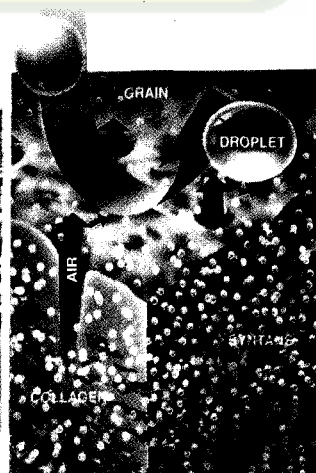
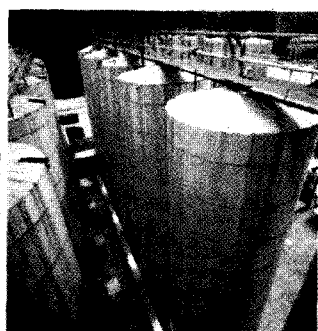
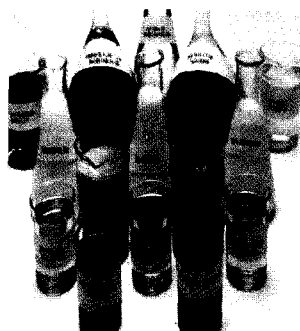


18th

ANNUAL REPORT

2002 - 2003

Report  junction.com



HARYANA LEATHER CHEMICALS LTD.

72 - 77, HSIDC, Industrial Estate, Hansi Road, Jind 126 102 (INDIA)

Ph.: +91 - 1681 - 225662, 225899, 226645 Fax: +91 - 1681 - 225101

www.leatherchem.com

HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS

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

SECRETARY

Tomy Joseph

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

CORPORATE EXECUTIVES

Dr. P.L. Maurya, Works Manager
A.K. Nanda, Manager-Maintenance
A.K. Gupta, Manager-Materials
Ramesh Goyal, Manager-Production
Neeraj Bishnoi, Manager-Marketing

REGISTRAR & SHARE TRANSFER AGENTS

RCMC Share Registry (P) Ltd.
1515 (1st Floor), Bhisham Pitamah Marg
Kotla Mubarakpur (Near South Extension)
New Delhi - 110 003

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ISIN for Demat purpose : INE 681F01018

NOTICE

Notice is hereby given that the EIGHTEENTH Annual General Meeting of the Members of Haryana Leather Chemicals Ltd., will be held on Tuesday, the 30th day of September, 2003 at 11.30 A.M. at the Registered Office of the Company at 72-77, HSIDC Industrial Estate, Hansi Road, Jind - 126 102 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as on 31st March, 2003 and the Profit & Loss Account for the Year ended on that date together with the Reports of Auditors and Directors thereon.
2. To consider to appoint a Director in place of Mr. Harish Kumar Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To consider to appoint a Director in place of Dr. K S V Menon, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider to appoint Auditors 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 :

5. To elect Mr. V.K. Garg as a Director of the company. The company has received Notice under section 257 of the Companies Act, 1956, proposing Mr. V.K. Garg for election as Director of the company.
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT the Equity Shares of the Company be delisted from the Delhi Stock Exchange Association Limited in accordance with the relevant Laws, Rules, Regulations and Guidelines (including any Statutory modification/(s) or enactments thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions as may be necessary and in compliance with such conditions and modifications as may be necessary for this purpose".

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board), be and is hereby authorised to seek voluntary delisting at such time, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to delisting of the Equity Shares from the said Stock Exchange and to execute all such deeds, documents, writings as may be necessary, desirable or expedient or as may be deemed fit and for this purpose to delegate the authority and the duty vested in it by virtue hereto to any other person whom the Board may consider suitable, to do the various acts, deeds and things required to be done in this behalf".

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.

TOMY JOSEPH
Company Secretary

29th August, 2003

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, 1515, (1st Floor) Bhisham Pitamah Marg, Kotla Mubarakpur, (Near South Extn.) New Delhi-110003.
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 atleast 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 16.09.2003 to 30.09.2003.
7. Members are advised to note the **ISIN No. INE 681F01018** allotted to the company's shares and those who are interested to dematerialise their holdings may do so.

Explanatory Statement :

For Item No. 5

Mr. V.K. Garg has been appointed as Director on 22.07.2003. Mr. V.K. Garg holds office up to the date of forthcoming Annual General Meeting. Company has received a notice proposing the candidature of Mr. VK Garg for the post of Director.

Bio data of Mr. Garg.

Name : Vijay Kumar Garg
 Age : 51 Years
 Qualifications : B E
 Expertise : An industrialist, promoted and managed companies in Chemical and related industries. An expert in corporate management.
 Other Directorships : He is a Director of Munak Chemicals Ltd., Bronze Trading Ltd., Anubhav Industrial Resources Ltd., Keshoram Leasing Ltd., Munak Holdings Ltd., Alpha Antibiotics Ltd., Munak Engineers Pvt. Ltd., Munak Credit & Investments Pvt. Ltd. and V.K. Garg Contractors Pvt. Ltd.

Directors recommend this resolution for approval of shareholders.

Mr. N K Jain and Mr. Pankaj Jain being relatives are concerned and interested in this resolution.

For Item No. 6

The company's shares are listed in Delhi Stock Exchange and Mumbai Stock Exchange. The shares of the company are not being traded in the Delhi Stock Exchange. Due to the technological developments the trading of shares are possible through the nationwide trading terminals of Mumbai Stock Exchange.

Therefore, it has been proposed to delist the shares from Delhi Stock Exchange and remain listed only in Bombay Stock Exchange, which is having nation wide trading terminals. No inconvenience will be caused to shareholders due to this proposed delisting from Delhi Stock Exchange and will result in reducing avoidable cost and administrative work.

Directors recommend this resolution for approval of the shareholders by way of special resolution.

None of the directors are interested in this resolution.

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.

TOMY JOSEPH
 Company Secretary

29th August, 2003

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 18th Annual Report and Audited statement of accounts of the company for the year ended on 31st March, 2003.

FINANCIAL RESULTS

A Summary of financial results for the year 2002 - 2003 is given below:-

	(Rs. in Lacs) 2002-2003	(Rs. in Lacs) 2001-2002
Sales Turnover	1387.21	1311.34
Gross Profit	169.54	145.58
<u>Deductions</u>		
Depreciation	46.46	43.58
Interest	22.96	23.11
Profit Before Tax	100.12	78.89
Less : Provision for Tax	17.00	25.00
Less/(Add): Deferred Tax	14.95	(2.58)
Profit After Tax	68.17	56.47
Less : Previous Years' Adjustments	0.17	0.45
Less : Provision for Doubtful Debts	0	0
Net Profit for the year	68.00	56.02
Add : Net Profit Brought Forward		
From the previous year	339.68	395.52
Less : Deferred Tax Liability for Earlier years	0	111.87
Net Profit Carried Forward	407.68	339.67

OPERATION

During the year, the company has achieved a turnover of Rs. 1387.21 lacs against Rs. 1311.34 lacs for the previous year and profit before tax during the year has gone up to Rs. 100.12 lacs against Rs. 78.89 lacs for the previous year. The company has achieved a better turnover compared to previous year due to higher exports. During the year company's exports are Rs.100.13 lacs compared to the previous year's exports of Rs.25.85 lacs.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company, Mr. Harish K. Gupta and Dr. K.S.V. Menon, Directors retire by rotation at the forthcoming Annual General Meeting to be held on 30.09.2003 and being eligible they offer themselves for re-appointment.

Mr. V.K. Garg has been appointed as Additional Director on 22.07.2003 and he holds office up to the forthcoming Annual General Meeting. A notice under section 257 of the Companies Act, 1956, is received from a shareholder proposing the candidature of Mr. Garg as Director at the AGM.

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

The Board of Directors of the Company confirms :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the Directors made judgements 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, 2003 and of the profit of the company for the year ended on that date;
- 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;
- that the annual accounts have been prepared on a going concern basis.



ISO 9002

FIXED DEPOSITS

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

QUALITY CONTROL

The company has maintained its endeavor to provide quality products and services to the Leather Industry.

The company is following the quality objectives and quality policy as per ISO 9002.

DIVERSIFICATION AND NEW PRODUCTS

The Syntan plant has been successfully commissioned and commenced production in September 2002. The Company has already begun launching of the products in the market. The Syntan range of products is expected to increase the turnover of the company in the coming years.

Company plans to create a 100% EOU Division to give extra thrust to exports. Necessary government approval has been obtained.

TECHNOLOGY DEVELOPMENT

Department of Science and Industrial Research (DSIR) has approved company's project of development of PUDs at the pilot plant level.

DSIR will provide Rs. 50/- lacs to part finance the project and the company has to return Rs.65/- lacs over a period of five years from the commencement of commercial production and also 2.5% royalty on the sale from pilot plant production.

The company is also making continuous efforts to improve the production process, product and yield.

DIVIDEND

Considering the diversification plans, your Directors have not recommended any dividend.

AUDITORS AND THEIR REPORT

The present auditors, M/s. S.C. Dewan & Co., Chartered Accountants, will retire at the forthcoming Annual General Meeting. The Auditors have confirmed their eligibility for re-appointment and the Board recommends their re-appointment at the forthcoming Annual General Meeting.

The observations in the Auditors' Report read with Notes to Accounts are self-explanatory and do not call for any further comments.

OTHER INFORMATION AND DISCLOSURES

Information as per the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 relating to conservation of energy, technology absorption and foreign exchange earnings & outgo are given in the annexure 'A' forming part of this report.

PARTICULARS OF EMPLOYEES

No employee is drawing remuneration to the extent of the limits prescribed under section 217 (2A) of the Companies Act, 1956.

PERSONNEL & INDUSTRIAL RELATIONS

During the year the industrial relations remained very cordial.

The company is making continuous efforts to improve the efficiency and commitment of its personnel by enhancing their skills through internal as well as external need based trainings.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The company is already following various measures for controlling pollution and maintaining better environment.

The company has already initiated to follow the procedure for getting the ISO 14000 certification.

ACKNOWLEDGEMENT

The Directors wish to express their sincere gratitude to our bankers SBI, DSIR and other Government authorities for their assistance and co-operation. The Board also appreciates the dedicated services rendered by the employees of the company at all levels.

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

Place : New Delhi
Date : 29th August, 2003

PANKAJ JAIN
Managing Director

N.K. JAIN
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 2003.

A) CONSERVATION OF ENERGY

The company still faces increase of energy cost due to reasons such as:

1. Poor availability from UHBVNL.
2. Increase in the rates of HSD Oil.

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

	Current Year 2002- 2003	Previous Year 2001-2002
1. Power and Fuel Consumption		
i) Electricity		
a) Purchased Unit		
(KWH)	213694	187500
Total Amount (Rs.)	895378	891937
Rate/Unit (Rs.)	4.19	4.76
b) Own Generation		
1. Through Diesel		
Generator		
Unit (KWH)	19640	21800
Units/Ltr.of		
Diesel Oil	3.00	3.00
Cost/Unit (Rs.)	9.00	7.00
ii) Coal		
Quantity		
Total Cost		
Average Cost		
iii) Furnace Oil / HSD Oil		
Quantity (K. ltrs)	33.3	29.07
Total Amount (Rs.)	732600	508812
Average Rate (Rs. K. Ltr.)	22000	17503
iv) Others/Internal Generation		
Quantity		
Total Cost		
Rate Unit		
2. Consumption per unit of production		
Production (MT)	1852	1744
Electricity (KWH/MT)	115.38	120.01
Furnace Oil (Ltrs/MT)	17.98	16.67
Coal	-	-
Others	-	-

(Total amount paid to UHBVNL is minimum contract payment i.e. 325 KVA @ Rs. 200.00 per KVA plus additional consumption @ Rs. 4.19 per unit.)

Note: During the year, 15000 units of electricity from UHBVNL and 14 KL of HSD Oil also used for Syntan plant trial runs.

B) TECHNOLOGY ABSORPTION

a) RESEARCH AND DEVELOPMENT (R&D)

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

- Concept Verification of Crosslinkable Aqueous Aliphatic Polyurethane Dispersions.
- Shoe Finishes and Creams.
- Application development of Waterproof Upholstery Leather.

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

- Better product range.
- Better attention to customer complaints & problems.
- Better possibilities for exports.

3. Future Plan of Action :

- Pilot scale production of Crosslinkable- Aliphatic PUD.
- To take up 'in-process' research to improve yield of batches and reduce wastewater.

4. Expenditure on R&D :

i) Capital	Rs. 48.81 Lacs
ii) Recurring	Rs. 16.95 Lacs
iii) Total	Rs. 65.76 Lacs
vi) Total R & D expenditure as percentage of total turnover	4.7 %

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.

Efforts made for absorption of Technology for Synthetic Tanning Agents and development of PUD at lab scale.

2. i) Technology Imported	ii) Year of Import	iii) Has technology been fully absorbed?
a. Pressure Sensitive Adhesive	1997	Yes
b. Dipping Lacquer	1998	Yes
c. Synthetic Tanning Agents	2002	No

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- The company's foreign exchange earnings out of export was Rs.100.13 lacs.
- The expenditure in foreign exchange during the financial year under review is Rs. 222 Lacs. This is related to payment towards raw materials, import of capital goods, payment of royalties and overseas travel of Directors & employees.

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

Place : New Delhi
Date : 29th August, 2003

PANKAJ JAIN
Managing Director

N.K. JAIN
Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure

Leather Chemical industry is a support industry for leather and leather goods producers. Leather export has been identified as a thrust area by the Government and due to various growth opportunities, this industry is getting a close attention from various administrative ministries.

The import policy and the tariff structure allow level playing field to the leather chemical manufacturers who are able to compete well with foreign competitors in terms of price and quality.

Past few years witnessed high fluctuation in the leather industry performance due to pollution problem. However, for the last one year, the industry has re-located itself and pollution problem has been resolved in many leather producing belts with the implementation of Common Effluent Treatment Plants (CETP). This resulted in a stable leather production allowing the projected growth of 8-10%.

All these factors combined present a healthy industrial scenario with sufficient growth potential for leather chemical industry.

b. Opportunities & Threats

Opportunities

India has highest cattle population and, therefore, is an ideal place where the hides and skins availability for leather industry will always be sufficient. Due to modern techniques in leather processing being implemented by all big tanners and installation of effluent treatment plant, there is enough growth potential for leather industry. Since leather chemical industry growth opportunities depend on production of leather, therefore, the future for leather chemical industry is quite bright.

The hardening of Euro has further made import of leather chemicals less competitive and therefore the competition from European companies has further reduced allowing more opportunities for leather chemical industry to expand.

Threats

1. Leather industry being export oriented, depends largely on demand factors in Europe and America who are the biggest buyers of leather goods. The economic slow down in these countries can cause reduction in orders to Indian leather industry, which, in turn, can also affect the chemical industry.
2. New standards on presence of banned chemicals can also affect the leather exports which will affect the chemical industry directly. However, most Indian chemical companies have kept themselves fully updated on new standards and are able to comply with them.

c. Segment-wise or Product-wise Performance

The leather chemical industry has products under three segments i.e. Beam House, Wet End and Finishing.

All these three segments have shown good performance because of growth in leather production from raw to finish.

However, there is more research and development on finishing technology and methodology, therefore, there is more value addition in production of finishing chemicals as compared to basic chemicals. Due to European standards and requirement for Vegetable tanned leather, there will be increased demand of Fatliquors and Finishing Chemicals specially suited to Vegetable tanned leather.

d. Outlook

The outlook for the Indian Market is good as the projected production of finished leather is showing better growth rate. The growth of leather chemical industry also has the potential to grow with similar growth rate. The export market also has good potential. Company's new product – Syntans is being accepted in the market and is expected to yield higher turnover in the coming years. The PUD project is also in progress and the company is expected to conduct trial runs during the year 2003-04.

e. Risks & Concerns

1. Leather chemical industry was previously allowed some of the key raw materials at concessional import duty. These concessions have been withdrawn in the current year.