

21st 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

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

Ashok Yadav

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, General Manager (Works)
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 TWENTY FIRST Annual General Meeting of the Members of the company M/s. Haryana Leather Chemicals Limited will be held on Saturday, the 30th day of September, 2006 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 2006 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 V.K. Garg, 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 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 257 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. Pradeep Behl be and is hereby appointed as the Director of the company.

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

2nd September, 2006

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

ASHOK YADAV
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 16.09.2006 to 30.09.2006.
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 pursuant to section 173(2) of the Companies Act, 1956.

For Item No. 5

Mr. Pradeep Behl is a person who is a Chartered Accountant by profession. He has a good experience of finance and matters related to taxation. The company wish to share his experience by inducting him into the directorship of the company. The company will gain a lot from his rich experience especially related to finance matters and business development.

Board recommends this resolution for the approval of shareholders. None of the director is personally interested/ concerned in this resolution.

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ASHOK YADAV
Company Secretary





DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the TWENTY FIRST Annual Report and Audited statement of accounts of the company for the year ended on 31st March, 2006.

FINANCIAL RESULTS

A summary of financial results for the year 2005 - 2006 is given below:-

	(Rs. in Lacs) 2005-2006	(Rs. in Lacs) 2004-2005
Sales Turnover (Net of Excise)	1813.01	1858.76
Gross Profit	219.67	148.03
<u>Deductions</u>		
Depreciation	56.29	52.00
Interest	08.03	09.97
Profit Before Tax	155.35	86.06
Less : Provision for Income Tax for the Year	47.81	28.81
Less : Provision for Fringe Benefit Tax	2.00	-
Less : Provision for Taxation Earlier Year	1.59	03.64
Less/(Add) : Deferred Tax	(3.07)	02.96
Profit After Tax	107.02	50.65
Less : Previous Years' Adjustments	0.17	0.45
Net Profit for the year	106.85	50.20
Add : Net Profit Brought Forward From the previous year	391.77	410.71
Transfer to General Reserve	74.79	69.14
Transfer to Balance Sheet	423.83	391.77

OPERATIONS

During the year the company has achieved a turnover (Net of Excise) of Rs. 1813 lacs against Rs. 1662 lacs for the previous year and net profit for the year is Rs. 107 lacs against Rs. 50 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. 606 lacs compared to the previous year's exports of Rs. 413 lacs.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. V. K. Garg and Dr. K. S. V. Menon directors retire by rotation at the forthcoming Annual General Meeting to be held on 30.09.2006 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, 2006 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

As a part of the continuous improvement on products and processes, the company achieved better quality standards as compared to previous years with tighter tolerances on end products and inputs. The new quality system of ISO 9001:2000 is in place and final audit for certification is underway.

DIVERSIFICATION AND NEW PRODUCTS

E.O.U. Division

The company has stabilized its EOU unit operations as an independent operating unit with new equipment and manpower. The unit has started to serve some key new customers in far eastern countries, requiring very high quality finishing chemicals.

TECHNOLOGY DEVELOPMENT

The company has kept pace with new trends and technologies to compete the companies in western countries. The completion of research project on 'Polyurethane Dispersions' has given a big boost to company's status and during field trials the customer's response is quite encouraging. The company is finalizing the plans for commercialization of Polyurethane Dispersions in a new set up within existing facilities or altogether a new unit subject to techno economic feasibility.

The new thrust on technology development will be on 'Polymeric Fatliquors which is partly being funded by DSIR (Dept. Of Scientific and Industrial Research). The company has received 25 lacs from DSIR. The project is progressing satisfactorily.

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 : 23rd August, 2006

PANKAJ JAIN
Managing Director

N.K. JAIN
Director



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

Place : New Delhi
Date : 23rd August, 2006

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, 2006.

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 2005-06	Previous Year 2004-2005
1. Power and Fuel Consumption		
i) Electricity		
a) Purchased Unit		
(KWH)	214529	232132
Total Amount (Rs.)	962964	1029530
Rate/Unit (Rs.)	4.49	4.43
b) Own Generation		
1. Through Diesel		
Generator		
Unit (KWH)	176522	92254
Units/Ltr.of		
Diesel Oil	3.00	3.00
Cost/Unit (Rs.)	9.90	8.74
ii) Coal		
Quantity		
Total Cost		
Average Cost		
iii) Furnace Oil /HSD Oil		
Quantity (K. ltrs)	207.95	192.4
Total Amount (Rs.)	4546633	4000162
Average Rate (Rs. K. Ltr.)	21864	20791
iv) Others/Internal Generation		
Quantity		
Total Cost		
Rate Unit		
2. Consumption per unit of production		
Production (MT)	2833	2573
Electricity (KWH/MT)	138.03	126.08
Furnace / HSD Oil (Ltrs/MT)	52.63	74.78
Coal	-	-
Others	-	-



B) TECHNOLOGY ABSORPTION

a) Research and Development (R&D).

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

- Field trials and application standardization on Polyurethane Dispersion.
- Developing Automotive Upholstery process and screening of allied chemicals under the research activity of Polymeric Fatliquors.
- Detection techniques on banned chemicals.

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

- Better understanding of use of Polyurethane dispersions and achieving higher resistance values to promote the sales of existing finishing auxiliaries. This data will lead to optimization during commercialization of Polyurethane Dispersions.
- During screening of allied products for Polymeric Fatliquors for Automotive leather, an improved understanding of heat, light fastness and fogging properties enabled substitution of imports of some key inputs in Fatliquors and Syntans.
- The company has in house facility for certification of company's products as per European safety norms on banned chemicals. This resulted in better export penetration.

3. Future Plan of Action

- Commercialize some production of Polyurethane dispersions using the pilot plant.
- To complete the pilot plant for Polymeric Fatliquors trials.
- To study reverse osmosis for DM water production and effluent treatment for achieving Zero Discharge and waste water minimization.

4. Expenditure on R&D.

- | | |
|--|------------------|
| i) Capital | : Rs. 5.73 Lacs |
| ii) Recurring | : Rs. 37.88 Lacs |
| iii) Total | : Rs. 43.61 Lacs |
| vi) Total R&D expenditure as
Percentage of total Turnover | : 2.4 % |

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 technology has been imported. A German consultant has been appointed for assisting the company's R & D team for coordination with European Laboratories.

2. Technology for Synthetic Tanning Agents imported from Vismon Spain has been fully absorbed and the commercial production of these products is stable with regular coordination and updation from foreign collaborators.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- The company's foreign exchange earnings out of export was Rs. 606 lacs.
- The expenditure in foreign exchange during the financial year under review is Rs. 157 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 : 23rd August, 2006

PANKAJ JAIN
Managing Director

N.K. JAIN
Director