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The first Indian company to free
its leather chemical products of
banned chemicals.

Reliability



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HARYANA
LEATHER CHEMICALS LTD.

HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS

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

COMPANY 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, Chief General Manager - Works
A.K. Nanda, Technical Advisor
A.K. Gupta, General Manager - Commercial
Ramesh Goyal, General Manager - Engg. & Tech.
Neeraj Bishnoi, General Manager - Marketing

REGISTRAR & SHARE TRANSFER AGENTS

RCMC Share Registry (P) Ltd.
B-106, Sector-2,
Noida - 201 301 (U.P.)

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ISIN for Demat purpose : INE 681F01018



NOTICE

Notice is hereby given that the TWENTY SECOND Annual General Meeting of the Members of the company M/s. Haryana Leather Chemicals Limited will be held on Friday, the 28th day of September, 2007 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, 2007 and the Profit & Loss Account for the Year ended on that date together with the Reports of Auditors and Directors thereon.
2. To consider declaring Final Dividend @ 5% for the Financial Year 2006-07.
3. To consider appointing a Director in place of Mr. Harish Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider appointing a Director in place of Dott. Massimo Medini, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider appointing a Director in place of Mr. N.K. Jain, who retires by rotation and being eligible offers himself for re-appointment.
6. To consider appointing retiring auditors S.C. Dewan & Co., Chartered Accountants as Statutory Auditors of the Company who are eligible and offer himself for re-appointment, 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:

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special resolution.

"RESOLVED THAT pursuant to the provisions of Section 314(1B) of the Companies Act, 1956 consent of the Company in General Meeting be and is hereby accorded to Mrs. Sippy Jain w/o Mr. Pankaj Jain, Managing Director, to hold and continue to hold an office of profit under the Company as a 'Manager - Graphic Design' w.e.f 1.4.2007 on a consolidated salary of Rs. 25,000/- per month, including usual allowances, perquisites, benefits, amenities and facilities, the benefit of Provident Fund, Gratuity as per Rules as applicable to other employees of the same or similar rank, with authority to the Managing Director to sanction reasonable performance related annual increases in salary and periodical general revisions in allowances, perquisites and benefits as the management may sanction to other employees of the same or similar rank and to consider him for promotion, on merits, to a position higher in rank if deemed expedient in the interest of the Company on a salary and benefits, allowances and perquisites commensurate with the responsibilities of such position."

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

Dated : 3rd day of September, 2007

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, B-106, Sector - 2, Noida - 201 301 (U.P).
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 14.09.2007 to 28.09.2007 (both days inclusive).
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.

ITEM No. 7

Mrs. Sippy Jain (Master Degree in Eng. Lit. and Diploma Textile Designing) has appropriate qualification and experience relating to copywriting, Graphic Designing, Visualization of promotional materials for marketing of Leather Chemicals in India as well as abroad. The Company wish to share her experience by inducting her as "Manager – Graphic Design" of the company. The company will gain a lot from her rich experience especially relating to export marketing and business development.

Under Section 314(1B) of the Companies Act, 1956 consent of the Company is necessary for a relative of a Director for holding or continuing to hold an office of profit under the Company on a total monthly remuneration in excess of Rs. 20,000/- per month.

The Special Resolution at Serial No. 7 of the Notice seeks Member's consent for the appointment and remuneration to be paid to her. The Resolution also seeks authority for the management to grant her reasonable performance related annual increases in salary and to promote her on merits to a position of higher responsibilities on remuneration and benefits commensurate with her responsibilities and performance.

None of the Directors of the Company, except Mr. Pankaj Jain as Husband and Mr. N.K. Jain as Father in Law, may be deemed to be interested in the aforesaid proposal.

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

Dated : 3rd day of September, 2007

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

ASHOK YADAV
Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the TWENTY SECOND Annual Report and Audited statement of accounts of the company for the year ended on 31st March, 2007.

FINANCIAL RESULTS

A summary of financial results for the year 2006 - 2007 is given below:-

	(Rs. in Lacs) 2006-2007	(Rs. in Lacs) 2005-2006
Sales Turnover (Net of Excise)	2372.87	1813.01
Gross Profit	265.93	219.67
<u>Deductions</u>		
Depreciation	61.94	56.29
Interest	08.90	08.03
Profit before Tax	195.09	155.35
Less: Provision for Income Tax for the year	40.00	47.81
Less: Provision for Fringe Benefit tax	2.50	2.00
Less: Provision for Taxation Earlier year	5.91	1.59
Less : Previous year Adjustments	0.19	0.17
Less/(Add) : Deferred Tax	(3.72)	(3.07)
Profit after Tax and available for Appropriation	150.21	106.85
Less : Provision for Dividend	24.54	—
Less : Provision for Dividend Tax	4.18	—
Less : Transfer to General Reserve	18.22	—
Profit carried to Balance Sheet	103.27	106.85

OPERATIONS

During the year the company has achieved a turn over of Rs 2373 lacs against Rs.1813 lacs for the previous year and net profit for the year is Rs.150 lacs against Rs.107 lacs for the previous year.

This year your company has been able to achieve a higher capacity utilization compared to previous years. During the year company's exports are Rs. 1006 lacs compared to the previous year's exports of Rs.606 lacs.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. H.K. Gupta, Dot. Massimo Medini and Mr. N.K. Jain directors retire by rotation at the forthcoming Annual General Meeting to be held on 28.09.2007 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 31st March, 2007 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 DEPOSIT

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



QUALITY CONTROL

The company has successfully established the new quality system of ISO 9001-2000. The audit and certification has been done by the leading quality agency TUV India Pvt. Ltd. The certificate No. 44 100 074098-E3 has already been issued to the company. The company is strictly adhering to the quality policy and the quality objectives outlined in the system.

EXPORT OPERATIONS

The company has achieved a growth of 66% in its export business due to its aggressive marketing efforts in Asia and some European countries.

The company has retained the existing customer base and has expanded into newer markets with latest products as per the new market trends.

The company will continue its push to expand the product base with new business streams in Footwear Finishes & Adhesives.

TECHNOLOGY DEVELOPMENTS

The company has continued to work on new technologies which are likely to raise the company's ranking in the international market. The Techno Economic Feasibility study for commercializing of Polyurethane Dispersions has been finalized after completion of the research project.

The research project of 'Polymeric Fatliquors' sponsored by DSIR (Department of Scientific & Industrial Research) is progressing well and company has completed stage IV trials and running into stage V.

Based on market feedback the company is analyzing possibilities of using existing products and technologies to develop various other industrial applications in growing Textile binders and the automobile Adhesive market. The new thrust of technology development will be application based and specific to the customer needs.

DIVIDEND

Considering a stable cash flow situation, adequate profits and accruals during the year, your Directors are glad to recommend a final dividend of 5% for the financial year 2006-07.

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 industrial relations remained very cordial.

The company has undertaken a new Performance Appraisal System to develop a young talent pool who can undertake strategic tasks relating to the company's growth. In the coming year a web based Performance Management System (PMS) is being considered to evaluate performance of key employees and develop new skills for multitasking and higher growth.

ENVIRONMENT & POLLUTION CONTROL MEASURES

Due to continuous efforts of the company to minimize the waste water, a significant amount of effluent reduction has taken place. This has drastically reduced the load on effluent treatment plant. The Company has ordered a new Reverse Osmosis water treatment system to replace the old DM water system. This will further reduce the waste water quantity and the treatment load.

ACKNOWLEDGEMENT

The Directors wish to express their sincere gratitude to their various business partners, suppliers, dealers and banks, who have contributed in the company's growth. The export growth has been possible with the dedicated services of key employees in ensuring timely deliveries and prompt service.

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

Place : New Delhi
Date : 23rd August, 2007

N.K. JAIN
Chairman



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, 2007.

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 2006-07	Previous Year 2005-2006
1. Power and Fuel Consumption		
i) Electricity		
a) Purchased Unit		
(KWH)	275387	214529
Total Amount (Rs.)	1259087	962964
Rate/Unit (Rs.)	4.570	4.49
b) Own Generation		
1. Through Diesel		
Generator		
Unit (KWH)	200958.10	176522
Units/Ltr.of		
Diesel Oil	3.00	3.00
Cost/Unit (Rs.)	10.450	9.90
ii) Coal		NIL
Quantity		
Total Cost		
Average Cost		
iii) Furnace Oil /HSD Oil		
Quantity (K. ltrs)	316.03	207.95
Total Amount (Rs.)	7255502	4546633
Average Rate (Rs. K. Ltr.)	24445	21864
iv) Others/Internal Generation		NIL
Quantity		
Total Cost		
Rate Unit		
2. Consumption per unit of production		
Production (MT)	3644	2833
Electricity (KWH/MT)	130.71	138.03
Furnace / HSD Oil (Ltrs/MT)	68.34	52.63
Coal	-	-
Others	-	-



B) TECHNOLOGY ABSORPTION

a) Research & Development (R & D)

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

- DSIR sponsored research project on Polymeric Fatliquors has progressed well and has reached stage IV. The screening process for allied auxiliaries has been completed and conceptual reaction mechanism finalized.
- Detection techniques of Formaldehyde especially in Syntans has been perfected. The customers are being offered the detection service as a part of technical service and product promotion. The removal of banned substances from almost all the products has been completed to comply with EU safety norms.
- Water treatment system using Reverse Osmosis to improve process water bacterial count and reduce effluent treatment load.

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

- As a result of company's compliance to the removal of banned chemicals as per the international safety norms, the company has increased its sales revenue in exports.
- During the screening of allied chemicals for the R & D project of Polymeric Fatliquors, the company has identified key ingredients which give lower fogging values and higher light fastness suitable for upholstery process. This has enabled the company a higher market share in the Upholstery market.

3. Future Plan of Action

- To complete the high priority R & D project on Polymeric Fatliquors.
- Stabilize RO plant and reduce waste water discharge.
- Analyze 'Freeze Tolerance' of finishing chemicals to service markets like Poland and Russia.
- Reduce formaldehyde content in Phenolic and Melamine Syntans.
- To develop an instrument based technique for determining shelf life and ageing behavior of the products for export which require higher shelf life to cover the transit period.

4. Expenditure on R & D.

i) Capital	:	40.19
ii) Recurring	:	27.66
iii) TOTAL	:	67.85
iv) Total R&D expenditure as percentage of total turnover	:	2.8 %

b) TECHNOLOGY ABSORPTION, ADAPTION & 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. All previously imported technologies have been fully absorbed and commercially scaled.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- The company's foreign exchange earnings out of export was Rs. 1006 lacs.
- The expenditure in foreign exchange during the financial year under review is Rs 297.56 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, 2007

N.K. JAIN
Chairman