,970,025.00 |
| c) Government grant receivable | | - | - | - |
| d) Current tax assets (net) | | 155,770.00 | - | 155,770.00 |
| e) Other current assets | | 41960565.67 | - | 41960565.67 |
| Total Assets | | <u>915,269,835.74</u> | - | <u>915,269,835.74</u> |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| a) Equity Share capital | | 40,087,000.00 | - | 40,087,000.00 |
| b) Other equity | | 3,711,803.44 | - | 3,711,803.44 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| a) Financial liabilities | | | | |
| i) Borrowings | | 53,188,026.37 | - | 53,188,026.37 |
| ii) Other financial liabilities | | - | - | - |
| iii) Deferred tax liabilities (Net) | | 12,675,427.00 | - | 12,675,427.00 |
| iv) Other non-current liabilities | | - | - | - |
| v) Provisions | | 233,229.00 | - | 233,229.00 |
| Current liabilities | | | | |
| a) Financial liabilities | | | | |
| i) Borrowings | | 608,559,323.36 | - | 608,559,323.36 |
| ii) Trade and other payables | | 85,242,374.52 | - | 85,242,374.52 |
| iii) Other financial liabilities | | 85,331,028.34 | - | 85,331,028.34 |
| iv) Other current liabilities | | 26,215,893.71 | - | 26,215,893.71 |
| v) Provisions | | 25,730.00 | - | 25,730.00 |
| | | <u>915,269,835.74</u> | - | <u>915,269,835.74</u> |

GARG FURNACE LIMITED

SUMMARY OF SIGNIFICANT STANDALONE ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

(All amounts ₹ in Lakhs, unless stated otherwise)

| Note:- 44 First Time Adoption as per Ind AS (contd...) | | | | |
|---|-------|--------------------------------|-----------------------|--------------------------------|
| 2. (b). Reconciliation of Total Comprehensive Income for the year ended 31st March, 2017 | | | | |
| Particulars | Notes | Indian GAAP | Indian AS adjustments | Ind AS |
| Revenue from Operations | | 535,312,252.00 | - | 535,312,252.00 |
| Other Income | | 3,003,355.17 | - | 3,003,355.17 |
| Total | | <u>538,315,607.17</u> | - | <u>538,315,607.17</u> |
| EXPENSES | | | | |
| Cost of materials consumed | | 395,775,808.78 | - | 395,775,808.78 |
| Purchases of stock-in-trade | | - | - | - |
| Change in inventories of finished goods, stock in trade and work -in-progress | | 33,407,389.00 | - | 33,407,389.00 |
| Excise duty expense | | - | - | - |
| Employee benefit expense | | 8,763,952.00 | - | 8,763,952.00 |
| Finance costs | | 9,483,591.39 | - | 9,483,591.39 |
| Depreciation and amortisation expense | | 13,590,583.00 | - | 13,590,583.00 |
| Other expenses | | 211,928,617.00 | - | 211,928,617.00 |
| Total | | <u>672,949,941.17</u> | - | <u>672,949,941.17</u> |
| Profit before exceptional items and tax | | (134,634,334.00) | - | (134,634,334.00) |
| Exceptional Items | | 880,219.00 | - | 880,219.00 |
| Profit before tax | | (135,514,553.00) | - | (135,514,553.00) |
| Tax expense | | | | |
| Current tax | | - | - | - |
| Deferred tax (net) | | - | - | - |
| Profit/(loss) for the period from continuing operations (A) | | <u>(135,514,553.00)</u> | | <u>(135,514,553.00)</u> |
| Other comprehensive income | | | | |
| (A) Items that will not be reclassified to profit or loss | | | | |
| (i) Re-measurement gains (losses) on defined benefit plans | | | | |
| | | - | - | - |
| (B) Items that will be reclassified to profit or loss | | | | |
| (i) Net (loss)/gain on FVOCI equity securities | | | | |
| | | - | - | - |
| Other Comprehensive Income for the year (B) | | - | - | - |
| Total Comprehensive Income for the year (A+B) | | <u>(135,514,553)</u> | | <u>(135,514,553.00)</u> |

GARG FURNACE LIMITED

SUMMARY OF SIGNIFICANT STANDALONE ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

(All amounts ₹ in Lakhs, unless stated otherwise)

| Note:- 44 First Time Adoption as per Ind AS (contd...) | | | |
|--|-------|-------------------------------|---------------------------------|
| 3.) Reconciliation of Equity as at 1st April, 2016 and as at 31st March, 2017. | | | |
| Particulars | Notes | As at 31 March 2016 | As at 1st April, 2015 |
| Total equity under Previous GAAP | | 43,798,803.44 | 179,313,356.44 |
| Adjustments impact: Gain/ (Loss) | | | |
| (i) impact of fair valuation of equity instrument at FVOCI | - | - | - |
| (ii) Fair valuation of financial assets and financial liabilities at amortised cost | - | - | - |
| (iii) Others Adjustments | - | - | - |
| Total Ind AS Adjustments | | - | - |
| Total Equity as per Ind AS | | 43,798,803.44 | 179,313,356.44 |
| 4.) Reconciliation of Income statement as at March 31, 2017 | | | |
| Particulars | | As at 31 March 2018 | As At 31 March 2017 |
| Profit after tax as reported under Previous GAAP | | (135,514,553.00) | |
| (i) Measurement of financial assets and financial liabilities at amortised cost | | - | |
| (ii) Reclassification of actuarial (gain)/loss arising in respect of defined benefit plan to "other comprehensive income" | | - | |
| (iii) Others Adjustments | | - | |
| Profit after tax as reported under Ind AS | | (135,514,553.00) | |
| Other Comprehensive Income | | | |
| (iv) Fair valuation of financial instruments through FVOCI (net of tax) | | - | |
| Total Comprehensive income for the year as per Ind AS | | (135,514,553.00) | |
| <p>(ii) Fair valuation of Investments Under the previous GAAP, investments in equity instruments were classified as long-term investments or current investments based on the intended holding period and realizability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Under Ind AS all investments (other than investments in associates) to be measured at fair value at the reporting date and all changes in the fair value have been recognised in retained earnings as at the date of transition and subsequent to the transition date to be recognised in the Other Comprehensive Income.</p> <p>(iii) Remeasurements of post employment benefit obligation "Under the previous GAAP, these re-measurements were forming part of the profit or loss for the year." Under Ind AS, re-measurement i.e. actuarial gain/loss on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. As a result of this change, the profit for the year ended on 31st March, 2018 increased by ₹ 1.42 Lakhs. There is no impact on retained earnings as at 1st April, 2016 & 31st March 2017. Under Previous GAAP, the interest cost on defined benefit liability and expected return on plan assets was recognised as employee benefit expenses in the Statement of Profit and Loss. Under Ind AS, the Company has recognised the net interest cost on defined benefit plan as finance cost.</p> <p>(iv) Other comprehensive income "Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Item of income and expense that are not recognised in profit or loss but are shown in the Statement of profit and loss as "other comprehensive income" includes fair value gain / loss on FVOCI equity instruments and re-measurement of defined benefit plans. The concept of other comprehensive income did not exist under previous GAAP."</p> <p>(v) Retained earnings Retained earnings as at April 1, 2016 has been adjusted consequent to the above Ind AS transition adjustments.</p> | | | |
| <p>Note:- 45 Regrouping and restatement The Ind AS adjustments are either non cash adjustments or are regrouping among the cash flows from operating, investing and financing activities. Consequently, Ind AS adoption has no impact on the net cash flow for the year ended 31st March, 2018 as compared with the previous GAAP.</p> | | | |

Notes to Financial Statements for the year ended 31st March 2018**1. Corporate Information**

Garg Furnace Limited is a public company domiciled in India and is incorporated under the provisions of Companies Act applicable in India. Its shares are listed on three recognized stock exchanges in India. The registered office of the company is located in Kanganwal Road, Ludhiana. The Company is engaged in the business of manufacturing of alloy and non-alloy steel ingots, wire rods, wire round, mig wire, casting of iron products and trading of iron, steel and textiles products.

Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Company consisting of Garg Furnace Limited (the 'Company').

(a) Basis of Preparation**(i) Compliance with Ind AS**

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act. The financial statements up to year ended 31st March 2017 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act. These financial statements for the year ended 31st March 2018 are the first financial statements of the Company prepared under Ind AS. Refer note 44 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

(ii) Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the following:

- (i) Land and buildings classified as property, plant and equipment.
- (ii) Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments) and
- (iii) Employee's Defined Benefit Plan as per actuarial valuation.

All amounts disclosed in the financial statements and notes have been rounded off to two decimal places to the nearest Rupees as per the requirement of Schedule III, unless otherwise stated.

(b) Current versus Non-current classification

The company presents assets and liabilities in the balance sheet based on current/ non-current classification. **An asset is treated as current when it is:**

Expected to be realized or intended to be sold or consumed in normal operating cycle.

- I. *Held primarily for the purpose of trading.*
- II. *Expected to be realized within twelve months after the reporting period, or*
- III. *Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at*
- IV. *least twelve months after the reporting period.*

All other assets are classified as non-current.

A Liability is current when:

- I. *It is expected to be settled in normal operating cycle.*

- II. It is held primarily for the purpose of trading.
- III. It is due to be settled within twelve months after the reporting period, or
- IV. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

(c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period or each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for valuation methods, significant estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Investment in unquoted equity shares Financial instruments
- Financial instruments

(d) Current versus non-current classification

All assets and liabilities have been classified as current or non current as per company's normal operating cycle and other criteria set out in the Schedule III to the Act.

(e) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

On transition to Ind AS, the Company has adopted optional exemption under Ind AS 101 to measure Property, Plant and Equipment at previous GAAP carrying value. Consequently, the previous GAAP carrying value has been assumed to be deemed cost of Property, Plant and Equipment on the date of transition i.e. 1st April, 2016.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the Straight Line Method to allocate their cost, net of their residual values, over their useful lives. The Company depreciates its property, plant and equipment over the useful life in the manner prescribed in Schedule II of the Act. The residual values are not more than 5% of the original cost of the asset.

(f) Impairment of Non-financial assets

The impairment assessment for all assets is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

(g) Inventories

Raw materials and stores, work in progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and stores & spares at FIFO basis, Cost of work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts.

(h) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expense in the period in which they are incurred.

(i) Provisions, Contingent liabilities and Contingent Assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. A present obligation that arises from past events where it is neither probable that an outflow of resources will be required to settle nor a reliable estimate of the amount cannot be made, is disclosed as a contingent liability. Contingent liabilities are also disclosed when there is a possible obligation arising from past events, 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 Company. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and is recognised. The company has not made a provision of Rs 34.09 Crores for interest expense as the account has been declared as NPA.

(j) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is Garg Furnace Limited functional and presentation currency.

Foreign currency translations are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

(k) Revenue recognition

All the income and expenditure are accounted for on accrual basis in terms of provisions of 145(1) of the Income Tax Act, 1961. Sales are recognized on issue of invoices to the customers. Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude GST, Excise duty, sales tax and value added tax. There is no revenue which has not been recognized as revenue during the previous year due to lack of reasonably certainty of its ultimate collection.

(l) Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(m) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand and other bank balances.

(n) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at historical cost, less

provision for impairment if any.

(o) Financial instruments

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.

Initial Recognition:

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss and ancillary costs related to borrowings) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in Statement of Profit and Loss.

Classification and Subsequent Measurement: Financial Assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") on the basis of following:

- The entity's business model for managing the financial assets and
- The contractual cash flow characteristics of the financial asset.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through OCI:

A financial asset shall be classified and measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through Profit or Loss:

A financial asset shall be classified and measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through OCI.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and Subsequent Measurement: Financial liabilities:

Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

Financial Liabilities at FVTPL:

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or are designated upon initial recognition as FVTPL:

Gains or Losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. The Company assesses on a forward looking basis the expected credit losses associated with its assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. In case of trade receivables, the Company.

Follows the simplified approach permitted by Ind AS 109 – Financial Instruments for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. The Company calculates the expected credit losses on trade receivables using a provision matrix on the basis of its historical credit loss experience.

Derecognition of financial assets:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(q) Employee benefits**(i) Short term obligations**

Liabilities for wages and salaries, short term compensated absence and ex-gratia including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits obligations in the balance sheet.

(ii) Post-employment obligations

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expenses in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(iii) Defined contribution plans

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker [CODM]. The managing committee is considered to be the 'Chief Operating Decision Maker' (CODM) as defined in IND AS 108. The Operating Segment is the level at which discrete financial information is available. The CODM allocates resources and assess performance at this level. The Company has Operating segments comprising of Steel and Textile.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the credit period allowed. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Long term trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

(u) Earnings per share**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

The profit attributable to owners of the Company

By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

The after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

The weighted average number of additional equity shares that would be outstanding assuming the conversion of all dilutive potential equity shares.

GARG FURNACE LIMITED

**Form No. MGT - 11
PROXY FORM**

[Pursuant to section 105(6) of the Companies Act, 2013 and rules 19(3) of the Companies
(Management and Administration) Rules, 2014]

GARG FURNACE LIMITED

CIN: L99999PB1973PLC003385

Regd.office: Kanganwal Road, V.P.O.Jugiana, G.T.Road, Ludhiana-141120

Name of the member (s):.....

Registered

address:.....

E-mail

Id:.....

Folio No/Client Id: DP ID:

I/We, being the member(s) of GARG FURNACE LIMITED holding shares of the above named
company,

hereby appoint

1. Name:

Address:

E-mail Id:Signature:, or failing him

2. Name:

Address:

E-mail Id:Signature:, or failing him

3. Name:

Address:

E-mail Id:Signature:, or failing him

As my/ our proxy to attend and vote (on a poll) for me/ us and on my/ our behalf at the 45th Annual General
Meeting of the Company, to be held on Saturday the 29th day of September, 2018 at 10.30 A.M and at any
adjournment thereof in respect of such resolutions to be proposed at such 45th Annual General Meeting

Affix
Revenue
Stamp

Signed this day of 2018

Signature of Shareholder

Signature of Proxy holder(s)

Note: This form of proxy in order to be effective should be duly completed and deposited at the Company's
Registered Office, not less than 48 hour before the commencement of the Meeting.

GARG FURNACE LIMITED

GARG FURNACE LIMITED

CIN: L99999PB1973PLC003385

Regd.office: Kanganwal Road, V.P.O.Jugiana,
G.T.Road, Ludhiana-141120

Phone- +91-2512285, 8437004842

Email_ gargfurnace@yahoo.com

Web:gargfurnaceltd.com

ATTENDANCE SLIP

45th ANNUAL GENERAL MEETING ON 29TH DAY OF SEPTEMBER, 2018

| | |
|--------------------------------|--|
| DP ID- Client ID/ Folio No : | |
| Name & Address of Sole Member: | |
| No. of Shares held: | |

I certify that I am a member/ proxy of the Company.

I hereby record my presence at the 45th Annual General Meeting of the Company, to be held on Saturday the 29th day of September, 2018 at 10.30 A.M at Registered Office of the Company.

Member/ Proxy Signature

ELECTRONIC VOTING PARTICULARS

| EVSN (Electronic Voting Sequence Number) | User ID | Password/Pin (Pan/Seq.No.) |
|---|---------|-------------------------------|
| | | |

Note: Please read the complete instructions given under the Notes (The instructions for shareholders voting electronically) to the Notice of 45th Annual General Meeting. The voting time starts from **Wednesday 26th September, 2018 (9.00AM IST) and ends on Friday, 28th September, 2018 (5.30PM IST)**. The voting module shall be disabled by CDSL for voting thereafter.



Curier

If undelivered please return to:

GARG FURNACE LIMITED

Regd. Office : Kanganwal Road, Near Old Octroi Post, Ambala Side,
V.P.O. Jugiana, G.T. Road, Ludhiana-141-120