



NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of the company M/s. Haryana Leather Chemicals Limited will be held on Monday, the 12th day of September, 2011 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, 2011 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 2010-11.
3. To consider appointing a Director in place of Mr. Pradeep Behl, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider appointing a Director in place of Mr. Harish Kumar Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider appointing a Director in place of Mr. Piero Tranchinetti, 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 themselves 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.

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.

SILU NANDA
Company Secretary

Dated : 10th day of August, 2011

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 05.09.2011 to 12.09.2011 (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.
8. Members are requested to provide their e-mail address so as they can receive the accounts and other related details on their e-mail only.



DIRECTORS' REPORT

Dear Shareholders,

The directors of Haryana Leather Chemicals Ltd. are pleased to present the 26th Annual Report and Audited Statement of the company's accounts for the year ended on 31st March, 2011.

FINANCIAL RESULTS

A summary of the financial results for the year 2010-2011 is given below :

	2010 - 11 (Rs. in Lacs)	2009 - 10 (Rs. in Lacs)
Sales Turnover (Net of Excise)	3462.54	3236.07
Gross Profit	390.56	437.98
Deductions Depreciation	72.29	66.50
Interest	15.45	7.14
Profit before Tax	302.82	364.34
Less: Provision for Income Tax for the year	82.93	75.00
Less: Provision for Fringe Benefit Tax for the Year	-	-
Less: Provision for Taxation/FBT Earlier year	12.43	-
Add: Provision for Income Tax written back	-	13.57
Less: Previous year Adjustment	-	-
Less/(Add): Deferred Tax Liability	21.93	(0.92)
Profit after Tax and available for Appropriation	185.53	303.83
Less: Provision for Dividend	29.45	29.45
Less: Provision for Dividend Tax	5.01	5.01
Less: Transfer to General Reserve	22.66	40.40
Profit carried to Balance Sheet	128.41	228.97

OPERATIONS

During the year the company has achieved a sales turn over of Rs.3,462 lacs against Rs.3,236 lacs for the previous year and net profit for the year is Rs.185.53 lacs against Rs.303.83 lacs for the previous year. The exports are at Rs.1,420 lacs compared to the previous year's exports of Rs.1,260 lacs.

The company has been able to achieve higher sales in domestic and export market in comparison to last year. However, it has somehow recorded lower profits due to significant increase in cost of inputs which could not be passed on fully to customers who have long term relationship with the company.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. Pradeep Behl, H.K. Gupta and Piero Tranchinetti, Directors, retire by rotation at the forthcoming Annual General Meeting to be held on 12.09.2011 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 has been given as Annexure.

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

The Board of Directors of the company confirms that:

- during the preparing of the annual accounts, the applicable accounting standards have been followed and no material departure has taken place;
- 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 31st March, 2011 and of the profit of the company for the year ended on that date;
- 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;
- annual accounts have been prepared on an ongoing concern basis.

FIXED DEPOSIT

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



QUALITY CONTROL

The company has further reinforced its quality systems for incoming and outgoing material with the acquisition of more advanced analytical instruments. Company's SAP ERP system has been tested for drilling down on the historical data of materials in order to track and respond to a complaint from the field. The company continues with its present quality system of ISO 9001-2000 and ISO 14001. The company is strictly complying with the quality policy and the quality objectives outlined in the system.

EXPORT OPERATIONS

Company's export operations continue to be the focus of growth as it would eventually benefit the domestic sector too due to new releases. There has been significant expansion of customer base due to a new thrust in countries like Ethiopia, Poland, Uzbekistan and Vietnam. The company is still struggling to regain its customers in Bangladesh but due to logistical difficulties there is no breakthrough as yet. There are very promising enquiries of PVC modifiers from Russia, Iran and Turkey and the sampling is under progress.

TECHNOLOGY DEVELOPMENT

The first phase of commercial production platform of the indigenously developed Polyurethane Dispersions is under final stages of completion. The project which is partially funded by TDB (Technology Development Board) of Govt. of India is being set up in existing plot - instead of the new plot - for speedier implementation and better operational control. The pilot scale production is ongoing and is complementing the first phase capacity of 300 MT / Year.

The research project on 'Polymeric Fatliquors' sponsored by DSIR (Department of Scientific & Industrial Research) has already been completed to the satisfaction of sponsoring authority. Due to sensitivity in the production technology the company has yet not firmed up any plans for its commercialization until the seed marketing in various domestic and export market is satisfactorily completed.

After the successful completion of the trial production of Acrylic Processing Aids for PVC, the company is setting up a new 'pressure nozzle' type spray drying system based on latest technology using pulse bag filtration. The new drying facility has been designed to ease off the production constraints and also to address the environmental concerns during production. The plant which is first of its kind in the country is expected to go into trial run phase by June 2012.

DIVIDEND

Considering the current cash flow situation due to new investments and lower profits as compared to last year, the directors have recommended a dividend of 6%.

PERSONNEL & INDUSTRIAL RELATION

The 'Performance Appraisal System', introduced few years ago has been further expanded to ensure more accountability across all staff, managers and executives. The team of 'key executives' is able to handle day to day operations while senior executives are handling more challenging tasks on product development, technical services, safety and environmental issues.

Industrial relation remained cordial across all segments of skilled and unskilled workforce.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The water treatment technology has been periodically reviewed under the guidance of a water treatment consultant from M/s. Expertise Limited U.K. The improved treatment cycle has consistently met with all the statutory requirements. Improved efficiency in production and more frequent audits of water consumption have yielded further reduction in waste water volume from 20 KL to about 8 KL per day. The company is delivering all solid waste to Gujarat Enviro Protection & Infrastructure (Haryana) Pvt. Ltd. (GEIPL) common treatment facility for disposal - 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, financial institutions and technical consultants, who have contributed towards the company's growth.

The directors appreciate the diligence, dedication and commitment of all those employees, who have worked hard to get the company to where it stands today.

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

Place : New Delhi
Date : 10th day of August, 2011

N.K. JAIN
Director

PANKAJ JAIN
Managing Director



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, 2011.

A) CONSERVATION OF ENERGY

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

1. Reduction in waste water and improved yield..
2. Installation of computer controlled Weishaupt Germany burner in the Syntan plant.
3. Increased batch size of some fast moving products in wet end area.
4. Optimization in change over system for generators and load distribution.

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

		Form A	
		Current Year 2010 - 11	Previous Year 2009 - 10
1.	Power and Fuel Consumption		
a)	Electricity Purchased (KWH)	274328	354976
	Total Amount (Rs.)	1582345	1631225
	Rate / Unit (Rs.)	5.76	4.59
b)	Own Generation		
	- Through Diesel Generator		
	Unit (KWH)	129370	93030
	Units / Ltr. of Diesel Oil	2.60	2.55
	Cost / Unit (Rs.)	13.45	12.38
	- Coal	Nil	Nil
	Quantity		
	Total Cost		
	Average Cost		
	- Furnace Oil / HSD Oil Quantity (K. Ltrs.)	230.83	237.98
	Total Amount (Rs.)	7597944.04	6411063
	Average Rate (Rs. K. Ltr.)	32915.90	26939
	- Others / Internal Generation	Nil	Nil
	Quantity		
	Total Cost		
	Rate Unit		
2.	Consumption per Unit of Production		
	Production (MT)	5396.80	4489.40
	Electricity (KWH / MT)	74.80	99.79
	Furnace / HSD Oil (Ltr. / MT)	37.34	44.89
	Coal	-	-
	Others	-	-

B) TECHNOLOGY ABSORPTION

a) Research & Development (R & D)

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

- a) The research project on "Polymeric Fatliquor" has been successfully concluded in June, 2010 as per the satisfaction of sponsoring authority DSIR – Govt. of India. The final application tests and performance validation was carried out in company's application lab at Jind, Haryana. The Kolkata application lab which was designed for testing such products is still awaiting statutory clearance from West Bengal State Pollution board and these approvals will be necessary for commercialization of developed technologies.



- b) The pilot production of PVC process aids and modifiers has been successfully carried out and the application testing set-up has been completed with very high standards of precision and repeatability in test results which is essential for commercial launch of the products.
- c) The testing procedures of all inputs were audited in view of new regulations relating to banned substances and REACH regulations. The company's in house infrastructure for detection of banned substances was found adequate. For some of the newly declared banned substances, the outside testing facilities were identified and their results calibrated to ensure compliance of prevailing safety standards.
- d) Company has bought a new technology - in collaboration with Vismon Spain - for synthetic fatliquors for processing light weight high fashion leather articles. The tests are under way and products from this technology will be launched in luxury goods leather segment in the coming year.

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

- a) The company is able to firm up its plans for expansion in high value added products in leather and non-leather sector to achieve higher sales and profitability.
- b) The risk of banned substances in inputs has been minimized to build up confidence amongst foreign customers, especially in Europe, and other domestic customers who export their products to Europe.

3. Future Plan of Action

- a) To generate data on thin film properties using the new Zwick Roell tensile tester for the entire range of acrylics and Polyurethane binders. This data will be included in the technical brochures to enable customers to choose products faster and adjust their processes quickly on the basis of physical properties of the films.
- b) To evaluate and rank the hot light ageing properties of all wet end products using newly acquired Atlas Sun-test machine enabling the company to develop a quick selection guide for the customers.
- c) To develop a range of low- solid hybrid acrylics that can give the same properties of high- solid acrylic at much lower production cost.

4. Expenditure on R & D.

i) Capital	: 76.37
ii) Recurring	: 40.77
iii) TOTAL	: 117.14
iv) Total R & D expenditure as percentage of total turnover	: 3.38 %

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.

Technology imported for light weight synthetic fatliquor from Vismon Spain is under evaluation and absorption. The products from this technology are being optimized using Indian raw materials. The company will implement the complete technology after indigenization by December, 2011.

All previously imported technologies have been fully absorbed and commercialized.

c) Foreign Exchange Earnings And Outgo

- a) The company's foreign exchange earnings out of export were Rs.1420 lacs.
- b) The expenditure in foreign exchange during the financial year under review is Rs.336.6 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

Place : New Delhi
Date : 10th day of August, 2011

N.K. JAIN
Director

PANKAJ JAIN
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure

Indian leather production and exports have seen a robust growth in the current year with good capacity utilization by most tanneries and renewed enquiries from foreign buyers. However there are indicators of declining raw hide availability with most tanners resulting into substantial hike of prices of raw skins and wet blue leather – the key input for leather and allied industry. Such a situation is putting a significant pressure on the margins of many leather and goods suppliers in India inspite of a healthy order book across all segments of leather industry.

b. Opportunities & Threats

Opportunities

India and China continue to be the most favored countries for leather industry due to cheaper labor cost as compared to Italy, Germany, Spain and Brazil. With most tanneries in India and China now out of the transition phase of modernization and environmental compliances, they are now well placed to compete the European big tanneries in leather production. This trend offers a huge opportunity for leather chemical industry also. The company is already very well entrenched in India and China. With expanded product range - which conforms to the most stringent performance and environmental regulations - the company can expect a healthy order situation from both these markets in long term.

Threats

The inflation and a two fold increase in some of the key inputs has started to affect the profitability of leather chemical industry as the entire burden of material cost increase could not be passed on to the tanners.

International petroleum prices, which affect the prices of raw materials, can further cause serious threat to the profitability. There are also concerns that due to appreciation of domestic currencies against US dollar – both in China and India – the exporters' margins will remain under pressure. The instability in US Dollar remains a big reason for worry for most leather and chemical exporters.

c. Segment-wise or product-wise performance

The growth in domestic sales and exports has been encouraging and the company continues its thrust for higher market share. The growth in volume has also validated that expansion of customer base with new products and distribution channels is the key to the future growth. The company is making all efforts to reach distant customers by regular participation in trade fairs in countries like Indonesia, Vietnam and Ethiopia.

The growth in Acrylic division of the company has not been satisfactory due to a sudden jump in cost of acrylic monomers and cancellation by some customers due to price increase. There is a likely improvement in capacity utilization of Acrylic emulsion plant once the new spray drying facility for PVC additives is completed.

d. Outlook

The growth potential of leather chemical Industry in India remains positive in domestic and international markets, mainly due to lower cost of production. Safety and environment regulations on banned substances will continue to make tougher demands on leather chemical industry but company's testing infrastructure is fully competent to meet such demands. The challenges of rising input cost will need to be addressed through research and development of newer products, more efficient processes and general cost cutting measures.

e. Risks & Concerns

Company's main concern will remain rising input cost which cannot be transferred directly on the selling price. Foreign exchange and petroleum prices stability is essential to ensure a steady demand and a control on the input costs.

f. Internal control Systems and their adequacy

The cost of inputs and its relation to selling prices has been the main focus of internal controls. The previous year's efforts to tighten the credit sales have enabled improved cash flow and investment in new plants and technologies. A new system has also been tested on SAP - ERP to ensure phased reduction of credit periods offered to the company by the suppliers to avail higher trade discounts in purchasing.

A computerized biometric system for attendance management of employees has also been installed at the factory to remove any chance of error in time keeper's records. This has significantly reduced worker's grievances and has improved the discipline in the workforce.

g. Discussion on financial performance with respect to operational performance

Higher sales revenues -as compared to previous years - are mainly due to expansion of products and customer base within India and abroad. However the profits are lower mainly due to steep escalation of inputs costs. The company exercised greater restraint in increasing the selling prices to ensure continuity of orders from long term customers.



- h. Material developments in Human Resources / Industrial Relation front, including number of people employed**
The company's workforce across various levels remains highly motivated to ensure growth and to achieve excellence in product quality and services. The pool of key executives has been able to take charge of the day-to-day operations freeing the senior managers to devote more time to strategic work, research and growth opportunities. The practice of 'year-end' bonus to staff, managers and executives was continued as a token of appreciation to their commitment.

The numbers of employees as on 01.08.2011 was Ninety One.

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 ten directors, two 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 six times on 30.04.2010, 31.07.2010, 10.08.2010, 15.09.2010, 29.10.2010 and 31.01.2011.

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

Director	Category	Other Director-ships held	Memberships in Committees of Board	No. of Board meeting attended	Whether attended AGM held on 10.09.10
Pankaj Jain	Executive	2	-	6	Yes
Sippy Jain	Executive	-	-	2	Yes
N.K. Jain	Non - Executive	4	-	1	Yes
V.K. Garg	Non - Executive	9	-	-	No
H.K. Gupta	Independent	1	3	1	Yes
KSV Menon	Independent	1	3	6	No
H.C. Dutta	Independent	-	3	0	No
Massimo Medini*	Independent	-	-	-	No
Piero Trachinetti*	Independent	-	-	-	No
Pradeep Behl	Independent	-	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 30.04.2010, 31.07.2010, 10.08.2010, 29.10.2010 and 31.01.2011. The attendance of the members of the committee is as follows:

Name of Director	Details of Attendance
Dr. KSV Menon	30.04.2010, 31.07.2010, 10.08.2010, 29.10.2010 & 31.01.2011
Mr. H C Dutta	
Mr. Harish K. Gupta	30.04.2010
Mr. Pradeep Behl	30.04.2010, 31.07.2010, 10.08.2010, 29.10.2010 & 31.01.2011



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 and Mr. Pradeep Behl.

All directors except Mr. Pankaj Jain, Managing Director and Sippy Jain, Whole Time Director receive only sitting fee. The Remuneration package of Mr. Pankaj Jain, Managing Director for the year 2010-2011 is given below:

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 2010-2011	Shareholders = 3 Stock exchange = Nil SEBI = 1
Complaints not solved to the satisfaction of shareholders	One
Complaints pending on 31.03.2011	One

6. General Body Meetings

Location, time and date of last three A G Ms

Date	Time	Location
17.09.2010	11.30 am	72 - 77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana.
10.09.2009	11.30 am	— do —
20.09.2008	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 has 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 12.09.2011 at 11.30 am at the Registered Office of the Company at 72 - 77, HSIDC Industrial Estate, Hansi Road, Jind - 126102 (Haryana).



- b. Financial Calendar: April to March.
- c. Date of Book Closure: 05.09.2011 to 12.09.2011 (both days inclusive).
- d. Dividend Pay out dates: 13.09.2011.
- e. Listing of Stock Exchanges: Mumbai Stock Exchange.
- f. Stock Code: BSE 524080.
- g. Market Price Data: The shares of the company quoted at Bombay Stock Exchange between Rs. 19.30 to Rs. 31.15 during the year 2010-11.
- h. Registrar and Transfer Agents: RCMC Share Registry (P) Ltd., B-106, Sector-2, Noida-201301(U.P.). The share Transfer System: Company's Registrar & Share Transfer Agents is handling the both physical and electronic share transfer related job.
- i. Depository Participants; National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL).

Distribution of shareholdings:

Distribution of shareholding as on 31.03.2011

Shareholding of Value of Rs.	No. of Share Holders	% of Share holders to Total	No. of shares held	Amount Rs.	% to Total
0 - 5000	3737	87.66	713,440	7,134,400	14.53
5001 - 10000	265	6.22	224,266	2,242,660	4.57
10001 - 20000	95	2.23	139,443	1,394,430	2.84
20001 - 30000	48	1.13	125,183	1,251,830	2.55
30001 - 40000	19	0.45	68,839	688,390	1.40
40001 - 50000	18	0.42	84,774	847,740	1.73
50001 - 100000	30	0.70	234,272	2,342,720	4.77
100001 and above	51	1.20	3,318,253	33,182,530	67.60
Total	4263	100	4,908,470	49,084,700	100

Shareholding Pattern as on 31.03.2011

Category	No. of shares	Percentage
Promoters (including Foreign Collaborator)	2,010,234	40.96
FII, Banks, Mutual Funds	10,100	0.21
Others	2,888,136	58.83
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 **M/s. Haryana Leather Chemicals Limited** for the year ended on 31st March, 2011 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

Place : NEW DELHI

Date : 10th August, 2011

S.C. DEWAN
Partner

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, 2011 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 31st March, 2011, taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2011 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with 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, 2011, 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

Place : NEW DELHI

Date : 10th August, 2011

S.C. DEWAN
Partner



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.

Place : NEW DELHI
Date : 10th August, 2011

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner



BALANCE SHEET

	SCH	As at 31st March, 2011 Rs.		As at 31st March, 2010 Rs.	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	49,084,700		49,084,700	
Reserve & Surplus	2	135,931,571	185,016,271	120,824,129	169,908,829
LOAN FUNDS					
Secured Loans	3		15,755,436		13,332,192
Unsecured Loans	4		5,791,564		-
Deferred Tax Liability			12,973,010		10,780,337
TOTAL			219,536,281		194,021,358
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	5	226,051,801		163,185,066	
Less : Depreciation		96,809,946		89,580,005	
		129,241,855		73,605,061	
Add : Capital work in progress			- 129,241,855	4,873,305	78,478,366
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	6	37,129,599		30,691,794	
Sundry Debtors	7	98,355,717		98,591,759	
Cash & Bank Balances	8	15,918,831		44,341,016	
Loans & Advances	9	10,073,053		15,236,790	
		161,477,200		188,861,359	
Less : Current Liabilities & Provisions	10	71,182,774	90,294,426	73,318,367	115,542,992
TOTAL			219,536,281		194,021,358

In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

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

S.C. DEWAN
Partner

PANKAJ JAIN
Managing Director

N.K. JAIN
Director

NEW DELHI
August 10, 2011

SILU NANDA
Company Secretary



PROFIT & LOSS ACCOUNT

	SCH	For the year ended 31st March, 2011 Rs.	For the year ended 31st March, 2010 Rs.
INCOME			
Sales Turnover	11	346,253,940	323,607,415
Miscellaneous Income	12	1,102,668	4,645,016
Gain on Fluctuation in Foreign Exchange		2,422,410	-
TOTAL		349,779,018	328,252,431
EXPENDITURE			
Materials Consumed	13	234,240,098	206,254,572
Manufacturing, Administration and Distribution Expenses	14	75,235,605	76,633,755
Financial Expenses	15	2,791,080	1,617,983
Fluctuation in Foreign Exchange		-	662,433
Depreciation		7,229,941	6,650,097
TOTAL		319,496,724	291,818,840
Profit for the year		30,282,294	36,433,591
Less : Previous Years' Adjustments		-	-
Less : Provision for fringe benefit Tax/Income Tax earlier year		1,243,133	-
Add : Provision for Income Tax written back		-	1,256,943
Less : Provision for Income Tax for the year		8,293,300	7,500,000
Less : Fringe Benefit Tax for the year		-	100,000
Less (Add) : Deferred Tax Liability/Asset		2,192,673	(92,552)
Profit for the year after tax available for Appropriation		18,553,188	30,383,086
APPROPRIATION ACCOUNT			
Profit for the year after tax available for Appropriation		18,553,188	30,383,086
Less : Proposed Dividend		2,945,082	2,945,082
Less : Tax on Dividend		500,664	500,664
Less : Transfer to General Reserve		2,266,116	4,040,601
Net Profit carried to Balance Sheet		12,841,326	22,896,739
NOTES TO ACCOUNTS			
Earning Per Share	16	3.78	6.19

In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2011

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



CASH FLOW STATEMENT

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	30,282,294	36,433,591
Adjustments for -		
Depreciation	7,229,941	6,650,097
Interest	1,545,418	714,391
Operating Profit before Working Capital Changes	39,057,653	43,798,079
Adjustments for -		
Trade and other Receivables	5,399,779	-32,100,932
Inventories	-6,437,805	-5,735,631
Trade and other payables	-2,135,593	36,124,232
Cash Generated from Operations	35,884,034	42,085,748
Interest Paid	1,545,418	714,391
Direct Taxes Paid	7,636,433	4,884,770
Provision for Dividend / Dividend Tax	3,445,746	3,445,746
Provision for Direct Tax / Fringe Benefit Tax	1,900,000	2,615,230
Cash Flow before Extraordinary Items	21,356,437	30,425,611
Extraordinary items	-	-
Net Cash from Operating Activities	21,356,437	30,425,611
B. Cash Flow from Investing Activities		
Purchase of Fixed/Long Term Assets	58,119,623	13,439,186
Sale/Reduction of Fixed Assets	-126,193	-
R & D Grant against Fixed Assets	-	-
Net Cash used in Investing Activities	-36,636,993	16,986,425
C. Cash Flow from Financing Activities		
Repayment of Long Term Finance Borrowings	-8,214,808	-138,420
Net Cash used in Financing Activities	-8,214,808	-138,420
Net Increase/(Decrease) in Cash and Cash Equivalents	-28,422,185	17,124,845
Cash and Cash Equivalents (Opening Balances)	44,341,016	27,216,171
Cash and Cash Equivalents (Closing Balances)	15,918,831	44,341,016

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

NEW DELHI
August 10, 2011

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



	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised 6,000,000 Equity Shares (Previous Year- 6,000,000 Equity Shares) of Rs. 10 each	<u>60,000,000</u>	<u>60,000,000</u>
Issued, Subscribed and Paid-up 4,908,470 Equity Shares (Previous Year- 4,908,470 Equity Shares) of Rs. 10 each	<u>49,084,700</u>	<u>49,084,700</u>
SCHEDULE 2		
RESERVES & SURPLUS		
General Reserve	33,744,417	31,478,301
As per last Balance Sheet	31,478,301	
Transfer from Profit & Loss Account	<u>2,266,116</u>	
Profit & Loss Account		
Profit as per last Balance Sheet	89,345,828	66,449,089
Add/Less : Profit/(Loss) for this year	<u>12,841,326</u>	<u>22,896,739</u>
	<u>102,187,154</u>	<u>89,345,828</u>
	<u>135,931,571</u>	<u>120,824,129</u>
SCHEDULE 3		
SECURED LOANS		
Term Loans against Hypothecation on vehicles (Personal Guarantee by Managing Director)	781,155	
Working Capital Loans		
From State Bank of India	1,017,089	
From Technology Development Board	12,500,000	12,500,000
Add :- Interest accrued	1,457,192	832,192
	<u>15,755,436</u>	<u>13,332,192</u>
SCHEDULE 4		
UNSECURED LOANS		
Religare Finvest Limited	<u>5,791,564</u>	

							Total	Previous Year
	Land	Buildings	Plant & Machinery	Furniture, Fixtures & Equipments	Vehicles			
SCHEDULE 5								
FIXED ASSETS								
GROSS BLOCK								
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	
Additions	-	49,858,576	7,295,556	2,598,152	3,240,644	62,992,928	10,551,683	
Sale/Adjustments	-	-	-	-	126,193	126,193	-	
As at 31st March, 2011	16,138,270	75,159,553	108,773,812	15,740,895	10,239,271	226,051,801	163,185,066	
DEPRECIATION								
As at 31st March, 2010	-	8,458,936	65,592,370	10,463,158	5,065,541	89,580,005	82,929,908	
For the year	-	1,303,930	4,330,297	786,260	809,454	7,229,941	6,650,097	
As at 31st March, 2011	-	9,762,866	69,922,667	11,249,418	5,874,995	96,809,946	89,580,005	
NET BLOCK								
As at 31st March, 2011	16,138,270	65,396,687	38,851,145	4,491,477	4,364,276	129,241,855	73,605,061	
As at 31st March, 2010	16,138,270	16,842,041	35,885,886	2,679,585	2,059,279	73,605,061	-	

Note : Capital Work in Progress - Rs. Nil (Previous Year - Rs. 4,873,305).



	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SCHEDULE 6		
INVENTORIES		
<i>(As valued and certified by the management)</i>		
Stores and Spares	537,320	565,204
Raw Materials	24,114,056	18,182,928
Packing Materials	1,509,091	1,871,998
Stock in Process	1,028,275	1,682,448
Finished Goods	9,940,857	8,389,216
	<u>37,129,599</u>	<u>30,691,794</u>
SCHEDULE 7		
SUNDRY DEBTORS		
<i>(Unsecured-considered goods)</i>		
Outstanding over six months		
- Considered goods	4,082,593	5,710,723
	<u>4,082,593</u>	<u>5,710,723</u>
Other debts - Considered goods	94,273,124	92,881,036
	<u>98,355,717</u>	<u>98,591,759</u>
SCHEDULE 8		
CASH & BANK BALANCE		
Cash in hand	429,828	101,740
Balance with Scheduled Banks		
On Current Accounts (Including cash credit accounts)	1,305,558	9,084,373
On Fixed Deposits	5,167,630	33,665,127
As Margin	8,150,000	867,630
- Bank Balance in unclaimed Dividend Account	865,815	622,146
	<u>15,918,831</u>	<u>44,341,016</u>
SCHEDULE 9		
LOANS & ADVANCES		
Advances Recoverable in cash or in Kind or for value to be received	829,198	3,269,420
Staff Advances	459,277	349,267
Security Deposits	784,675	543,845
Balance with Excise Department	2,538,724	4,010,698
Prepaid Expenses	561,987	942,162
Income Tax	1,289,150	1,289,150
Claims Receivable	1,090,952	1,744,180
Central Sales Tax Receivable	1,112,891	1,215,384
Other Receivable	1,406,199	1,872,684
	<u>10,073,053</u>	<u>15,236,790</u>



SCHEDULE 10

CURRENT LIABILITIES & PROVISION

Current Liabilities

Sundry Creditors

Creditors due to Small Scale Industries	Rs. 5,166,779
For Capital Expenditure	Rs. 50,000
Others	Rs. 50,932,873

Security Deposits from Dealers

Sales Tax Payable

Other Liabilities

Unclaimed Dividend

As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
---	---

56,149,652	57,123,212
------------	------------

900,000	900,000
---------	---------

19,471	235,243
--------	---------

6,592,989	7,153,649
-----------	-----------

865,815	622,146
---------	---------

<u>64,527,927</u>	<u>66,034,250</u>
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Provisions

Proposed Dividend

Dividend Tax

Income Tax Payable

Leave Encashment

Excise Duty on Finish Goods

2,945,082	2,945,082
-----------	-----------

500,664	500,664
---------	---------

1,900,000	2,615,230
-----------	-----------

513,149	535,643
---------	---------

795,952	687,498
---------	---------

<u>6,654,847</u>	<u>7,284,117</u>
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<u>71,182,774</u>	<u>73,318,367</u>
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SCHEDULE 11

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	4624.07 MT	146.16 MT	160.24 MT	4609.99 MT	346,253,940
Previous Year	4910.0 MT	4489.26 MT	164.15 MT	146.16 MT	4507.25 MT	323,607,415

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
Domestic Turnover	232,587,318	212,268,160
Export Turnover	77,284,344	75,619,006
E.O.U. Division Turnover	64,731,648	57,571,770
	<u>374,603,310</u>	<u>345,458,936</u>
Less : Excise Duty	28,349,370	21,851,521
	<u>346,253,940</u>	<u>323,607,415</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. 142,015,992 (Previous Year - Rs. 126,039,842).
 6. The Products manufactured by the Company falls under one class of Goods.



	This Year Rs.	Prev. Year Rs.
SCHEDULE 12		
MISCELLANEOUS INCOME		
Interest earned on overdue Invoices	527,535	990,744
Interest earned on FD's with Bank	90,840	2,404,355
Credit Balance written on	76,632	12,030
Scrap Sale	173,424	245,875
Other Income	-	28,715
Freight Incentive	234,237	963,297
	<u>1,102,668</u>	<u>4,645,016</u>
SCHEDULE 13		
MATERIALS CONSUMED		
Raw Materials		
Opening Stock	18,182,928	14,208,589
Add : Purchases	215,721,329	184,859,727
	<u>233,904,257</u>	<u>199,068,316</u>
Less : Closing Stock	24,114,056	18,182,928
	<u>209,790,201</u>	<u>180,885,388</u>
Packing Materials	17,437,299	18,335,349
Consumable Stores	866,124	1,062,353
Cartage Inwards	7,043,942	6,482,656
Decrease/(increase) in Stock in Process		
Opening 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>
Closing Stock - Stock in Process	1,028,275	1,682,448
- Finished Goods	9,940,857	8,389,216
	<u>10,969,132</u>	<u>10,071,664</u>
	<u>-897,468</u>	<u>-511,174</u>
	<u>234,240,098</u>	<u>206,254,572</u>
SCHEDULE 14		
MANUFACTURING ADMINISTRATION AND DISTRIBUTION EXPENSES		
Utilities		
Power, Fuel & Water	10,127,273	9,964,232
Personnel Expenses	-	-
Salaries, Wages, Allowances, Bonus & Ex-gratia	20,285,041	17,038,478
Contribution of Provident Fund & ESI	877,020	712,108
Gratuity	-	47,746
Welfare Expenses	485,073	402,961
Recruitment & Training Expenses	90,558	210,032
	<u>21,737,692</u>	<u>18,411,325</u>

(Schedule 14 contd.)



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. : H-19905 State Code : 05
Balance Sheet Date : 31st March, 2011

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 :	21,954	Total Assets :	21,954
Sources of Funds			
Paid-up Capital :	49,085	Reserves & Surplus :	135,932
Secured Loans :	15,755	Unsecured Loans :	5,791
Application of Funds			
Net Fixed Assets :	129,242	Investments :	Nil
Net Current Assets :	90,294	Miscellaneous Expenditure :	Nil
Accumulated Losses :	Nil		

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Incl. Misc. Income) :	349,779	Total Expenditure :	319,497
Profit/(Loss) Before Tax :	30,282	Profit/(Loss) After Tax :	12,841
Earning per Share (Rs.) :	3.78	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

NEW DELHI
August 10, 2011

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



SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule 16: 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.

(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 2011.

(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 liability 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.

(xii) Interest

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

2. Deferred tax

The 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". A sum of Rs. 2,192,673/- has been determined as deferred liability on account of timing difference and the same has been credited in the books of accounts under the head Deferred Tax Liability in the Balance Sheet.

3. Contingent liabilities

- i) Letter of credits issued by the bank on behalf of the Company : Rs. 9,509,166/- (previous year Rs. 867,630/-) net of advances.
- ii) Contract awarded for Capital goods net of advances Rs. 125,000/-.
- iii) Claims against the expenses not acknowledged as Debt Rs. 96,720/- (Previous Year – Rs. Nil)

4. Remuneration to auditors

Amount in Rs.

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Statutory audit	168,400	153,100
Expenses reimbursement	21,219	25,528
Total	189,619	178,628

Service Tax being modvatable, hence not included.

(Schedule 16 contd.)



(Schedule 16 contd.)

5. Valuation of imports on CIF basis

Amount in Rs.

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Raw material	31,329,665	23,498,160
Capital goods	588,151	2,412,092
Store & Spares	66,635	76,549
Total	31,984,451	25,986,801

6. Expenditure in foreign currency

Amount in Rs.

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Travel, boarding and lodging expenses		
- Directors	2,357,297	888,388
- Employees	1,741,219	927,236
Trade Fair overseas	419,980	1,815,626
Total	4,518,496	3,114,844

7. Earnings in foreign exchange

Amount in Rs.

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Sale of goods	142,015,992	126,039,842

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. 5,386,550/- (previous year - Rs. 3,700,287/-) due to Micro and small undertakings, which are outstanding for more than 45 days as at 31.03.2011. This information is required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006, as determined to the extent the parties have been identified on the basis of information with the company.

LIST OF SMALL SCALE INDUSTRIES

S.No.	Name of Party	Amount (Rs.)	S.No.	Name of Party	Amount (Rs.)
1.	Chlorina Organics Industries, Nagpur	1,851,363	8.	Veekay Chemicals, Mumbai	54,565
2.	Dhiren Chemical Industries, Baroda	952,248	9.	Acmfil Engineering System (P) Ltd., Ahmedabad	17,258
3.	Britacel Silicones Ltd., Mumbai	1,496,610	10.	Hironisha System (P) Ltd., Ahmedabad	3,627
4.	Jay Dinesh Chemicals, Ahmedabad	40,850	11.	Malik Polychem Ltd., Bahadurgarh	9,614
5.	Esters & Solvents, Mumbai	109,279	12.	Saroj Colour Chem (P) Ltd., Mumbai	192,770
6.	Sand Chem India Ltd., Dharuhera	606,087	13.	Veekay Chemicals, Mumbai	27,001
7.	Saroj Colour Chem (P) Ltd., Mumbai	25,278			
					5,386,550

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	Key Managerial Person

Transactions with Related Parties:

Sl.No.	Related Party	Nature of Transaction	Amount (Rs. in Lacs)
01.	Key Managerial Person	Managerial Remuneration	26.92
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

(Schedule 16 contd.)



(Schedule 16 contd.)

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.

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.

	31.03.2011	31.03.2010
Net Profit as per Profit & Loss Account	18,553,188	30,383,086
Number of Equity Shares	4,908,470	4,908,470
E P S (Basic & Diluted)	3.78	6.19

As the share are anti-dilutive.

14. Schedules 1 to 15 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. 459,277/- (Previous Year - Rs. 349,267/-), where the repayment is regular as per the terms of sanctions.
17. Travelling and conveyance-Directors include expenditure of Rs. 2,357,297/- (Previous Year - Rs.888,388/-) on Managing Director foreign travel.
18. During the year under audit a sum of Rs. 8,293,300/- has been provided for as provision of Income 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 2010-11 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. 513,149/- as on 31.03.11 and the same has been provided for in the books of accounts.

20. Computation of Managerial Remuneration is as here below :

	This Year Rs.	Prev. Year Rs.
Profit before Taxation	30,282,294	36,433,591
Add: Depreciation Charged in the accounts	7,229,941	6,650,097
Managerial Remuneration	2,260,963	1,608,782
	<u>39,773,198</u>	<u>44,692,470</u>
Less: Depreciation under Section 350	9,836,096	3,282,632
	<u>29,937,102</u>	<u>41,409,838</u>
Salaries, Wages and Allowances include remuneration to Managing Director :		
Salary	2,232,000	1,554,782
Perquisites & PF	28,963	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 31st March, 2010	535643	687498	3445746	2615230
Provision made during the year	513149	795952	3445746	8293300
Provision written off / back during the period	313186	687498	3445746	-
Balance as at 31st March, 2011	513149	795952	3445746	1900000

Auditors' Report -

Certified in terms of our report of even date attached.

(Schedule 16 contd.)

For S.C. DEWAN & CO.
Chartered Accountants

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

S.C. DEWAN
Partner

PANKAJ JAIN
Managing Director

N.K. JAIN
Director

NEW DELHI
August 10, 2011

SILU NANDA
Company Secretary



(Schedule 16 contd.)

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

A	Particulars of employees	Number	Salary and Allowances
i.	Employees whose remuneration was Rs. 6,000,000 /- or more per year.	-	-
ii.	Employees whose remuneration was Rs. 500,000 /- 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.

a. RAW MATERIALS CONSUMED

ITEM	THIS YEAR		PREVIOUS YEAR	
	QTY. (MT.)	VALUE	QTY. (MT.)	VALUE
Acids	292	104	302	109
Alkaline	214	160	275	138
Wax	8	18	5	15
Colloids	73	161	67	90
Pigment	30	49	49	30
Disinfectant	2	23	2	10
Dispersant	222	296	131	105
Emulsifier Defoamer				
Monomer	213	293	182	201
Oil	628	574	593	769
Plasticizer	9	12	14	12
Gum & Resin	69	103	162	76
Salt	166	25	24	8
Solvent	250	214	218	435
Silicone	50	90	46	86
Basic Organics	866	329	537	132
Misc.	22	37	18	33

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.

b. RAW MATERIALS CONSUMED - IMPORTED & INDIGENOUS

i.	Imported	This Year		Previous Year	
		Value (Rs.)	%	Value (Rs.)	%
	C.I.F. Value	31,329,665		23,498,160	
	Customs Duty and other charges	2,480,900		2,388,810	
		33,810,565	16.12%	25,886,970	13%
ii.	Indigenous (including procured from local agents of overseas suppliers)	175,979,636	83.88%	173,181,346	87%
		209,790,201	100.00	199,068,316	100.00

c. VALUE OF IMPORTS ON C.I.F. BASIS

RAW Materials	31,329,665	23,498,160
Capital Goods	588,151	2,412,092
Store & Spares	66,635	76,549

d. EXPENDITURE IN FOREIGN CURRENCY

Travel - Overseas - Director	2,357,297	888,388
Travel - Overseas - Employees	1,741,219	927,236

e. F.O.B. VALUE OF EXPORTS

	142,015,992	126,039,842
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Auditors' Report -

Certified in terms of our report of even date attached.

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2011

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



HARYANA LEATHER CHEMICALS LIMITED

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

PROXY FORM

L.F. No.

I/We

of

being member(s) of HARYANA LEATHER CHEMICALS LIMITED, hereby appoint(s)

Mr./Mrs./Miss

of

or failing him/her, Mr./Mrs./Miss

of

as my/our proxy to vote for me/us, on my/our behalf at the TWENTY SIXTH Annual General Meeting of the Company to be held at 11.30 AM on 12th September, 2011 and at any adjournment thereof.

Signed this day of 2011



.....
Signature

- 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 and a proxy so appointed need not be member of the Company.
2. The proxy form duly filled in and properly stamped should reach the Company's Registered Office atleast 48 hours before the commencement of the meeting.

Tear here

ATTENDANCE SLIP

(to be handed over at the entrance of the Meeting Hall)

Name of the attending member
(in BLOCK LETTERS)

Member's Ledger Folio No.

Name of the Proxy
(in BLOCK LETTERS)

(To be filled in by the Proxy who attends instead of the Member)

No. of Shares

I hereby record my presence at the TWENTY SIXTH Annual General Meeting held at the Registered Office at 72 - 77, HSIDC Industrial Estate, Hansi Road, Jind - 126 102, on 12th September, 2011.

.....
Member's/Proxy's Signature

- Notes : 1. Shareholders/Representatives/Proxies are requested to sign this attendance slip at the time of handing it over at the entrance.
2. You are requested to bring your copy of the Annual Report to the Meeting.