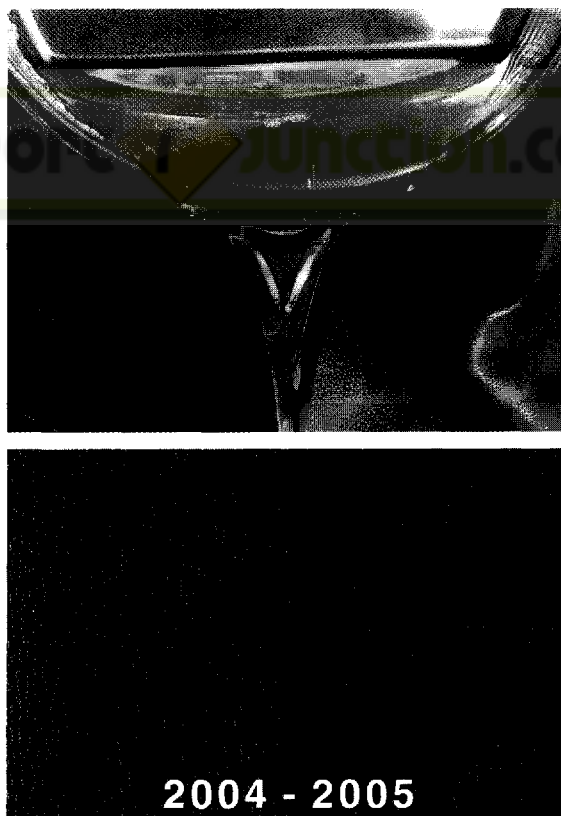


20th Annual Report



Haryana Leather Chemicals Ltd.

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

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

www.leatherchem.com

www.reportjunction.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 (Haryana)

EOU DIVISION

52-53, HSIDC, Industrial Estate,
Hansi Road, Jind - 126 102 (Haryana)

CORPORATE EXECUTIVES

Dr. P.L. Maurya, G.M. (Works Manager)
A.K. Nanda, A.G.M. - Maintenance
A.K. Gupta, A.G.M. - Materials
Ramesh Goyal, A.G.M. - Production
Neeraj Bishnoi, A.G.M. - 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 Twentieth Annual General Meeting of the Members of Haryana Leather Chemicals Ltd., will be held on Friday, the 30th day of September, 2005 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 2005 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 Lt. Gen. (Rtd.) H.C. Dutta, who retires by rotation and being eligible offers himself for re-appointment.
3. To consider to appoint a Director in place of Mr. P. Tranchinetti, 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 consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary resolution.

RESOLVED that pursuant to the provisions of section 269 read with schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment for the time being in force) and also subject to such other provisions of laws as may be applicable, Mr. Pankaj Jain be and is hereby re-appointed as Managing Director of the company with effect from 04.02.2005 for a period of five years with the following terms and conditions:

Mr. Pankaj Jain, Managing Director will be eligible for remuneration within the ceiling limits under section II - 1(A) of Part II of Schedule XIII to the Companies Act, 1956, as follows:

Salary	: Rs. 78,000/- per month
Housing Allowance	: Rs. 31,000/- per month
Other Allowances	: Rs. 10,000/- per month
Medical Allowance / reimbursement for himself & family	: Rs. 1,500/- per month
Leave Travel allowance for himself / family	: Rs. 4,500/- per month

The Managing Director shall also be eligible for:

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

Further resolved that the above terms and conditions of his appointment and remuneration may be varied and / or increased from time to time in such a manner as the Board of Directors in exercise of its absolute discretion considers appropriate provided, however, that the terms of such appointment and / or remuneration are subject to the limits set out in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) as may be made from time to time and / or the maximum limits for payment of managerial remuneration in accordance with the companies Act as may be re-codified or the laws, policies, rules, regulations and guidelines in force for the time being.

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

10th August, 2005

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

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 16.09.2005 to 30.09.2005.
7. Members are advised to note the **ISIN No. INE 681F01018** allotted to the company's shares and those who are interested to dematerialize their shares may do so.

Explanatory Statement as required under Corporate Governance.

For Item No. 2

Mr. Harish Chandra Dutta, is a retired Lieutenant General from Indian Army. He had joined the Board on 22.09.1988 and had been associated with the company through out its ups and downs. The company has gained a lot from his rich experience especially related to administration, human resources and business development.

Mr. H C Dutta retires by rotation and is eligible for re-appointment.

His specializations are in industrial relations, HRD and administration.

He is not holding any shares in the company.

Board recommends this resolution for the approval of shareholders. None of the directors, except Mr. Dutta himself, is personally interested / concerned in this resolution.

For Item No. 3

Mr. Piero Tranchinetti, represents M/s ICAP Sira Chemicals & Polymers spa, Italy, who are holding 15.6% of equity in the company. Mr. Tranchinetti joined the Board on 16.05.1996 and will retire by rotation in the forthcoming Annual General Meeting of the company.

Mr. Piero Tranchinetti retires by rotation at this Annual General Meeting and is eligible for re-appointment.

Mr. Tranchinetti has got several years of experience in application and marketing of leather chemicals, Acrylic and Coating chemicals in Italy.

He is not holding any shares in his name.

Board recommends this resolution for the approval of shareholders. None of the directors, except Mr. Tranchinetti himself, is personally interested / concerned in this resolution.

For Item No. 5

Mr. Pankaj Jain has been Managing Director since the beginning of the company.

His term of last appointment expired on 03.02.2005. Considering his contributions and experience the remuneration committee has considered and approved his re appointment for a period of five years as per the ceilings of remuneration under Section II - I (A) of part II of Schedule XIII to the Companies Act, 1956. The details of the remuneration and terms of appointment are contained in the text of the proposed resolution. The new remuneration is in line with the existing remuneration and after due consideration of his experience, ability and contributions made to the company.

Mr. Pankaj Jain, aged about 49 years, is an Industrial Engineer, belongs to an industrial family. He started his career as a management trainee with his Family business concerns. He has promoted Haryana Leather Chemicals Ltd. in an industrially backward area with latest technology from European companies. He managed the company in the capacity as Managing Director for the last 20 years. Under his management the company has been continuously adopting latest technology, introducing new products, reaching new markets and continuously in profits. Due to his vision on financial management the company has become a debt free company resulting in to increased profitability. Due to his vast international exposure, he has been able to make inroads for the company in reaching the most difficult markets around the world. At present Mr. Pankaj Jain is also a director of M/s N K Jain Instruments Pvt. Ltd.

Board recommends the resolution for the approval of shareholders.

Mr. Pankaj Jain, and Mr. NK Jain and Mr. V K Garg being his relatives, are concerned and personally interested in the resolution.

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

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

10th August, 2005



DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the 20th Annual Report and Audited statement of accounts of the company for the year ended on 31st March 2005.

FINANCIAL RESULTS

A summary of financial results for the year 2004 - 2005 is given below:-

	(Rs. in Lacs) 2004-2005	(Rs. in Lacs) 2003-2004
Sales Turnover	1858.76	1528.04
Gross Profit	148.03	158.93
<u>Deductions</u>		
Depreciation	52.00	49.75
Interest	09.97	10.74
Profit Before Tax	86.06	98.44
Less : Provision for Tax	28.81	20.00
Less : Provision for Tax Previous year	03.64	(1.27)
Less/(Add) : Deferred Tax	02.96	3.88
Profit After Tax	50.65	75.83
Less : Previous Years' Adjustments	0.45	0.32
Net Profit for the year	50.20	75.51
Add : Net Profit Brought Forward		
From the previous year	410.71	407.68
Transfer to General Reserve	69.14	72.48
Transfer to Balance Sheet	391.77	410.71

OPERATIONS

During the year the company has achieved a turn over of Rs. 1859 lacs against Rs. 1528 lacs for the previous year and net profit for the year is Rs. 50 lacs against Rs. 75 lacs for the previous year.

This year your company has been able to achieve a better capacity utilization compared to previous years. During the year company's exports are Rs. 413 lacs compared to the previous year's exports of Rs. 215 lacs.

The net profits have marginally reduced because of the higher production cost especially due to the petroleum-based raw materials prices.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Lt. Gen. (Rtd) HC Dutta and Mr. Piero Tranchinetti, directors retire by rotation at the forthcoming Annual General Meeting to be held on 30.09.2005 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2005 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 in India abroad. The company is following the quality guidelines as defined under ISO 9001: 2000 and the certification is under final stage.

DIVERSIFICATION AND NEW PRODUCTS

E.O.U. Division

The company has completed the formalities for setting up of a 100% export oriented unit – as a separate and independent Division / undertaking. The division is expected to be commissioned during the year 2005-06 and it will manufacture high quality finishing chemicals for the overseas leather industry.

TECHNOLOGY DEVELOPMENT

The company has been successful in developing the technology for Aquos aliphatic Polyurethane Dispersions. The company has conducted pilot plant trials successfully. The company will test and conduct application trials of the product in Abmur and other markets to verify the suitability for different markets.

The company has conducted some application trials and screening of allied products to develop a process for automotive leather. Based on this result a reaction concept will be finalized. The Department of Scientific and Industrial Research, Government of India has approved company's research and development project 'Technology Development and Demonstration of Polymeric Fatliquor for Upholstery Leather' and they will part finance the project to the extent of Rs. 75. LaCs. The financial support has to be returned 1.3 times after commencement of Commercial production in five installments and a royalty of 2.5 % of the sale till the final installment is paid.

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 has taken steps to modernize 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, NSEZ 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 : 10th August, 2005

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 2005.

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.

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 2004-05	Previous Year 2003-2004
1. Power and Fuel Consumption		
i) Electricity		
a) Purchased Unit		
(KWH)	232132	249274
Total Amount (Rs.)	1029530	1088197
Rate/Unit (Rs.)	4.43	4.36
b) Own Generation		
1. Through Diesel		
Generator		
Unit (KWH)	92254	38000
Units/Ltr.of		
Diesel Oil	3.00	3.00
Cost/Unit (Rs.)	8.74	7.00
ii) Coal		
Quantity		
Total Cost		
Average Cost		
iii) Furnace Oil /HSD Oil		
Quantity (K. ltrs)	192.4	103
Total Amount (Rs.)	4000162	2090900
Average Rate (Rs. K. Ltr.)	20791	20300
iv) Others/Internal Generation		
Quantity		
Total Cost		
Rate Unit		
2. Consumption per unit of production		
Production (MT)	2573	2090
Electricity (KWH/MT)	126.08	137.45
Furnace / HSD Oil (Ltrs/MT)	74.78	49.28
Coal	-	-
Others	-	-

B) TECHNOLOGY ABSORPTION

a) Research and Development (R&D)

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

- Pilot plant trials of Aquos Aliphatic Polyurethane Dispersions.
- Concept verification Polymeric Fat liquor for Upholstery Leather at Lab level.
- Process modification and wastewater treatment and management.
- Heat exchange for Acrylic product to reduce process time.

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

- Increased Exports.
- New products for future expansion.
- Significant reduction of wastewater.
- Faster cycle time for Acrylic products.

3. Future Plan of Action

- Commercialization of Aquos Aliphatic Polyurethane Dispersions.
- To conduct pilot Plant trials of Polymeric Fatliquors for Upholstery Leather.
- To review heating and cooling cycles in Fatliquor and Syntan production.
- To develop Fatliquor bases for in house consumption to reduce import contents.

4. Expenditure on R&D.

- Capital : Rs. 18.67 Lacs
- Recurring : Rs. 20.46 Lacs
- Total : Rs. 39.13 Lacs
- Total R&D expenditure as Percentage of total Turn over : 2.1 %

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.

Technology Imported	Year of Import	Has technology fully absorbed?
a. Synthetic Tanning Agents	2002	Yes

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- The company's foreign exchange earnings out of export was Rs. 413 lacs.
- The expenditure in foreign exchange during the financial year under review is Rs. 148 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 : 10th August, 2005

PANKAJ JAIN
Managing Director

N.K. JAIN
Director