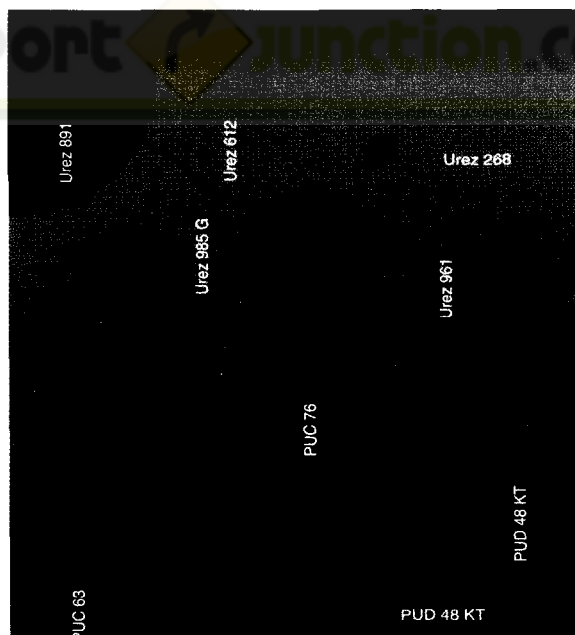


19th

ANNUAL REPORT

2003 - 2004



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 (India)

REGISTERED OFFICE AND WORKS

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

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 Nineteenth Annual General Meeting of the Members of Haryana Leather Chemicals Ltd., will be held on Thursday, the 30th day of September, 2004 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, 2004 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. N K Jain, who retires by rotation and being eligible offers himself for re-appointment.
3. To consider to appoint a Director in place of Dr. Massimo Medini, 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.

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.

27th August, 2004

TOMY JOSEPH
Company Secretary

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the company.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are advised to notify change in their address, if any, specifying full address in block letters with pin code to the Registrar M/s. RCMC Share Registry (P) Ltd, 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 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 16.09.2004 to 30.09.2004.
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 shares may do so.



Explanatory Statement as required under Corporate Governance

For Item No. 2

Mr. N K Jain (Narendra Kumar Jain), is an Industrialist and is a promoter (non-executive) director. He joined Board on 22.04.1985. He retires by rotation at the 19th Annual General Meeting to be held on 30.09.2004. He has over 50 years of industrial experience in promoting and managing high tech industries with foreign collaboration and export oriented.

He is a member of Audit committee and also a director on Board of the following companies:

1. Labotron Instruments Ltd.
2. N K Jain Instruments Pvt. Ltd.
3. N K Jain Holdings & Finance Pvt. Ltd.
4. Labotech Microscopes India Pvt. Ltd.

Directors recommend this resolution for approval of shareholders.

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

For Item No. 3

Dr. Massimo Medini, represents M/s ICAP Sira Chemicals & Polymers Spa, Italy, who are holding 15.6% of equity in the company. Dr. Medini joined the Board on 24.03.1993 and will retire by rotation in the forthcoming Annual General Meeting of the company.

Dr. Medini has got several years of experience in managing the Acrylic and Coating chemicals industry in Italy. He is the Managing Director of M/s. ICAP Sira Chemicals & Polymers Spa, which is one of the largest producers of Acrylic Emulsions for Leather, Textile, PSA and Wall Coatings.

Directors recommend this resolution for approval of shareholders.

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

27th August, 2004



DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the 19th Annual Report and Audited statement of accounts of the company for the year ended on 31st March 2004.

FINANCIAL RESULTS

A summary of financial results for the year 2003 - 2004 is given below:-

	(Rs. in Lacs) 2003-2004	(Rs. in Lacs) 2002-2003
Sales Turnover	1528.04	1387.21
Gross Profit	158.93	169.54
<u>Deductions</u>		
Depreciation	49.75	46.46
Interest	10.74	22.96
Profit Before Tax	98.44	100.12
Less : Provision for Tax	18.73	17.00
Less/(Add): Deferred Tax	3.88	14.95
Profit After Tax	75.83	68.17
Less : Previous Years' Adjustments	0.32	0.17
Net Profit for the year	75.51	68.00
Add : Net Profit Brought Forward		
From the previous year	407.68	339.68
Transfer to General Reserve	72.48	-
Earlier years Net Profit Carried Forward	410.71	407.68

OPERATION

During the year the company has achieved a turnover of Rs. 1528 lacs against Rs. 1387 lacs for the previous year and net profit for the year is Rs.75 lacs against Rs.68 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.215 lacs compared to the previous year's exports of Rs.100 lacs. The company has become a net foreign exchange earner due to reduction in imports and increase of exports.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. N K Jain and Dr. Massimo Medini, directors retire by rotation at the forthcoming Annual General Meeting to be held on 30.09.2004 and being eligible they offer themselves for re-appointment.

CORPORATE GOVERNANCE

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

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

The Board of Directors of the Company confirms:

- 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 31st March, 2004 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 annual accounts have been prepared on a going concern basis.

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 quality system of ISO 9002 is being replaced with ISO 9001 - 2000 system.

DIVERSIFICATION AND NEW PRODUCTS

The company has stabilised the production of Syntan range of products and the product launch is complete with very encouraging customer reference from domestic and export market. The company has not proceed for setting up a new 100% E.O.U. because of the benefits of a separate unit are under review and will be finalised keeping in view the import content.

TECHNOLOGY DEVELOPMENT

The company's R&D project – technology development and demonstration of Polyurethane Dispersions for Leather is in progress as per schedule. The development of the product at pilot plant level is part financed by DSIR and the company has received Rs.20.Lacs being the first installment of the support. Total DSIR support is Rs. 50. Lacs and company will have to pay Rs. 65 lacs in five installments from commencement of commercial production and 2.5% on the sale from pilot plant production as royalty.

Your company is planning to take up another R&D program on Polymeric Fatliquor. An intial comceptual proposal is under consideration with CSIR. These products are necessary in view of the guidelines relating to presence of banned chemicals in leather as per EU regulations.

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

DIVIDEND

Considering the inadequate profits during the year, 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 has been drawing remuneration to the extent of the limits prescribed under section 217 (2A) of the Companies Act, 1956.

PERSONNEL & INDUSTRIAL RELATION

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 training.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The company is taking steps to mordenise its effluent treatment plant and other measures for controlling pollution and maintaining better environment.

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 : 27th August, 2004

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 2004.

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
3. Spray drying and powder conversion of Syntans – (a new product line)
4. Trial runs of Hot Air Generator during stabilisation of Syntan plant.

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 2003- 2004	Previous Year 2002-2003
1. Power and Fuel Consumption		
i) Electricity		
a) Purchased Unit		
(KWH)	249274	213694
Total Amount (Rs.)	1088197	895378
Rate/Unit (Rs.)	4.36	4.19
b) Own Generation		
1. Through Diesel Generator		
Unit (KWH)	38000	19640
Units/Ltr.of Diesel Oil	3.00	3.00
Cost/Unit (Rs.)	7.00	9.00
ii) Coal		
Quantity		
Total Cost		
Average Cost		
iii) Furnace Oil / HSD Oil		
Quantity (K. ltrs)	103	33.3
Total Amount (Rs.)	2090900	732600
Average Rate (Rs. K. Ltr.)	20300	22000
iv) Others/Internal Generation		
Quantity		
Total Cost		
Rate Unit		
2. Consumption per unit of production		
Production (MT)	2090	1852
Electricity (KWH/MT)	137.45	126
Furnace Oil (Ltrs/MT)	49.28	17.98
Coal	-	-
Others	-	-

B) TECHNOLOGY ABSORPTION

a) RESEARCH AND DEVELOPMENT (R&D)

1. Specific area in which R&D carried out :
 - a) Pilot plant design for Prepolymerisation of Aquos Aliphatic Polyurethane Dispersions.
 - b) Process modification and waste water treatment and management.
 - c) Heat exchange for Acrylic product to reduce process time.
2. Benefits derived as a result of above R&D
 - a) Significant reduction of waste water.
 - b) Faster cycle time for Acrylic products.
 - c) Increased exports.
3. Future Plan of Action
 - a) To introduce new polymeric fatliquors, compact finishes specially for export market.
 - b) To review heating and cooling cycles in Fatliquor and Syntan production.
 - c) To increase burn efficiency of various burners to save the fuel cost and switch over to furnace oil.
 - d) To develop Fatliquor basis for in house consumption to reduce import contents.
4. Expenditure on R&D.

i)	Capital	Rs. 37 Lacs
ii)	Recurring	Rs. 31 Lacs
iii)	Total	Rs. 68 Lacs
vi)	Total R&D expenditure as	
	Percentage of total Turn over	4.5 %

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.
No new foreign technology has been imported.
Better controls achieved in reaction mechanism of Syntans with guidance from Vismon-Spain.
2. Technology Imported Year of Import 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

- a. The company's foreign exchange earnings out of export was Rs. 215 lacs.
- b. The expenditure in foreign exchange during the financial year under review is Rs. 132 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 : 27th August, 2004

PANKAJ JAIN
Managing Director

N.K. JAIN
Director