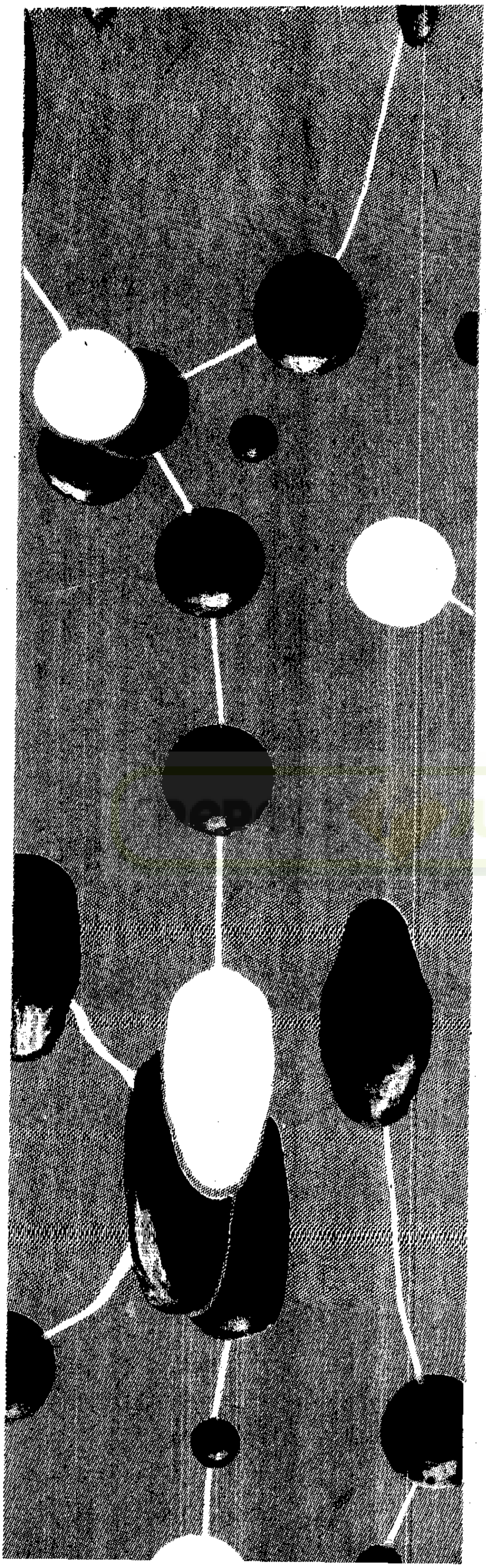

10th

ANNUAL REPORT 1994-95

HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS

Ashok Lavasa, *IAS, Chairman*	(Nominee - HSIDC)
D.U. Rao	(Nominee - IFCI)
Shashi Jain	(Nominee - HSIDC)
P.K. Tripathi	(Nominee - HSIDC)
H.K. Gupta	
H.C. Dutta	
Luca Gandolfi	
Massimo Medini	
N.K. Jain	
V.K. Garg	
Pankaj Jain, *Managing Director*	
N.N. Batabyal (Alternate director to Massimo Medini)	

SECRETARY
Tomy Joseph

AUDITORS
S.C. Dewan & Co.

BANKERS
State Bank of India

TRANSFER AGENTS
Magnum Business Services Pvt.Ltd.
35-A, Sant Nagar, East of Kailash
New Delhi 110 065

HEAD OFFICE
B-316-319, Som Datt Chambers - I
Bhikaji Cama Place
New Delhi 110 066

REGISTERED OFFICE AND WORKS
72-77, Industrial Estate
Hansi Road
Jind 126102

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their tenth report on the accounts and affairs of the Company for the year ended on 31st March, 1995.

FINANCIAL RESULTS

		(Rs.lacs)
	1994-95	1993-94
Sales Turnover	**1117.58**	1112.29
Gross Profit	**195.52**	269.98
Deductions		
Depreciation	**32.52**	25.01
Interest	**61.75**	71.08
Profit Before Fax	**101.25**	173.89
Less : Provision for Tax	**18.00**	--
Profit After Tax	**83.25**	173.89
Less: Previous Years' Adjustments	**0.67**	(3.34)
Less: Provision for Doubtful Debts	**2.95**	--
Add: Excess Provision of Gratuity Written Back	**2.49**	--
Add: Investment Allowance Reserve Utilised Written Back	**0.21**	--
Add: Net Profit Brought Forward From Previous Year	**206.65**	29.42
Net Profit Carried Forward	**288.98**	206.65

OPERATIONS

The anomalous duty structure has badly affected not only the performance of the Company but also of the entire leather industry during the year. The import duty on leather chemicals for leather industry was reduced resulting in cheaper imported goods compared to the indigenously manufactured products. Subsequently, on the representations made by the industry, Govt. has removed the custom anomaly.

During the year the Company had taken some credit control and monitoring measures for the better management of working capital to commensurate with the norms of banks which also reduced the volume of sales.

This year the Company has provided for tax liability to the extent of Rs.18.00 lacs compared to previous year Nil tax liability and depreciation Rs.32.52 lacs compared to Rs.25.01 lacs previous year which also further reduced the net profit during the year.

We have continued to maintain the quality of the products and maintained the supplies to the leading tanneries, shoe manufacturer and exporters this year also.

In view of the introduction of new range of products, new marketing startgies, removal of custom duty anomalies, better results are expected in the current financial year.

DIVIDEND

Considering the need for additional funds for expansion and launching of new products/divisions your directors have not recommended any dividend.

EXPANSION

The Company has entered into collaboration agreement with M/s Forbo Helmitin, Germany. Helmitin will provide technology for manufacture of speciality shoe adhesive. This has very good market and also help the Company to achieve better capacity utilisation. With this tie up your Company will be the first company in India to cater the complete need of leather industry.

Your Company commenced commercial production of Cross Linking Acrylic Binders as mentioned in the last report.

DIRECTORS

Mr.N.K. Jain, Mr.Shashi Jain & Mr.H.K. Gupta, directors are retiring by rotation and being eligible, offer themselves for re-appointment.

During the year Mr.N.N. Batabyal was appointed as Alternate Director to Dr.Massimo Medini w.e.f. 28th February, 1995.

Mr.Pankaj Jain was re-appointed as Managing Director by the Board of Directors for a further period of 5 years, subject to the approval of shareholders in the ensuing Annual General Meeting.

AUDITORS

Our auditors M/s S.C.Dewan & Company, Chartered Accountants, are retiring at the ensuing Annual General Meeting. They have confirmed the eligiblity under Section 224(1B) of the Companies Act, 1956.

PERSONNEL

Your Company believes that only employees are our assets and emphasised on the need of building sound office environment and working culture.

We want the development, satisfaction and well being of our employees. In view of all these, we have introduced an HRD system for dealing with management and development of human resources.

ISO 9002

Your Company has completed almost all formalities and restructuring required as per ISO and is in advanced stage of implementing the same. We hope the Company would be able to have certification procedures completed by mid 1996.

OBSERVATION OF AUDITORS

The observation made by the Auditors have been suitably explained in the notes on accounts being part of Annual Accounts.

SAFETY AND ECOLOGY

During the year also your Company has taken various measures to ensure Industrial Safety. Ecological considerations have remained as one of the priority areas of the company. Company has maintained effluent treatment plant in accordance with governing laws and enhanced awareness on waste water minimisation by recruiting specialised agencies,

OTHER INFORMATION/ DISCLOSURES

The information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 of the Companies Act, 1956, are annexed to this report and form part of the Directors' Report.

None of the employees is drawing remuneration to the extent of the limit prescribed under Section 217(2A) of the Companies Act, 1956, except Managing Director and approval of shareholders for his remuneration is sought as part of the Special Business of the agenda in the ensuing Annual General Meeting.

ACKNOWLEDGEMENT

We would like extend our sincere gratitude to IFCI, HSIDC,SBI and other bankers, government authorities, employees and all those who have contributed and supported the growth of the Company and we look forward the same in future.

For and on behalf of Board of Directors

H.C. DUTTA — *Director*

PANKAJ JAIN — *Managing Director*

New Delhi
29th August, 1995

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, 1995.

(A) CONSERVATION OF ENERGY

a) Energy conservation measures taken :
The Company has ensured proper insulation of equipment and piping to minimise loss/ gaining of heat. Gravitational flow of materials, wherever possible, is resorted to. Hot water is recycled to the boiler to reduce fuel consumption.

b) Rationalised the use of hot water system to minimise energy consumption.

c) Development of Caustic Wash Technology resulted in substantial energy saving in Acrylic Caustic Wash System.

d) Impacts of measures consequent to (a) and (b) above :
Efficiency in total energy consumption. The energy consumption cost per unit of production has been minimised appreciably.

e) Total energy consumption and energy consumption per unit of production as per Form A of the annexure to this rule as under :-

1 Power and Fuel Consumption	**Current Year**	Previous Year
i) Electricity		
a) Purchased		
Unit (KWH)	**88128**	104702
Total Amount (Rs.)	**314,554**	290,702
Rate/ Unit (Rs.)	**2.55***	2.25
b) Own Generation		
1. Through Diesel Generator		
Unit (KWH)	**24386**	34752
Units/ Ltr. of Diesel Oil	**5.10**	5.10
Cost/ Unit (Rs.)	**3.72**	3.10
2. Through Steam Turbine/ Generator units	--	--
Units/ Ltr. of Diesel Oil/ Gas	--	--
Cost/ Unit	--	--
ii) Coal		
Quantity	--	--
Total Cost	--	--
Average Cost	--	--
iii) Furnace Oil		
Quantity (K.Ltrs.)	**27.0**	26.4
Total Amount (Rs.)	**195,052**	158,400
Average Rate (Rs./ K.Ltr.)	**7,200**	6,000
iv) Others/ Internal Generation		
Quantity	--	--
Total Cost	--	--
Rate/unit	--	--
2. Consumption per unit of production		
Production (MT)	**1708.0**	1683.5
Electricity (KWH/ MT)	**65.8**	82.8
Furnace Oil (Ltrs/ MT)	**15.9**	15.7
Coal	--	--
Others	--	--

(*The rate/ unit of electricity shows the minimum contracted rate payable to HSEB.)

(B) TECHNOLOGY ABSORPTION

a) RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company.

Leather Finishing Chemicals and auxiliaries comprising water proof fatliquors, Acrylic emulsion Pigments, Waxes, Top Coats Crosslinking High Resistance Acrylic Binders,Acrylic Emulsion,Solvent Adhesive, Shoe Adhesive, Leather Garment Finishes.

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

a) The company has developed Phosphated fat liquors capable of imparting good body and light weight to the leather.
b) Developed and produced Chloroprene solvent system of adhesive for use in Shoe Industry.
c) Developed and produced Vinyl Co-polymer emulsion for leather lamination.
d) Developed highly concentrated Black pigment GGT for use in sophisticated leather finishes.
e) Developed high resistance lacquers & Pigmented Top Coats.

3. Future plan of action.

a) Intend to develop plasticizers like D.O.M., D.B.M. for in-house consumption to economise cost of production.
b) Binders for use in Textile Printing and for use in flock deposition.
c) Application R&D relating to use of Polyurethane Binders and Top Coats, Crosslinking Acrylics for Sports Shoes leather to meet the most stringent demands for leather such as those used in Sports Shoes made under license for multinationals.
d) Water borne PU Emulsion.

4. Expenditure on R&D.

i) Capital	Rs.176,626
ii) Recurring	Rs.433,539
iii) Total	Rs.610,165
iv) Total R&D expenditure as percentage of total Turnover	0.55%

b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.
(as per form B of the annexure to this rule)

1. Efforts in brief, made towards technology absorption and innovation.

Technology has been adopted totally and improvement thereupon has been done through R&D efforts as mentioned in this report.

2. i) Technology Imported.
a) For Leather Finishing Chemicals & Auxiliaries.
b) Cross-linking High Resistance Acrylic Binders and Retanning Aagents.
c) Speciality Shoe Adhesive

ii) Year of Import
a) 1986
b) 1992
c) 1995 (respectively)

iii) Has technology been fully absorbed ?
   a) Yes.
   b) Not yet completely, (respectively).

iv) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans on action
   a) Technology under the old Agreement has been absorbed fully.
   b) Some balance technical documentation for Crosslinking is yet to be received and the same will be received by September, 1995.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

a) The Company's foreign exchange earning out of export was Rs.474,274.

b) The expenditure in foreign exchange during the financial year under review was of Rs.16,968,007. This was towards the payment of raw material, import of finished goods, capital goods, spare parts for capital goods, royalties, directors' and employees' overseas travels.

For and on behalf of Board of Directors

H.C. DUTTA
Director

PANKAJ JAIN
Managing Director

New Delhi
29th August, 1995