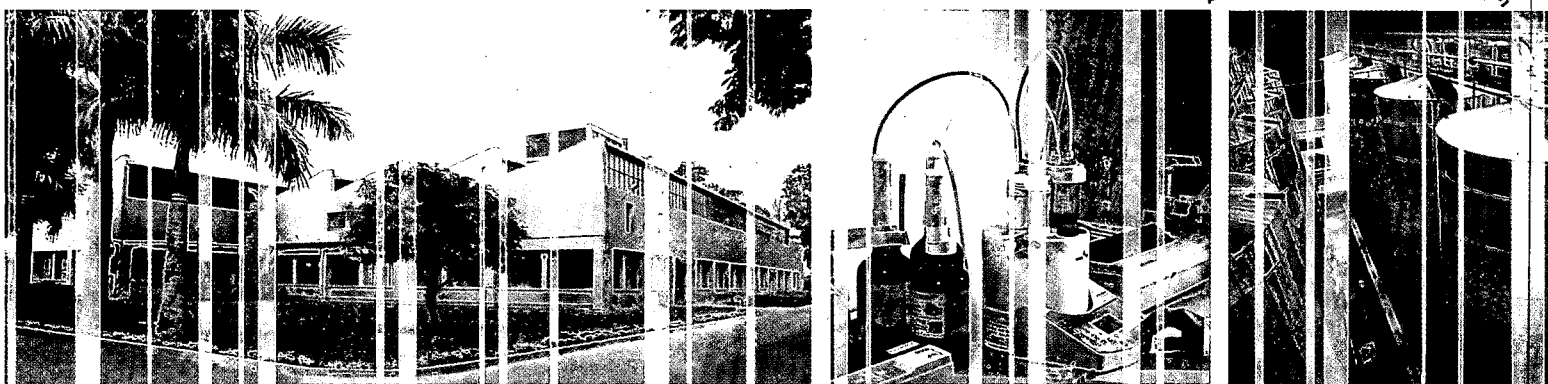


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ACROSS THE CONTINENTS



An Italian Joint Venture
With ICAP SIRA, Italy

HARYANA
LEATHER CHEMICALS LTD

HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Silu Kohli

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. 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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Proxy Form

SIN for Demat purpose : INE 681F01018



NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of the company M/s Haryana Leather Chemicals Limited will be held on Thursday, the 10th day of September, 2009 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 2009 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 @ 6% for the Financial Year 2008-09.
3. To consider appointing a Director in place of Mr. V. K. Garg, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider appointing a Director in place of Dr. K.S.V. Menon, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider appointing a Director in place of Mr. Harish Gupta, 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.

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.

SILU KOHLI
Company Secretary

Dated : 10th day of August, 2009

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 -201301 (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 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 07.09.2009 to 10.09.2009 (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.



DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the TWENTY FOURTH Annual Report and Audited statement of accounts of the company for the year ended on 31st March, 2009.

FINANCIAL RESULTS

A summary of financial results for the year 2008-2009 is given below: -

	(Rs. in Lacs) 2008-2009	(Rs. in Lacs) 2007-2008
Sales Turnover (Net of Excise)	2298.86	2105.92
Gross Profit	248.40	178.06
Deductions		
Depreciation	65.79	65.28
Interest	4.36	5.21
Profit before Tax	178.25	107.57
Less: Provision for Income Tax for the year	39.85	30.00
Less: Provision for Fringe Benefit tax for the Year	4.00	2.40
Less: Provision for Taxation/FBT Earlier year	0.80	2.69
Add: Provision for Income Tax written back	3.25	-
Less: Previous year Adjustment	-	0.10
Less/(Add): Deferred Tax	(5.37)	(10.19)
Profit after Tax and available for Appropriation	142.22	82.57
Less: Provision for Dividend	29.45	24.54
Less: Provision for Dividend Tax	5.01	4.18
Less: Transfer to General Reserve	16.16	8.07
Profit carried to Balance Sheet	91.60	45.78

OPERATIONS

During the year the company has achieved a sales turn over of Rs.2299 lacs against Rs.2106 lacs for the previous year and net profit for the year is Rs. 142.22 lacs against Rs.83 lacs for the previous year. During the year company's exports are Rs.848 lacs compared to the previous year's exports of Rs.866 lacs.

In spite of worldwide recession in the leather industry, the company has been able to achieve higher sales in comparison to last year. The company has also recorded higher profits due to increase in sales and gain in foreign exchange fluctuation.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. V.K Garg, Dr. K.S.V. Menon and Mr. Harish Gupta, Directors retire by rotation at the forthcoming Annual General Meeting to be held on 10.09.2009 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 31st, 2009 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 quality audit of ISO 9001-2000 has been successfully completed. The company is strictly adhering to the quality policy and the quality objectives outlined in the system. The company is also installing the environment management system defined under ISO 14001. Most of the initial documentation work is completed and the system will be implemented shortly in the coming year.

EXPORT OPERATIONS

Exports to East Asia still continue to be the company's main export thrust and focus. During the year three potential distributors for wet end products have been identified and testing of company's product are underway. The initial results are satisfactorily and promising for higher growth. Efforts towards reviving markets in Turkey have resulted in appointing a new dealer in Istanbul and the company expects bulk orders in the coming year. In spite of the worst recession in the international markets, the company has largely maintained its sales volume and was successful in retaining all its dealer and customers.

TECHNOLOGY DEVELOPMENTS

The research project on 'Polymeric Fatliquors' sponsored by DSIR (Department of Scientific & Industrial Research) has reached its final stage where field trials are being conducted at the actual user's site for validation of results. The company has to ensure that during commercialization there are no glitches over the product acceptance across all segments of customers. The company is also planning to set up an application lab at the Kolkatta Leather Complex to do on site demonstration and testing.

The plant trials development work on PVC Processing Aids has successfully reached the final stage. Some trial order have also been received and the response from the market is satisfactorily and encouraging. The company is still continuing various tests and trial runs for improved quality parameters through CIPET (Central Institute of Plastic Engineering & Technology).

The company has received Rs.125 lacs towards first Installment from Technology Development Board (TDB) for commercialization of Polyurethane Dispersions developed through indigenous research. As per agreement with TDB the pilot plant will be set up at the existing facilities and pilot production will start by Sept 09.

DIVIDEND

Considering a stable cash flow situation, adequate profits and accruals during the year, your Directors are glad to recommend a dividend of 6%.

PERSONNEL & INDUSTRIAL RELATION

The new 'Performance Appraisal System' introduced last year has been successful in motivating the employees at all levels. The company has been able to identify key executives who can handle more challenging tasks and contribute for the future growth of the company. During the year industrial relation were very cordial.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The company has installed a new air diffuser system in the effluent treatment plant which has significantly reduced the solid waste. Due to a new recycle technique for the waste cooling water, the load on the output of bore well water has reduced which resulted in water savings by 10%.

The company has completed the registration with Gujarat Enviro Protection & Infrastructure (Haryana) Pvt. Ltd (GEIPL) for common treatment of hazardous waste, at the disposal facility (ICHTSDF) at Pali, Haryana.

ACKNOWLEDGEMENT

The Directors wish to express their sincere thanks and gratitude to their various business partners, suppliers, domestic & international dealers and financial institutions, who have contributed in the company's growth.

The directors also wish to appreciate 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 day of August, 2009

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, 2009.

A) CONSERVATION OF ENERGY

The company has been able to reduce energy cost due to reasons such as:

1. Running of spray drier on UHBVNL power as and when available instead of continuous operation on Gen sets.
2. Due to lower sale of Syntans which is more fuel intensive;

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

	Form A	
	Current Year 2008-2009	Previous Year 2007-2008
1. Power and Fuel Consumption		
a) Electricity Purchased (KWH)	263044	264404
Total Amount (Rs.)	1261839	1292855
Rate/Unit (Rs.)	4.79	4.88
b) Own Generation		
- Through Diesel Generator		
Unit (KWH)	78821	134257
Units / Ltr. Of Diesel Oil	2.55	2.84
Cost/Unit (Rs.)	12.67	10.78
- Coal	Nil	Nil
Quantity		
Total Cost		
Average Cost		
- Furnace Oil / HSD Oil Quantity (K. Ltrs.)	164	207
Total Amount (Rs.)	4450907	5184835
Average Rate (Rs. K. Ltr.)	27139.67	25042.67
- Others / Internal Generation	Nil	Nil
Quantity		
Total Cost		
Rate Unit		
2. Consumption per Unit of Production		
Production (MT)	3093	3387
Electricity (KWH/MT)	110.51	117.69
Furnace / HSD Oil (Ltr. / MT)	43.02	47.14
Coal	-	-
Others	-	-

B) TECHNOLOGY ABSORPTION

a) Research & Development (R & D)

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

- a) DSIR (Department of Scientific & Industrial Research - Govt. of India) sponsored research project on Polymeric Fatliquors has been nearly completed. The last stage of leather application trials in company's lab has also been validated. The customer trials 'on site' and final optimization is under progress.
- b) The formulations of pigment dispersions have been further optimized to meet with the new 'Hot Light Ageing' international standards on Automotive Leathers.



- c) The development work on Acrylic Process Aids and Impact Modifiers has been completed at laboratory scale and has reached the plant trial run stage.
- d) A new agenda for development of 'Phthalates Free' lacquers (Aqueous and Solvent System) was taken up to meet urgent market needs. The work is completed and products have been modified in line with new international trends on banned chemicals.

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

- a) The company is able to achieve higher sales in upholstery segment and the future trends indicate that these new developments will continue to bring higher sales.
- b) The introduction of PVC processing aids will expand the company's non-leather segment sales and ensure better capacity utilization of acrylics production facility and the spray drier system.
- c) The modification of lacquers formulation was necessary to maintain the lacquers sales otherwise this prestigious segment of sales would have suffered a decline.

3. Future Plan of Action

- a) To complete the Kolkatta application center for 'on site' trials for the R&D project on Polymeric Fatliquors.
- b) To set up an application testing facility to check performance parameters of Impact Modifiers and Acrylic Processing Aids for PVC and commercialize the products.
- c) To reevaluate the existing test procedures of raw materials and introduce new techniques in testing of inputs for better control of banned substances.
- d) To do a preliminary study on application of Zeta potential to control the ageing behavior of water based products specially fatliquors.

4. Expenditure on R & D.

i) Capital	:	16.43
ii) Recurring	:	28.97
iii) TOTAL	:	45.40
iv) Total R & D expenditure	:	1.97 %
as percentage of total turnover		

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

- a) The company's foreign exchange earnings out of export were Rs.848 lacs.
- b) The expenditure in foreign exchange during the financial year under review is Rs.240.06 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 : 10th day of August, 2009

N.K. JAIN
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure

In spite of serious demand shortfall of leather and leather goods from west, Indian leather Industry has sustained its position due to stable domestic demand. Therefore, the leather chemical industry did not face the recessionary trends it expected during the year. The stability on raw material and other input costs also strengthened the leather chemical industry and will continue to do so. The growth potential will depend on trends of leather exports to US and Europe. However leather chemical exports to far eastern countries will continue to grow as the competitors from Europe are under cost and recessionary pressures.

b. Opportunities & Threats

Opportunities

Indian leather Industry, being labor intensive, still occupies the status of a high growth Industry. The decline of leather production in Europe will continue to bring new opportunities for Indian leather and leather chemical industry. India and China will continue to be the most important producers of leather and the company has significant share in these markets and will continue to push for higher market share.

Threats

The instability in foreign exchange, and EURO - US relation can cause instability in both domestic and export operation of the company. International petroleum prices, which affect the prices of raw materials, can cause serious threat to the profitability of the leather chemical industry. The declining demand of luxury and fashion goods in US and Europe also poses some threat but the present indicators suggest that demand is likely to pick up by the year-end.

c. Segment-wise or product-wise performance

The domestic market sales have improved even after a tougher competition and recessionary trend. Especially the gloving sector has shown significant growth in Kolkatta markets. The upholstery segment sales from Kanpur have continued to grow while sales in southern and northern India have consolidated and remained stable.

In exports, new dealer appointments in Thailand, Kenya, Turkey and China has compensated for loss of sale in Bangladesh especially in the wet end segment.

Product-wise, the company's wet end section has performed better due to higher volumes. The company hopes to consolidate the finishing department by diversifying into PVC additives. The new developments in Polyurethane Dispersions and PVC additives will allow better capacity utilization, value addition and increased profitability across all departments.

d. Outlook

The growth potential and outlook of leather chemical Industry is still promising in domestic and foreign markets. There are new safety regulations on banned substances and European regulations like REACH will make tougher demands on leather chemical industry. Those producers, who have in house research, development and test facilities, will be able to sustain these demands and pressures. The company will need to make new investments in the testing facilities to comply with the expected norms from Europe and US.

e. Risks & Concerns

Company's main concern will remain foreign exchange and petroleum prices stability to ensure a steady demand and a control on the input costs.

f. Internal control Systems and their adequacy

The company has consolidated its cost control of inputs due to SAP ERP system. This has ensured higher value addition and improved control on the cost and selling prices. The company's tighter control on receivables has continued to improve the cash flow. A strict monitoring on slow moving items has ensured that inventories do not block the cash resources. The new maintenance management software system (CMMS) is under final testing and will reduce the breakdowns and improve plant efficiency.

g. Discussion on financial performance with respect to operational performance

Higher sales revenues and profits as compared to previous years are mainly due to stability in cost of inputs, earnings due to foreign exchange fluctuation and reduced expenses. The company hopes to increase its profitability by expanding the sales volumes and product range by adding new customers in leather and non-leather industries.