



25th Annual Report 2009-2010

An Italian Joint Venture
With ICAP SIRA, Italy

HARYANA
LEATHER CHMICALS LTD.

HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS

Pankaj Jain, Managing Director
N. K. Jain
V. K. Garg
H. K. Gupta
H. C. Dutta
Dr. K.S. V. Menon
Dott. Massimo Medini
Piero Tranchinetti
Pradeep Behl

COMPANY SECRETARY

SILU NANDA

AUDITORS

S.C. Dewan & Co., Panchkula

CORPORATE OFFICE

1004, Bhikaji Cama Bhawan,
Bhikaji Cama Place,
New Delhi – 110 066

REGISTERED OFFICE AND WORKS

72-77, HSIDC Industrial Estate,
Hansi Road, Jind – 126 102 (Hr.)

EOU DIVISION

52-53, HSIDC, Industrial Estate,
Hansi Road, Jind –126102 (Hr.)

CORPORATE EXECUTIVES

Dr. P.L. Maurya, Chief General Manager- Works
A.K. Gupta, General Manager- Commercial
Ramesh Goyal, General Manager- Engg. &Tech.
Neeraj Bishnoi, General Manager-Marketing

REGISTRAR & SHARE TRANSFER AGENTS

RMC Share Registry (P) Ltd.
B-106, Sector-2,
Noida - 201301 (U.P.)

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ISIN for Demat purpose: INE 681F01018

NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Members of the company M/s Haryana Leather Chemicals Limited will be held on Friday, the 17th day of September, 2010 at 11.30 a.m. at the Registered Office of the Company at 72-77, HSIDC Industrial Estate, Hansi Road, Jind – 126102 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as on 31st March 2010 and the Profit & Loss Account for the Year ended on that date together with the Reports of Auditors and Directors thereon.
2. To consider declaring Final Dividend @ 6% for the Financial Year 2009-10.
3. To consider appointing a Director in place of Mr. N. K. Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider appointing a Director in place of Dot. Massimo Medini, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider appointing a Director in place of Lt. Gen (Retd.) H. C. Dutta, who retires by rotation and being eligible offers himself for re-appointment.
6. To consider appointing retiring auditors S.C. Dewan & Co., Chartered Accountants as Statutory Auditors of the Company who are eligible and offer himself for re-appointment, to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as special resolution.

"RESOLVED THAT subject to the approval of the shareholders in their general meeting and pursuant to the provisions of Sections 198, 269, 309 and 317 of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956, approval of the Board of Directors of the Company be and is hereby accorded to the re-appointment of Mr. Pankaj Jain as Managing Director of the company for a further period of three years with effect from 04.02.2010 on the following terms and conditions:

Mr. Pankaj Jain, Managing Director of the company will be eligible for remuneration within the ceiling limit under Section II 1(B) of Part-II of schedule XIII to the Companies Act, 1956, as follows:

Salary	:	Rs. 1,15,000/- per month
Housing Allowance	:	Rs. 46,000/- per month
Other Allowance	:	Rs. 25,000/- per month
Medical Allowance /reimbursement for Himself and family	:	Rs. 4,500/- per month

Leave Travel Allowance: Rs. 9,500/- per month
/reimbursement for
Himself and family

The Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in paragraph as above:

1. Contribution to provident fund to the extent not taxable under the Income tax Act.
2. Gratuity at a rate not exceeding half a month's salary for each completed year of service.
3. Encashment of leave at the end of the tenure.
4. Provision of car for use on company's business and telephone at residence shall not be considered as perquisites.
5. If and when the Managing Director is required to entertain and / or travel for the purpose of company's business the company shall reimburse all actual expenses incurred by him for such entertainment and / or travel.

"Resolved further that in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration, including the salary, perquisites, allowances, etc., within such prescribed limits or ceiling without any further reference to the Company in General Meeting subject, however to the provisions of Section 302 of the Companies Act, 1956."

"Resolved further that the Board of Directors of the company be and is hereby authorized to vary or increase the remuneration within the ceiling as per Schedule XIII and other applicable sections and provisions, if any, of the Companies Act, 1956 and to do all such acts, deeds, things and matters as may be necessary to give effect to the above resolution."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as ordinary resolution.

"RESOLVED THAT pursuant to provisions of section 198, 269, 302, 309 and 311 and other applicable provisions if any of the Companies Act 1956 and subject to the approvals of members at the Annual General Meeting, Mrs. Sippy Jain be and is hereby appointed as a Whole Time Director of the Company at a remuneration of Rs. 29,000/- per month with effect from 17.09.2010."

"RESOLVED FURTHER THAT, Mrs. Sippy Jain, the Director of the Company will also be entitled traveling, boarding, lodging expenses incurred by her in connection with the Company's business and such other benefits as any from time to time, are available to other senior executives of the Company."

Regd.Office:
72-77, HSIDC Industrial Estate,
Hansi Road, Jind,
Haryana – 126 102.

By order of the Board of Directors of
Haryana Leather Chemicals Ltd.

Dated: 10th day of August 2010

SILU NANDA
Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the company.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are advised to notify change in their address, if any, specifying full address in block letters with pin code to the Registrar M/s RCMC Share Registry (P) Ltd, B-106, Sector -2, Noida - 201301 (U.P).
4. The members/proxies attending the meeting are requested to bring their copies of Annual Report and attendance slip duly filled in for attending the meeting.
5. Shareholders seeking any information with regard to the Accounts may write to the Company Secretary to reach at least 10 days before the meeting so that the information can be made available at the meeting.
6. The Register of Members and the Share Transfer Register shall remain closed from 10.09.2010 to 17.09.2010 (both days inclusive).
7. Members are advised to note the ISIN No. INE 681F01018 allotted to the company's shares and those who are interested to dematerialize their shares may do so.

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

For item No. 7

Mr. Pankaj Jain has been Managing Director of the company since the incorporation of the company. As the term of his last appointment expired on 03.02.2010 and his re-appointment is required to be considered for the benefit of the company.

Considering his contributions and experience the remuneration committee of the company has considered and approved his re-appointment for a period of three years considering the ceiling of the remuneration under section II-I (A) of part II of schedule XIII of the Companies Act, 1956. The details of the remuneration and terms of appointment are contained in the above said resolution. The new remuneration is in line with the existing remuneration and after due consideration of his experience, ability and contribution made to the company.

Mr. Pankaj Jain is an Industrial Engineer and also promoted the Company M/s Haryana Leather Chemicals Limited in an Industrial backward area with latest technology from European companies. He managed the company in the capacity of Managing Director for the last twenty five year. Under his guidance the company has been continuously going upward in technology and profits.

The Board recommends the approval of the resolution by the shareholders.

Mr. Pankaj Jain, Mr. N. K. Jain, Mr. V. K. Garg being his relative are concerned and interested in the resolution.

The text of the resolution along with the explanatory statement may be considered as an abstract and Memorandum regarding the terms of appointment of Managing Director as --required under section 302 of the Companies Act, 1956.

ITEM NO. 8

The company is working on some big ideas and growth plans. The Managing Director currently has to devote lot of time on 'day to day' management of the company's International business and in future needs to focus more on new growth plans. He wishes to delegate a part of his work to a competent person at a senior position. Therefore the company needs to appoint a whole time director who can look after the company's international business efficiently and has the required skills and experience to take it globally.

Mrs. Sippy Jain 'Manager Design' has been working in the company for the last three years. She has been responsible for a successful marketing campaign in international markets which resulted in significant growth in export. Her qualification, experience and skills are appropriate to handle company's international business in future. The Board has recommended Mrs. Sippy Jain for the post of directorship of the Company.

Board recommends this resolution for the approval of shareholders Mr. Pankaj Jain and Mr. N.K. Jain being her relatives are concerned and interested in the resolution.

DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the TWENTY FIFTH Annual Report and Audited statement of accounts of the company for the year ended on 31st March 2010.

FINANCIAL RESULTS

A summary of financial results for the year 2009–2010 is given below: -

	(Rs.in Lacs) <u>2009-10</u>	(Rs.in Lacs) <u>2008-09</u>
Sales Turnover (Net of Excise)	3236.07	2298.86
Gross Profit	437.98	248.40
<u>Deductions</u>		
Depreciation	66.50	65.79
Interest	7.14	4.36
Profit before Tax	364.34	178.25
Less: Provision for Income Tax for the year	75.00	39.85
Less: Provision for Fringe Benefit tax for the Year	0.00	4.00
Less: Provision for Taxation/FBT Earlier year	0.00	0.80
Add: Provision for Income Tax written back	13.57	3.25
Less: Previous year Adjustment	0.00	0.00
Less/(Add): Deferred Tax	(0.92)	(5.37)
Profit after Tax and available for Appropriation	303.83	142.22
Less: Provision for Dividend	29.45	29.45
Less: Provision for Dividend Tax	5.01	5.01
Less: Transfer to General Reserve	40.40	16.16
Profit carried to Balance Sheet	228.97	91.60

OPERATIONS

During the year the company has achieved a sales turn over of Rs.3236 lacs against Rs.2299 lacs for the previous year and net profit for the year is Rs.303.83 lacs against Rs.142.22 lacs for the previous year. During the year company's exports are Rs.1260 lacs compared to the previous year's exports of Rs.848 lacs.

The company has been able to achieve higher sales in comparison to last year. The company has also recorded higher profits due to increase in sales and introducing effective cost control measures.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. N.K. Jain, Dot. Mesimo Medini and Retd.Lt.Gen.H.C. Dutta, Directors retire by rotation at the forthcoming Annual General Meeting to be held on 17.09.2010 and being eligible they offer themselves for re-appointment.

CORPORATE GOVERNANCE

A certificate on the compliance of conditions of corporate Governance has been obtained from the Statutory Auditors of the company and the same is given as Annexure.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

The Board of Directors of the company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors 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 as at March 31, 2010 and of the profit of the company for the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that annual accounts have been prepared on a going concern basis.

FIXED DEPOSIT

The company has not accepted / renewed any fixed deposits during the period under review.

QUALITY CONTROL

The company continues with its present quality system of ISO 9001-2000. The company is strictly complying with the quality policy and the quality objectives outlined in the system. The company has also installed the document and control system on the environment management system defined under ISO 14001. The external audit is due in next few months. The company is also planning to merge the document system of quality and environment as per new ISO standards.

EXPORT OPERATIONS

Company's export operations continue to be focus of growth, yielding a robust growth of 40% in leather chemical exports. The EOU unit has maintained its customer and product base - even in those countries which were hit by economic recession. With new enquiries from African and CIS countries, the international business potential will require even more attention from top management. The export of non leather products is yet to give any significant result and a new product line up is under development to harness the potential.

TECHNOLOGY DEVELOPMENT

The research project on 'Polymeric Fatliquors' sponsored by DSIR (Department of Scientific & Industrial Research) has been completed to the satisfaction of sponsoring authority. The company hopes to launch the products by middle of 2011. The company completed the project with a total cost of Rs.182 lacs as against the projected cost of Rs.227 lacs.

The company has successfully completed the trial production of PVC Acrylic Processing Aids (APA) and Acrylic Impact Modifiers (AIM). The seed marketing results have been very encouraging. The company is considering setting up a new production facility for which the technical feasibility has been completed. A new spray drying system is being considered to ease off the production constraints and also to address the environmental concerns during production.

DIVIDEND

Considering a stable cash flow situation, adequate profits and accruals during the year, your Directors are glad to recommend a dividend of 6%.

PERSONNEL & INDUSTRIAL RELATION

After the introduction of the new 'Performance Appraisal System' - introduced last year - there has been a significant improvement in motivation and responsibility levels across all staff, managers and executives. The new talent pool of 'key executives' was able to handle some challenging tasks and will continue to be more focused on product development, technical services, safety and environmental issues. Industrial relation remained cordial across all segment of skilled and unskilled workforce.

ENVIRONMENT & POLLUTION CONTROL MEASURES


The company's efforts on waste water minimization have yielded huge reduction of effluent water. The water treatment system has consistently met with all the statutory requirements. The company has started to use Gujarat Enviro Protection & Infrastructure (Haryana) Pvt. Ltd (GEIPL) common treatment facility for disposal of solid waste - as per the directives of state pollution control board.

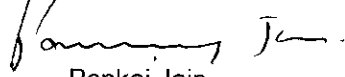
ACKNOWLEDGEMENT

The Directors express their gratitude and sincere thanks to their various business partners, suppliers, domestic & international dealers and financial institutions, who have contributed in the company's growth.

The directors appreciate the diligence, dedication and commitment of all those employees, who have worked hard towards company's growth.

For and on behalf of the Board of Directors
Of Haryana Leather Chemicals Limited


N.K. JAIN
Chairman


Pankaj Jain
Managing Director & Vice Chairman

Place: New Delhi

Date: 10th August, 2010

ANNEXURE A

INFORMATION AS PER SECTION 217(1) (E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2010.

A) CONSERVATION OF ENERGY

The company has been able to reduce energy cost due to reasons such as:

1. Running of spray drier on UHBVNL power as and when available instead of continuous operation on Gen sets.
2. Due to lower sale of Syntans which is more fuel intensive;.

Total energy consumption and energy consumption per unit of production as per Form A of the Annexure to this rule is as under:-

		<u>Form A</u>	
		<u>Current Year</u>	<u>Previous Year</u>
1,	Power and Fuel Consumption	2009-10	2008-09
a)	Electricity Purchased (KWH)	354976	263044
	Total Amount (Rs.)	1631225	1261839
	Rate / Unit (Rs.)	4.59	4.79
b)	Own Generation		
	- Through Diesel Generator		
	Unit (KWH)	93030	78821
	Units / Ltr. Of Diesel Oil	2.55	2.55
	Cost / Unit (Rs.)	12.38	12.67
	- Coal	Nil	Nil
	Quantity		
	Total Cost		
	Average Cost		
	- Furnace Oil / HSD Oil Quantity (K. Ltrs.)	237.98	164
	Total Amount (Rs.)	6411063	4450907
	Average Rate (Rs. K. Ltr.)	26939	27139.67
	- Others / Internal Generation	Nil	Nil
	Quantity		
	Total Cost		
	Rate Unit		
2.	Consumption per Unit of Production		
	Production (MT)	4489.40	3093
	Electricity (KWH/MT)	99.79	110.51
	Furnace / HSD Oil (Ltr. / MT)	44.89	43.02
	Coal	-	-
	Others	-	-

B) TECHNOLOGY ABSORPTION

a) Research & Development (R & D)

1. Specific area in which R & D carried out:

- a) The company successfully completed the Application Testing of PVC additives and achieved the target results. The product developed were compared with foreign competitor's samples and test data was reconfirmed for release of product in market for field trials.

- b) Completed study of Zeta potential for controlling the separation of products on ageing. After a series of sample testing by the test equipment supplier, it was found that company should not invest in Zeta potential lab. The focus of controlling the separation should be tighter control on PH, viscosity and optimization of surfactant quantity. These ideas were tested and have been implemented in production.
- c) The testing procedure for raw materials was re-evaluated to regulate the banned substances. New materials and testing techniques were implemented. At present, all the products comply with latest EU safety requirements

2. Benefits derived as a result of above R&D.

- a) The company was able to launch PVC additives in the market and hopes to achieve much higher sales of PVC additives in the coming years. Being the first in the country -and as an import substitute item - this product line offers a huge growth potential for the company.
- b) The separation properties on ageing of most of the products for export market are well under control - resulting in growth of sales of fat liquors in extreme climate countries.
- c) The modification of raw materials test methods enabled the company to complete REACH pre- registration, which is most essential for exports to Europe. The new enquiries from Europe have started to flow in and will result in increased exports to Europe.

3. Future Plan of Action

- a) To set up a thin film testing lab with a view to offer faster services on coating acrylics and PU for various substrates- including textile and metals.
- b) To take up study of 'Hot Light Ageing' and ranking of company's 'wet end' products. This will enable better product selection by customer and reducing load on technical services- especially in remote areas where the company does not have a technical service set up.
- c) To develop a new Synthetic Tanning Agent to replace the Veg Tannage materials which are extracted from trees. This may help reduce deforestation. A New fatliquor under the guidance from company's old technical partners M/S Vismon is also being considered.
- d) To develop more PVC additives to widen the existing range – particularly, the foaming regulators.
- e) To complete the Kolkata application center for 'on site' trials for the R&D project on Polymeric Fat liquors.

4. Expenditure on R & D.

i) Capital	:	36.31
ii) Recurring	:	46.53
iii) TOTAL	:	82.84
iv) Total R&D expenditure		
as percentage of total turnover	:	2.56%

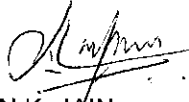
b) Technology Absorption, Adaptation & Innovation
(as per form B of the annexure to this rule)

- 1. Efforts in brief made towards technology absorption and innovation.
No new technology has been imported. All previously imported technologies have been fully absorbed and commercially scaled.

c) **Foreign Exchange Earnings And Outgo**

- a) The company's foreign exchange earnings out of export were Rs. 1260 lacs.
- b) The expenditure in foreign exchange during the financial year under review is Rs. _____ lacs. This is related to payment towards raw materials, import of capital goods, payment of overseas travel of directors & employees.

For and on behalf of the Board of Directors
of Haryana Leather Chemicals Limited



N.K. JAIN
Chairman

Place: New Delhi

Date: 10th day of August, 2010

AUDITORS REPORT

To

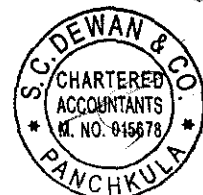
The Shareholders

Haryana Leather Chemicals Limited

We have audited the attached Balance Sheet of M/s. Haryana Leather Chemicals Limited as at 31st March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

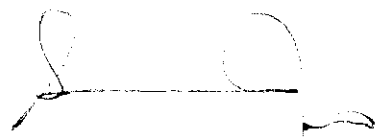
1. As required by the Companies (Auditors Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956, we enclose in Annexure A, statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to above, we state that :
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.



- (ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of such books.
- (iii) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of accounts.
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account dealt with by this report, comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (v) On the basis of the written representations from the Directors as on 31.03.2010, taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2010 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with Significant Accounting Policies as per Schedule of Notes on Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India :-

- a) In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2010, and
- b) In the case of Profit and Loss account of the *Profit* of the company for the year ended on that date.
- c) in the case of cash flow statement of the cash flows for the year ended on that date.

For S.C. Dewan & Co.
Chartered Accountants


(S.C. Dewan)
Partner
PAN 009344

Place : New Delhi
Date : 10th August, 2010

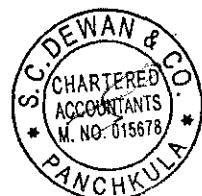


Annexure To The Auditors Report

HARYANA LEATHER CHEMICALS LIMITED, JIND.

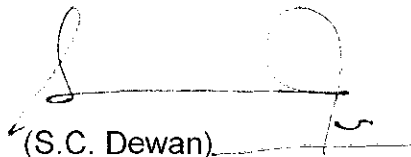
Referred to in Paragraph 1 of our report of even date :

1. The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. The Fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification. No Fixed Assets have been disposed off during the year.
2. Physical Verification of inventory has been conducted at reasonable intervals by the management. The procedures of Physical Verification of Inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of the Inventory. No material discrepancies were noticed on Physical Verification dealt within the books of accounts.
3. The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Sector 301 of the Act.
4. There is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
5. The transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered in the register. Each of these transactions has been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposit from the public.
7. The company has an internal audit system commensurate with its size and nature of its business.
8. The company has not been required to maintain cost records under Section 209(1) (d) of the Companies Act, 1956.
9. The company is regular in depositing undisputed statutory dues including, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales –tax, Wealth – tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities
10. The company has been registered for a period of more than five years, having existing share capital of Rs.490.84 lakhs. It has incurred neither accumulated loss nor any cash loss in the financial year under review or in the immediately preceding financial year.

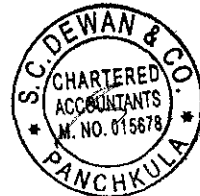


11. The company has not defaulted in repayment of dues to a financial institution or bank or debenture holders during the year under review.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund company.
14. The company is not running any Nidhi / Mutual Benefit Fund/Society.
15. The company is not a Financing Company.
16. The company has not given any guarantee for loans taken by others from bank or financial institutions.
17. The term loans were applied for the purpose for which the loans were obtained, as per the information available from the records of the company.
18. The funds raised by the company on short term basis have not been used for long-term investment. The company has not raised funds on long term basis as it appears from the examination of the records of the company.
19. The Company has not made any Preferential Allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act.
20. The company has not issued any Debentures to the public.
21. The company has not raised any money by Public Issue during the year.
22. No fraud on or by the company has been noticed or reported during the year.

For S.C. Dewan & Co.,
Chartered Accountants,


(S.C. Dewan)
Partner
RAN 009344

Place : New Delhi
Dated : 10th August, 2010



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure

The leather industry being 'labor intensive' will continue to thrive in India. With a steady cattle population, the availability of raw material for tanneries has been stable. The current year saw a growth in production of leather and leather goods as the buyers from west have started to return to Indian suppliers. The growth potential for leather chemicals within India and abroad will have a brighter outlook if there are no serious foreign exchange fluctuations.

b. Opportunities & Threats

Opportunities

The stabilization of leather production in India and decline of leather production in Europe is likely to bring new growth segments and opportunities for Indian leather and Leather Chemical Industry. As most leather producers within India and abroad have installed effluent treatment facilities, therefore the capacity utilization of most of tanneries and Footwear Company is likely to show good utilization factor. India and China - being the most important producers of leather - offer huge growth opportunities for chemical producers, who can meet the 'REACH' (Restriction, evaluation, authorization of chemicals substances) requirements.

Threats

The foreign exchange fluctuation, and EURO – US relation can cause instability in both domestic and export operation of the company. International petroleum prices, which affect the prices of raw materials, can cause serious threat to the profitability of the leather chemical industry. The GST rollout as planned for April 2011 may also cause a temporary realignment of stocking practices by dealers and may cause extra fund requirements by the company and dealers.

c. Segment-wise or product-wise performance

The growth in exports has caused an improved and stable order book - even after a tougher competition and recessionary trend. The domestic sales have still shown sluggish growth trends due to a very tight credit control policy by the company.

Unlike last year, the 'Product-wise' growth has been satisfactory as all the product lines - from wet to finish - allowed a stable customer base. There is a likely improvement in capacity utilization of Acrylic emulsion plant due to successful test marketing of PVC additives.

d. Outlook

The growth potential of chemical Industry is very promising in domestic and international markets. The New fashion trends, safety and environment regulations on banned substances will make tougher demands on leather chemical industry. There will be greater thrust on research and development of newer products and processes to sustain new demands and pressures. The company has firmed up a new investments and diversification plan for producing high value added products in leather and non leather segments.

e. Risks & concerns

Company's main concern will remain foreign exchange and petroleum prices stability to ensure a steady demand, and a control on the input costs.

f. Internal control systems and their adequacy

The company has further tightened the credit sales policy, consolidated its control of input cost. The company's tighter control on receivables has continued to improve the cash flow. A strict monitoring on slow moving items has ensured that inventories do not block the cash resources. The new maintenance management software system (CMMS) has been successfully installed and will significantly improve plant efficiency and capacity utilization.

g. Discussion on financial performance with respect to operational performance

Higher sales revenues, profits and cash flow as compared to previous years are mainly due to export growth, and control on expenses. Improved product range, new customers in leather and non-leather industries are likely to further enhance the profitability in coming year.

h. Material developments in Human Resources / Industrial Relation front, including number of people employed

The company's workforce across various levels remains committed to growth and excellence in products processes and services. The talent pool of 'Key executives' has proved extremely beneficial in generating new ideas for handling more challenging tasks while the senior managers could devote to research and growth opportunities. A 'year-end' bonus was awarded to various staff, managers and executives as a token of appreciation.

The numbers of employees as on 01.08.2010 was Ninety Nine.

CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The company has strictly adhered to the model code in corporate governance and has strictly complied with various statutory regulations.

Fairness to shareholders and common bodies, transparency, disclosures and accountability has been the guiding philosophy on company's day to day and long term operational goals.

2. Board of Directors

The Board of directors consists of nine directors, one executive director and eight non-executive directors. Out of the eight non- executive directors, two are nominees of the collaborators i.e., ICAP Sira Chemicals & Polymers SpA , Italy.

The Board normally meets once in every quarter. During the year the Board of Directors met five times on 30.04.2009, 31.07.2009, 10.08.2009, 30.10.2009 and 29.01.2010.

The Composition of the Board of Directors and attendance record is as follows:

Director	Category	Other Director-ships held	Member-ships in Committees of Board	No. of Board meeting attended	Whether attended AGM held on 10.09.2009
Pankaj Jain	Executive	2	0	5	Yes
N K Jain	Non-Executive	4	0	1	Yes
V K Garg	Non- Executive	9	0	0	No
H K Gupta	Independent	1	3	0	Yes
KSV Menon	Independent	1	3	5	No
H C Dutta	Independent	0	3	2	No
Massimo Medini*	Independent	-	-	-	No
Piero Trachinetti *	Independent	-	-	-	No
Pardeep Behl	Independent	0	3	5	No

*Represents collaborator M/s ICAP Sira Chemicals & Polymers SPA, Italy.

3. Audit Committee

The Audit Committee of the company has the following members:

1. Dr. KSV Menon – Chairman
2. Mr. H C Dutta - Member
3. Mr. H.K. Gupta - Member
4. Mr. Pradeep Behl - Member

The terms of reference are as required under clause 49 of the Listing Agreement.

During the year the committee met on 30.04.2009, 31.07.2009, 10.08.2009, 30.10.2009 and 29.01.2010. The attendance of the members of the committee is as follows:

Name of Director	Details of Attendance
Dr. KSV Menon	30.04.2009, 31.07.2009, 10.08.2009, 30.10.2009 29.01.2010
Mr. H C Dutta	30.10.2009, 29.01.2010
Mr. Harish K. Gupta	
Mr. Pardeep Behl	30.04.2009, 31.07.2009, 10.08.2009, 30.10.2009 29.01.2010

4. Remuneration Committee

The Company has constituted remuneration committee consisting of three independent directors, Dr. KSV Menon (Chairman), Mr. HC Dutta and Mr, Harish K. Gupta.

All directors except Mr. Pankaj Jain, Managing Director, receive only sitting fee.

The Remuneration package of Mr. Pankaj Jain, Managing Director for the year 2009-2010 is given below.

All elements of remuneration	RS. 14.82 Lacs*
Fixed Portion	Rs. 14.82 Lacs
Performance Incentive	Nil
Criteria of performance incentive	N/A
Period of appointment	04.02.2005 to 03.02.2010
Notice Period	NIL
Severance Fees	NIL
Stock Option	NIL

- The break up is given in the notes to accounts.

The remuneration of the Managing Director has been change to the following as on date of re-appointment i.e. 04.02.2010:

All elements of remuneration	RS. 24.00 Lacs*
Fixed Portion	Rs. 24.00 Lacs
Performance Incentive	Nil
Criteria of performance incentive	N/A
Period of appointment	04.02.2010 to 03.02.2013
Notice Period	NIL
Severance Fees	NIL
Stock Option	NIL

Other than the fixed portion of remuneration the managing director is entitled to contribution to provident fund, gratuity & leave encashment at the end of the tenure.

5. Shareholders / Investor Grievance Committee

Name of Non-executive Director heading the committee	Dr. KSV Menon
Compliance Officer	Ms. Silu Nanda, Company Secretary.
No. of complaints received during the year 2009-2010	Shareholders = 5 Stock exchange=1 SEBI= 1
Complaints not solved to the satisfaction of shareholders	Nil
Complaints pending on 31.03.2010	Nil

6. General Body Meetings

Location, time and date of last three A G Ms

Date	Time	Location
10.09.2009	11.30 am	72-77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana.
20.09.2008	11.30 am	----- do -----
30.09.2007	11.30 am	----- do -----

7. Disclosures

- There were no material transactions with directors or the Management or their relatives having potential conflicts with the interest of the company at large.
- There have been no instances of non-compliance by the company, penalties, strictures imposed on the company by stock exchange or SEBI or any statutory authority on any matters related to the capital market during the last three years.

8. Means of Communication

The company adopts the quarterly financial results as per the format prescribed by the stock exchange and is immediately sent to Bombay Stock Exchange, Mumbai. The quarterly results are also published in newspapers – Financial Express – Mumbai and Dainik Tribune (Panipat) and are also available in company's web site.

The Management Discussion and Analysis Report is part of the Annual Report.

9. General Shareholder Information

- Annual General Meeting (AGM): The Company's AGM will be held on 17.09.2010 at 11.30 am at the Registered Office of the Company at 72-77, HSIDC Industrial Estate, Hansi Road, Jind- 126102 (Haryana).
- Financial Calendar: April to March.
- Date of Book Closure: 10.09.2010 to 17.09.2010.
- Dividend Pay out dates: 18.09.2010.
- Listing of Stock Exchanges: Mumbai Stock Exchange.
- Stock Code: BSE 524080.
- Market Price Data: The shares of the company quoted at Bombay Stock Exchange between Rs. 7.00 to Rs. 21.00 during the year 2009-10.
- Registrar and Transfer Agents: RCMC Share Registry (P) Ltd, B-106, Sector-2, Noida-201301(U.P.). The share Transfer System: Company's Registrar & ShareTransfer Agents is handling the both physical and electronic share transfer related job.
- Depository Participants; National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL).

Distribution of shareholdings:

Distribution of shareholding as on 31.03.2010

Shareholding of Value of Rs.	No. of Share Holders	% of Share holders to Total	No. of shares held	Amount. Rs.	% to Total
0 - 5000	3385	88.08	742736	7427360	15.13
5001 - 10000	269	6.18	229183	2291830	4.67
10001 - 20000	96	2.2	143165	1431650	2.92
20001 - 30000	36	0.83	93460	934600	1.90
30001 - 40000	14	0.32	50355	503550	1.03
40001 - 50000	27	0.62	126910	1269100	2.59
50001 - 100000	27	0.62	196412	1964120	4.00
100001 and above	50	1.15	3326249	33262490	67.77
Total	4354	100	4908470	49084700	100

Shareholding Pattern as on 31.03.2010

Category	No. of shares	Percentage
Promoters (including Foreign Collaborator)	2004908	40.85
FII, Banks, Mutual Funds	86400	1.76
Others	2817162	57.39
Total	4908470	100.00

Dematerialisation and Liquidity: The shares of the company is dematerialised and the ISIN for demat is: INE681F01018.

Registered Office and Plant Location: Plot No. 72-77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana – 126102. EOU Division at 52-53, HSIDC Industrial Estate, Hansi Road, Jind, Haryana – 126102,

Corp. Office: 1004, Bhikaji Cama Bhawan, Bhikaji Cama Place, New Delhi – 110 066.

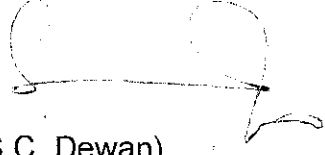
**Auditor's Certificate on Compliance of conditions of Corporate Governance
Under Clause 49 of the Listing Agreement**

We have examined the compliance of conditions of Corporate Governance by **Haryana Leather Chemicals Limited** for the year ended on March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange (s).

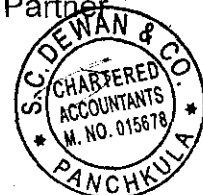
The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our review of the relevant records and documents maintained by the company and furnished to us for review and the information and explanations given to us by the company, we certify that the company complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement with the Stock Exchanges.

For S.C. Dewan & Co.,
Chartered Accountants


(S.C. Dewan)
Partner

Place : New Delhi
Dated : 10th August 2010





BALANCE SHEET

As at
March 31, 2010

	SCH		
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	49,084,700	
Reserve & Surplus	2	<u>120,824,129</u>	169,908,829
LOAN FUNDS			
Secured	3		13,332,192
Deferred Tax Liability			10,780,337
	TOTAL	<u>194,021,358</u>	
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	163,185,066	
Less: Depreciation		<u>89,580,005</u>	
		73,605,061	
Add: Capital work in Progress		<u>4,873,305</u>	78,478,366
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	30,691,794	
Sundry Debtors	6	98,591,759	
Cash & Bank Balances	7	44,341,016	
Loans & Advances	8	<u>15,236,790</u>	
		188,861,359	
Less : CURRENT LIABILITIES & PROVISIONS	9	73,318,367	115,542,992
	TOTAL	<u>194,021,358</u>	

AS at March 31, 2009	
49,084,700	
<u>93,886,789</u>	142,971,489
	13,493,772
	10,972,889
<u>167,038,150</u>	
163,185,066	
<u>82,929,908</u>	
69,703,175	
<u>1,985,302</u>	71,689,277
30,691,794	
98,591,759	
44,341,016	
<u>10,722,322</u>	
133,899,351	
73,318,367	95,348,873
<u>167,038,150</u>	

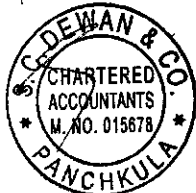
In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants




S.C. DEWAN
Partner

FRM. 00934X

NEW DELHI
August 10, 2010



For and on behalf of the Board of Directors
of Haryana Leather Chemicals Limited

 
PANKAJ JAIN
Managing Director

N.K. JAIN
Director


SILU NANDA
Company Secretary

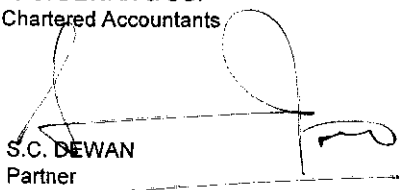


PROFIT & LOSS ACCOUNT

	SCH	For the Year ended March 31, 2010 (Rs.)	For the Year ended March 31, 2009 (Rs.)
INCOME			
Sales Turnover	10	323,607,415	229,886,134
Miscellaneous Income	11	4,645,016	13,022,783
Gain on Fluctuation in Foreign Exchange		-	5,142,414
TOTAL		328,252,431	248,051,331
EXPENDITURE			
Materials Consumed	12	206,254,572	155,436,102
Manufacturing, Administration and Distribution Expenses	13	76,633,755	56,793,749
Financial Expenses	14	1,617,983	14,73,329
Fluctuation in Foreign Exchange		662,433	
Depreciation		6,650,097	6,579,161
		291,818,840	220,226,341
Profit for the year		36,433,591	17,824,990
Less: Provision for fringe benefit Tax/Income Tax earlier year		-	79,973
Add : Provision for Income Tax written back		1,256,943	325,523
ADD: Excess provision FBT Written back		100,000	400,000
Less: Provision of Income Tax for the year		7,500,000	3,985,368
Less (Add) : Deferred Tax Liability/Asset		(92,552)	(637,386)
Profit for the year after tax available for Appropriation		30,383,086	14,222,560
APPROPRIATION ACCOUNT			
Profit for the year after tax available for Appropriation		30,383,086	14,222,560
Less: Proposed Dividend		2,945,082	2,945,082
Less: Tax on Dividend		500,664	500,664
Less: Transfer to General Reserve		4,040,601	1,618,522
Net Profit carried to Balance Sheet		22,896,739	9,160,292
NOTES TO ACCOUNTS			
Earning Per Share	15	6.19	2.90

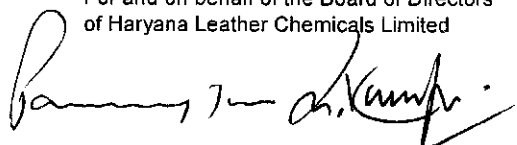
In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants


S.C. DEWAN
Partner

FRN 00934N

For and on behalf of the Board of Directors
of Haryana Leather Chemicals Limited

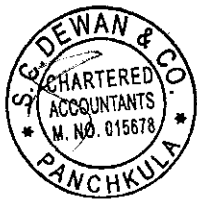


PANKAJ JAIN
Managing Director

N.K. JAIN
Director


SILU NANDA
Company Secretary

NEW DELHI
August 10, 2010





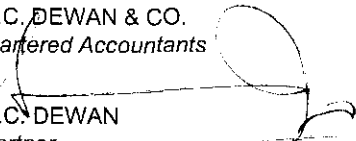
CASH FLOW STATEMENT

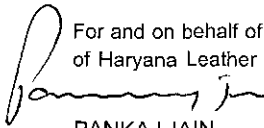
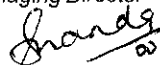
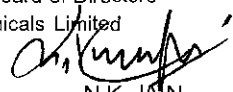
	For the year ended March 31, 2010	For the year ended March 31, 2009
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	36,433,591	47,824,990
Adjustments for –		
Depreciation	6,650,097	6,579,361
Interest	714,391	1,86,315
Operating Profit before Working Capital Changes	43,798,079	24,840,466
Adjustments for –		
Trade and other Receivables	-32,100,932	3,095,088
Inventories	-5,735,631	7,023,329
Trade and other payables	36,124,232	5,890,594
Cash Generated from Operations	42,085,748	29,908,844
Interest Paid	714,391	36,115
Direct Taxes Paid	4,884,770	1,288,368
Provision for Dividend / Dividend Tax	3,445,746	6,115,746
Provision for Direct Tax / Fringe Benefit Tax	2,615,230	1,100,000
Cash Flow before Extraordinary Items	30,425,611	21,841,415
Extraordinary items	-	-
Net Cash from Operating Activities	30,425,611	21,841,415
B. Cash Flow from Investing Activities		
Purchase of Fixed/Long Term Assets	13,439,186	7,98,630
Sale/Reduction of Fixed Assets	-	-
R&D Grant against Fixed Assets	-	-
Net Cash used in investing Activities	16,986,425	8,02,885
C. Cash Flow from Financing Activities		
Long Term Finance Borrowings	-138,420	7,605,952
Net Cash used in Financing Activities	-138,420	7,605,952
Net Increase/(Decrease) in Cash and Cash Equivalents	17,124,845	24,508,637
Cash and Cash Equivalents (Opening Balances)	27,216,171	2,707,334
Cash and Cash Equivalents (Closing Balances)	44,341,016	27,216,171

- Notes :**
1. The above statement has been prepared in indirect method.
 2. Cash and Cash Equivalents represent Cash and Bank Balances Only.
 3. Additions to Fixed/Long Term Assets are stated include movements of Capital Work in Progress during the year.
 4. Previous year's figures have been regrouped / reclassified wherever applicable.

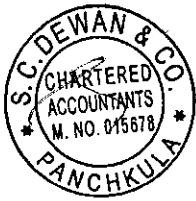
AUDITORS' CERTIFICATE

We have verified the above statement with the books and records maintained by M/s Haryana Leather Chemicals Limited and certify that in our opinion and according to the information and explanations given, the above statement is in accordance therewith.

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner
FRN 009344

For and on behalf of the Board of Directors
of Haryana Leather Chemicals Limited

PANKAJ JAIN
Managing Director

SILU NANDA
Company Secretary

N.K. JAIN
Director

NEW DELHI
August 10, 2010



SCHEDULE 1As at
31st March, 2010
Rs.As at
31st March, 2010
Rs.**SHARE CAPITAL****Authorised**6,000,000 Equity Shares (Previous Year-
6,000,000 Equity Shares) of Rs. 10 each60,000,00060,000,000**Issued, Subscribed and Paidup**4,908,470 Equity Shares (Previous Year-
4,908,470 Equity Shares) of Rs. 10 each49,084,70049,084,700**SCHEDULE 2****RESERVES & SURPLUS****General Reserve**As per last Balance Sheet 27,437,700
Transfer from Profit & Loss Account 4,040,60131,478,30127,437,700**Profit & Loss Account**

Profit as per last Balance Sheet

66,449,08957,288,79722,896,7399,160,29289,345,82866,449,089120,824,12993,886,789**SCHEDULE 3****SECURED LOANS****Term Loans against Hypothecation on vehicles**
(Personal Guarantee by Managing Director)

-

473,308

Working Capital Loans

From State Bank Of India

-

13,272

From Technology Development Board

12,500,000

13,332,19212,707,192

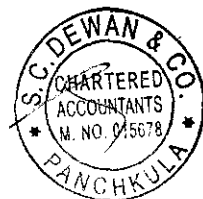
Add :- Interest accrued

832,192

13,332,19213,193,772**SCHEDULE 4****FIXED ASSETS**

	Land	Buildings	Plant & Machinery	Furniture, Fixtures & Equipments	Vehicles	Total	Previous Year
GROSS BLOCK							
As at 31st March, 2009	14,152,468	25,300,977	93,679,045	12,591,973	6,908,920	152,633,383	147,894,853
Additions	1,985,802	0	7,799,211	550,770	215,900	10,551,683	4,738,530
Sale/Adjustments	0	0	0	0	0	0	0
As at 31st March, 2010	16,138,270	25,300,977	101,478,256	13,142,743	7,124,820	163,185,066	152,633,383
DEPRECIATION							
As at 31st March, 2009	0	7,868,687	61,020,950	9,631,101	4,409,170	82,929,908	75,350,747
For the year		590,249	4,571,420	832,057	656,371	6,650,097	6,579,161
As at 31st March, 2010	0	8,458,936	65,592,370	10,463,158	5,065,541	89,580,005	82,929,908
NET BLOCK							
As at 31st March, 2010	16,138,270	16,842,041	35,885,886	2,679,585	2,059,279	73,605,061	71,544,106
As at 31st March, 2009	14,152,468	17,432,200	32,658,095	2,960,872	2,499,750	69,703,475	

Note : Capital work in Progress (relates construction of Laboratory Building at factory premises includes a sum of Rs. 4,126,776 paid for the Purchase of Commercial Space at Gurgaon (Haryana) for which transfer has been effected after March, 2010 in favour of Company) - Rs.4,873,305 (Previous Year - Rs. 1,985,802)



SCHEDULE 5As at
31st March, 2010
Rs.As at
31st March, 2009
Rs.**INVENTORIES***(As valued and certified by the management)*

Stores and spares	565,204	409,627
Raw Materials	18,182,928	14,208,589
Packing Materials	1,871,998	777,457
Stock in Process	1,682,448	1,204,683
Finished Goods	8,389,216	8,355,807
	<u>30,691,794</u>	<u>24,956,163</u>

SCHEDULE 6**SUNDRY DEBTORS***(Unsecured-considered good)*

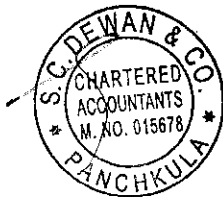
Outstanding over six months		
- Considered good	5,710,723	10,753,227
- Considered doubtful	-	-
	<u>5,710,723</u>	<u>10,753,227</u>
Less : Bad debts written off	-	-
	<u>5,710,723</u>	<u>10,753,227</u>
Other debts - Considered good	92,881,036	60,251,546
	<u>98,591,759</u>	<u>71,004,773</u>

SCHEDULE 7**CASH & BANK BALANCE**

Cash in hand	101,740	157,230
Balance with Scheduled Banks		
On Current Accounts (Including cash credit accounts)	9,084,373	2,375,751
On Fixed Deposits	33,665,127	23,411,000
As Margin	867,630	867,630
- Bank Balance in unclaimed Dividend Account	622,146	404,560
	<u>44,341,016</u>	<u>27,216,171</u>

SCHEDULE 8**LOANS & ADVANCES**

Advances Recoverable in cash or in kind or for value to be received	3,269,420	1,244,744
Staff Advances	349,267	187,616
Security Deposits	543,845	579,831
Balance with Excise Department	4,010,698	4,793,859
Prepaid Expenses	942,162	821,238
Income Tax	1,289,150	32,207
Claims Receivable	1,744,180	1,292,913
Central Sales Tax Receivable	1,215,384	1,008,995
Others	1,872,684	761,441
	<u>15,236,790</u>	<u>10,722,844</u>



**SCHEDULE 9
CURRENT LIABILITIES & PROVISION**

Current Liabilities

Sundry Creditors

		As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
Creditors due to Small Scale Industries	3700287	57,123,212	27,730,742
For Capital Expenditure	1298657		
Others	52124268		
Security Deposits from Dealers		900,000	1,436,038
Sales Tax Payable		235,243	168,335
Other Liabilities		7,153,649	4,361,938
Unclaimed Dividend		622,146	404,560
		<u>66,034,250</u>	<u>34,101,613</u>

Provisions

Proposed Dividend		2,945,082	2,945,082
Dividend Tax		500,664	500,664
Income Tax Payable		2,615,230	100,000
Leave Encashment		535,643	393,652
Excise Duty on Finish Goods		687,498	510,067
		<u>7,284,117</u>	<u>4,449,465</u>
		<u>73,318,367</u>	<u>38,551,078</u>

SCHEDULE 10

SALES TURNOVER

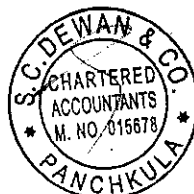
CAPACITY, PRODUCTION, PURCHASES AND STOCKS

Leather Chemicals and Auxiliaries, Acrylic Emulsions and Adhesives

	Capacity installed	Production Quantity	Opening Stock Quantity	Closing Stock Quantity	Sales Turnover Quantity	Sales Turnover Value (Rs.)
This Year	4910.0 MT	4489.26	164.15	146.16	4507.25	323,607,415
Previous Year	3910.0 MT	3090.64	177.28	164.15	3103.77	229,886,134

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
Domestic Turnover	212,268,160	157,579,762
Export Turnover	75,619,006	31,483,288
E.O.U. Division Turnover	57,571,770	61,630,908
	<u>345,458,936</u>	<u>250,693,958</u>
Less : Excise Duty	21,851,521	20,807,824
	<u>323,607,415</u>	<u>229,886,134</u>

- Note :
1. Installed capacity is as certified by the management and not verified by the auditors being technical matter.
 2. Figures of stocks are shown after adjustments for captive consumption, shortages/excesses.
 3. Manufacturing Sales are stated at ex-works prices plus excise duties.
 4. Sales include transit losses.
 5. Sales include export turnover **Rs. 126,039,842** (Previous Year - Rs. 84,816,816)
 6. The Products manufactured by the Company falls under one class of Goods.



SCHEDULE 11**MISCELLANEOUS INCOME**

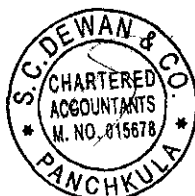
	This Year Rs.	Prev. Year Rs.
Interest earned on overdue Invoices	990,744	948,761
Interest earned on FD's with Bank	2,404,355	441,152
Bad Debts Recover	-	600,000
Credit Balance written on	12,030	104,666
Scrap Sale	245,875	138,259
Other Income	28,715	789,945
Freight incentive received	963,297	-
	<u>4,645,016</u>	<u>3,022,783</u>

SCHEDULE 12**MATERIALS CONSUMED**

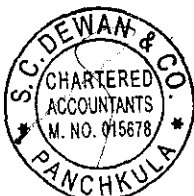
Raw Materials	14,208,589	19,675,467
Opening Stock	184,859,727	131,337,927
Add: Purchases		
	<u>199,068,316</u>	<u>151,013,394</u>
Less: Closing Stock	<u>18,182,928</u>	<u>14,208,589</u>
	180,885,388	136,804,805
Packing Materials	18,335,349	13,435,570
Consumable Stores	1,062,353	607,319
Cartage Inwards	6,482,656	4,213,137
Decrease/(increase) in Stock in Process		
Opening Stock - Stock in Process	1,204,683	1,160,880
- Finished Goods	8,355,807	8,774,881
	<u>9,560,490</u>	<u>9,935,761</u>
Closing Stock - Stock in Process	1,682,448	1,204,683
- Finished Goods	8,389,216	8,355,807
	<u>10,071,664</u>	<u>9,560,490</u>
	<u>-511,174</u>	<u>375,271</u>
	<u>206,254,572</u>	<u>155,436,102</u>

SCHEDULE 13**MANUFACTURING ADMINISTRATION AND DISTRIBUTION EXPENSES****Utilities**

Power, Fuel & Water	9,964,232	6,164,565
Personnel Expenses		
Salaries, Wages, Allowances, Bonus & Ex-gratia	17,038,478	15,190,406
Contribution of Provident Fund & ESI	712,108	685,216
Gratuity	47,746	-
Welfare Expenses	402,961	555,589
Recruitment & Training Expenses	210,032	160,387
	<u>18,411,325</u>	<u>16,591,598</u>



	This Year Rs.	Prev. Year Rs.
Communication and Travel		
Postage and Telephone	1,460,015	1,369,899
Travelling and Conveyance - Employees	3,752,317	1,746,219
- Directors	-	484,148
Vehicle Expenses	402,996	418,815
	<u>5,615,328</u>	<u>4,019,081</u>
Repairs, Maintenance and Insurance		
On Buildings	1,981,963	1,724,826
On Plant & Machinery	3,824,942	2,860,414
Others	442,686	361,247
Insurance	1,197,077	821,189
	<u>7,446,668</u>	<u>5,767,675</u>
Marketing & Public Relations		
Promotional Expenses	7,723,853	6,472,589
Donations	7,200	21,501
Discounts and Commissions	10,306,127	5,701,421
Freight & Forwarding	5,975,501	3,567,949
	<u>24,012,681</u>	<u>15,763,460</u>
Royalty	1,417,346	904,513
Rent - Building	322,273	215,427
Rent - Other	-	139,017
Printing & Stationery	1,044,099	1,022,712
Professional Charges	566,586	593,788
Research & Development Expenses	4,652,712	2,897,154
Technical Services	525,412	486,476
Auditors' Remuneration & Expenses		
Statutory Audit Fee	153,100	139,150
Expenses	25,528	17,408
	<u>178,628</u>	<u>156,558</u>
Guest House Expenses	564,257	498,762
Miscellaneous	1,042,871	481,699
Debit Balances Written Off	122,261	422,264
Property Tax	55,942	39,247
Director Sitting Fee	105,000	89,000
Reimbursement of Salary to Excise	586,134	540,453
	<u>76,633,755</u>	<u>56,793,749</u>
SCHEDULE 14		
FINANCIAL EXPENSES		
Interest on Working Capital Loans	38,762	196,287
Interest to Dealers and Others	675,629	240,028
Bank Charges	903,592	981,014
	<u>1,617,983</u>	<u>1,417,329</u>



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

Schedule 15: Significant accounting policies and notes to the accounts

1. Significant accounting policies

(i) Basis of preparation

The accompanying financial statements are prepared on the accrual basis of accounting, under the historical cost convention, in accordance with the Generally Accepted Accounting Principles ("GAAP") in India, accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company.

(ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include future obligations under employee benefit plans, inventory and estimated useful life of fixed assets. Any changes in estimates are adjusted prospectively in the future periods. Actual results could differ from these estimates.

(iii) Revenue recognition

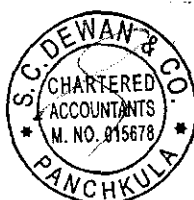
Revenue is recognised upon the sale of goods i.e. it is recognised at the time of transfer of significant risks and rewards of ownership to the buyer.

(iv) Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(v) Retirements benefits

- i) Contribution to Provident and Family Pension Funds are funded as a percentage of salary/wages.
- ii) Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.
- iii) Leave encashment liability is provided on actuarial valuation basis.



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

(vi) Earnings per share

Basic earnings per share are computed using the weighted average number of the equity shares outstanding during the period. Diluted earning per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year end, except where the results would be anti- dilutive. There are no potentially dilutive equity shares outstanding as on 31 March 2010.

(vii) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Cenvat Credit available is deducted from the cost of Fixed Assets.

(viii) Depreciation

Depreciation on fixed assets is provided on straight line method as per schedule XIV of the Companies Act 1956 (as revised by the amending notification vide Circular no. 14/93 dated 20.12.93 issued by Department of Company Affairs, Ministry of Law, Justice & Company Affairs). Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

(ix) Inventories

Raw material, packing material, stock in process, stores and spares are valued at actual cost excluding CENVAT where available. Finished goods are valued at cost inclusive of excise duty or net realisable value whichever is lower. The claims for CENVAT are provided on actual receipt basis.

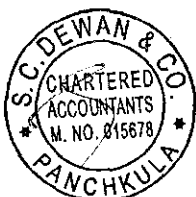
(x) Taxation

According to the Accounting Standard 22 on Accounting of Taxes on Income, differences that result between the taxable profit and the profit as per the financial statements are identified and thereafter deferred tax asset / liability is recorded as timing difference; namely the difference that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on accumulated timing differences at the end of an accounting period based on tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax asset is reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(xi) Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

(xii) Interest

Interest to be received on securities shall be accounted for as and when received.

2. Deferred tax

There is not deferred tax liability which needs to be accounted for in the books of accounts as per the Accounting Standard 22, on "Accounting for Taxes on Income". The deferred tax asset has been recognised in the books owing to virtual certainty of realisation of the same in near future. As sum of Rs. 92552/- has been recognised as deferred tax asset and the same has been adjusted against deferred tax liability created in the earlier years.

3. Contingent liabilities

Letter of credits issued by the bank on behalf of the Company : Rs. 867630. (previous year Rs. 867630) net of advances.

Claims against the expenses not acknowledged as Debt Rs. NIL (Previous Year – 72390/-)

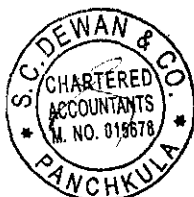
4. Remuneration to auditors

	Amount in Rs	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Statutory audit	153100	139150
Expenses reimbursement	25528	17408
Total	178628	156558

Service Tax being modvatable, hence not included.

5. Valuation of imports on CIF basis

	Amount in Rs	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Raw material	23498160	23293061
Capital goods	2412092	136835
Store & spares	76549	-
Total	25986801	23429896



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

6. Expenditure in foreign currency

	Amount in Rs	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Travel, boarding and lodging expenses		
- Directors	888388	331041
- Employees	927236	245080
	1815626	576121
Royalty Payment	-	904513
Trade Fair overseas	1299220	2344241
Total	3114844	3824875

7. Earnings in foreign exchange

	Amount in Rs	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Sale of goods	126039842	84616816

8. The management is confident that the balance amount outstanding against sundry debtors exceeding six months is good and recoverable. Hence, no provision for the same is required to be made in the books of accounts during the year.
9. In opinion of the Board the current assets, loan and advances if realized in the ordinary course of business have the value at least equal to the amount by which they are stated in the Balance Sheet. The provisions for all the known liabilities are adequate and not in excess of amount considered reasonable.
10. Sundry creditors include a sum of Rs. 3700287/- (previous year Rs. 11,76449/-) due to Micro and small Undertakings, which are outstanding for more than 45 days as at 31.03.2010. This information is required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006, as determined to the extend the parties have been identified on the basis of information with the company.



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

LIST OF SMALL SCALE INDUSTRIES

<u>S.NO.</u>	<u>NAME OF PARTY</u>	<u>AMOUNT(RS)</u>
1	CHLORINA ORGANICS INDUSTRIES	1789779
2	DHIREN CHEMICAL INDUSTRIES	1080806
3	HINDUSTAN CHEMICALS	50510
4	JAY DINESH CHEMICALS	61273
6	PEROXY CHEM(INDIA)	20150
7	SAND CHEM INDIA LTD.	430929
8	BABA CASEIN INTERNATIONAL	9800
9	ESTERS & SOLVENTS	257040
		3700287

However all the payment are in conformity under the terms of purchases.

11. Related party disclosures :

As per the Accounting Standard 18, issued by the ICAI, these disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

List of Related Parties:

Sl.No.	Name of Related Party	Relationship
01.	Mr. Pankaj Jain	Key Managerial Person
02.	Mr. N.K. Jain	Relative of Key Managerial Person
03	Mr. V.K. Garg	Relative of Key Managerial Person
04.	NK Jain Instruments Pvt. Ltd.	Associated Company
05.	Labotron Instruments Ltd.	Associated Company
06.	Labotech Microscopes India Pvt. Ltd.	Associated Company
07.	Mrs. Sippy Jain	Relative of Key Managerial Persons

Transactions with Related Parties:

Sl.No.	Related Party	Nature of Transaction	Amount (Rs. in Lacs)
01.	Key Managerial Person	Managerial Remuneration	16.09
02.	Relative of Key Managerial Person	Sitting Fee	0.00
03.	Key Managerial Person	Sitting Fee	0.00
04.	Associated Company	Sale of Material	4.31
05.	Associated Company	Sale of Material	0
06.	Associated Company	Sale of Material	1.54
07.	Relative of Key Managerial Persons	Salary	3.95

12. Segment Reporting

The company is in the business of manufacturing Polymer Dispersions, Fat liquors, Synthetic Tanning Agents, Finishing Chemicals and these are considered as Leather Chemicals. These products are also sold for applications in Shoes, textiles and plastic Industry. As such there is no other segment according to the provisions of the accounting standard 17 on segment reporting as issued by Institute of chartered accountants of India.



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

The company is in the business of manufacturing of Polymers Fatliquors, finishing chemicals and these all are considered as Leather finishing chemicals. As such, there is no other segment according to the provisions of the Accounting Standard 17 on "Segment reporting" as issued by the Institute of Chartered Accountants of India.

13. **Earnings per share have been computed :**

Earning Per Share.	31.03.2010	31.03.2009
Net Profit as per Profit & Loss Account	30,383,086	14,222,560
Number of Equity Shares	4,908,470	4,908,470
E P S (Basic & Diluted)	6.19	2.90

As the share are anti dilutive.

14. Schedules I to 13 are forming integral part of the Balance Sheet and Profit and Loss account.

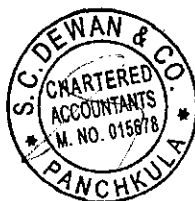
15. Previous year figures have been re-grouped / re-classified to conform to current year's classification.

16. Staff Advances include loans advanced to employees, under various schemes of the Company, amounting to Rs. 349267 (Previous Year - Rs. 187616), where the repayment is regular as per the terms of sanctions.

17. Travelling and conveyance-Directors include expenditure of Rs. 888388 (Previous Year - Rs.331041/-) on Managing Director foreign travel.

18. During the year under audit a sum of Rs. 6384770/- has been provided for as provision of Income Tax and Fringe Benefit Tax and the same has been adjusted out of tax deducted at source and advance tax deposited. As a result the provision for the Income Tax has been directly adjusted from schedule of current assets in order to reflect the correct position of current liability and assets.

19. The Company has taken Group Gratuity Policy from LIC and the entire premium demanded by them for the year 2009-10 have been paid/provided as per the requirements of AS 15 issued by ICAI. The provision for Leave Encashment is on actuarial valuation basis. As per the actuarial valuation report the provision for leave encashment has been determined at Rs. 535643/- as on 31.03.10 and the same has been provided for in the books of accounts.



Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

20. Computation of Managerial Remuneration is as here below :

	This Year Rs.	Prev. Year Rs.
Profit before Taxation	36,433,591	17,824,990

Add: Depreciation Charged in the accounts	6,650,097	6,579,161
Managerial Remuneration	1,608,782	1,482,000
	<hr/> 44,692,470	<hr/> 25,886,151
Less: Depreciation under Section 350	3,282,632	3,677,363
	<hr/> 41,409,838	<hr/> 22,208,788

Salaries, Wages and Allowances include remuneration to Managing Director:

Salary	1,554,782	1,428,000
Perquisites & PF	54,000	54,000
Gratuity	--	--

21. Detail of Provisions as per AS-29.

	Employee Benefit (Earned Leave)	Excise duty on Finished Goods lying in stock	Dividend & Dividend Tax	Income Tax & Fringe Benefit Tax
Balance as at April 1, 2009	393652	510067	3445746	100000
Provision made during the year	535643	687498	3445746	7500000
Provision written off/ back during the period	393652	510067	3445746	1356943
Balance as at March 31, 2010	535643	687498	3445746	2615230

Auditor's Report

Certified in terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

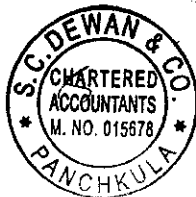
FRM 00934N.

For and on behalf of the Board of
Directors
of Haryana Leather Chemicals Limited

PANKAJ JAIN
Managing Director

N.K. JAIN
Director

NEW DELHI
August 10, 2010



SILU NANDA
Company Secretary

Haryana Leather Chemicals Limited
(Amount in Rupees)

Schedules forming part of the accounts

2. Additional information as required according to Schedule VI of the Companies Act, 1956 :

A	<u>Particulars of employees</u>	<u>Number</u>	<u>Salary and Allowances</u>
i.	Employees whose remuneration was Rs. 24,00,000 /- or more per year.	-	-
ii.	Employees whose remuneration was Rs. 2,00,000 /- or more per month.	-	-

B Quantitative information

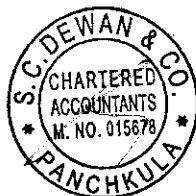
As per Annexure I and II attached.

Additional information pursuant to the provisions of paragraphs 3 and 4D of part II of Schedule VI of the Companies Act, 1956 not given elsewhere.

RAW MATERIAL CONSUMED

ITEM	VALUE RS IN LACS		PREVIOUS YEAR	
	QTY(MT)	VALUE	QTY(MT)	VALUE
ACIDS	302	109	203	70
ALKALINE	275	138	176	33
WAX	5	15	6	13
COLLOIDS	67	90	65	115
PIGMENT	49	30	57	67
DISINFECTANT	2	10	2	8
DISPERSANT	131	105	75	57
EMUSIFIER DEFOAMER				
MONOMERS	182	201	155	170
OIL	593	769	448	302
PLASTICIZER	14	12	10	10
GUM & RESINS	162	76	115	65
SALTS	24	8	93	12
SOLVENTS	218	435	157	104
SILICON	46	86	20	38
BASIC ORGANIC	537	132	395	105
SOLVENTS-DYES	--	--	1	5
MISC	18	33	15	12

- Notes: i. The products manufactured by the company falls under one class of goods.
- ii. The Raw Materials consumed are grouped under suitable headings and none of the single raw material constitutes 10% or more of the total raw material consumed during the year.





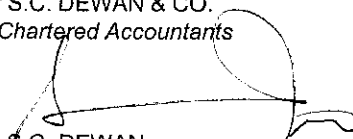
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration No.:	H-19905	State Code:	05
Balance Sheet Date:	31.03.2010		
II. Capital raised during the year (Amount in Rs. Thousands)			
Public Issue:	Nil	Right issue:	Nil.
Bonus Issue:	Nil	Private Placement:	Nil.
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
Total Liabilities:	194.021	Total Assets:	194.021
Sources of Funds			
Paid-up Capital:	49,085	Reserves & Surplus:	120.824
Secured Loans:	13,332	Unsecured Loans:	Nil.
Application of Funds			
Net Fixed Assets:	78,478	Investments:	Nil
Net Current Assets:	115,543	Miscellaneous Expenditure:	Nil
Accumulated Losses:	Nil		
IV. Performance of the Company (Amount in Rs. Thousands)			
Turnover (Incl. Misc. Income):	328,252	Total Expenditure	291,819
Profit/(Loss) Before Tax :	36,434	Profit/(Loss) After Tax:	22.897
Earning per Share (Rs.):	6.19	Dividend Rate (%)	6 %

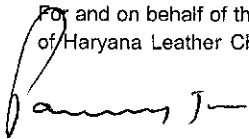
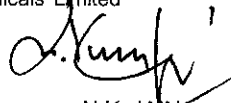
V. Generic Names of Three Principal Products of the Company (as per monetary terms)

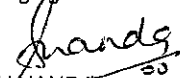
Item Code No. (ITC Code)	Product Description
390690.09	Leather Acrylic Emulsion
340311.00	Leather Lubricating Preparation
321000.09	Leather Finishing Preparation

For S.C. DEWAN & CO.
Chartered Accountants


S.C. DEWAN
Partner
FRN 0093411

For and on behalf of the Board of Directors
of Haryana Leather Chemicals Limited

 
PANKAJ JAIN
Managing Director
N.K. JAIN
Director


SILUNANDA
Company Secretary

NEW DELHI
August 10, 2010

