



NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of the company M/s. Haryana Leather Chemicals Limited will be held on Monday, the 12th day of September, 2011 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, 2011 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 2010-11.
3. To consider appointing a Director in place of Mr. Pradeep Behl, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider appointing a Director in place of Mr. Harish Kumar Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider appointing a Director in place of Mr. Piero Tranchinetti, 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 themselves 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 NANDA
Company Secretary

Dated : 10th day of August, 2011

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 05.09.2011 to 12.09.2011 (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.
8. Members are requested to provide their e-mail address so as they can receive the accounts and other related details on their e-mail only.



DIRECTORS' REPORT

Dear Shareholders,

The directors of Haryana Leather Chemicals Ltd. are pleased to present the 26th Annual Report and Audited Statement of the company's accounts for the year ended on 31st March, 2011.

FINANCIAL RESULTS

A summary of the financial results for the year 2010-2011 is given below :

	2010 - 11 (Rs. in Lacs)	2009 - 10 (Rs. in Lacs)
Sales Turnover (Net of Excise)	3462.54	3236.07
Gross Profit	390.56	437.98
Deductions Depreciation	72.29	66.50
Interest	15.45	7.14
Profit before Tax	302.82	364.34
Less: Provision for Income Tax for the year	82.93	75.00
Less: Provision for Fringe Benefit Tax for the Year	-	-
Less: Provision for Taxation/FBT Earlier year	12.43	-
Add: Provision for Income Tax written back	-	13.57
Less: Previous year Adjustment	-	-
Less/(Add): Deferred Tax Liability	21.93	(0.92)
Profit after Tax and available for Appropriation	185.53	303.83
Less: Provision for Dividend	29.45	29.45
Less: Provision for Dividend Tax	5.01	5.01
Less: Transfer to General Reserve	22.66	40.40
Profit carried to Balance Sheet	128.41	228.97

OPERATIONS

During the year the company has achieved a sales turn over of Rs.3,462 lacs against Rs.3,236 lacs for the previous year and net profit for the year is Rs.185.53 lacs against Rs.303.83 lacs for the previous year. The exports are at Rs.1,420 lacs compared to the previous year's exports of Rs.1,260 lacs.

The company has been able to achieve higher sales in domestic and export market in comparison to last year. However, it has somehow recorded lower profits due to significant increase in cost of inputs which could not be passed on fully to customers who have long term relationship with the company.

DIRECTORS

During the year pursuant to the provisions of the Articles of Association of the company Mr. Pradeep Behl, H.K. Gupta and Piero Tranchinetti, Directors, retire by rotation at the forthcoming Annual General Meeting to be held on 12.09.2011 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 has been 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:

- during the preparing of the annual accounts, the applicable accounting standards have been followed and no material departure has taken place;
- 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, 2011 and of the profit of the company for the year ended on that date;
- 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;
- annual accounts have been prepared on an ongoing concern basis.

FIXED DEPOSIT

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



QUALITY CONTROL

The company has further reinforced its quality systems for incoming and outgoing material with the acquisition of more advanced analytical instruments. Company's SAP ERP system has been tested for drilling down on the historical data of materials in order to track and respond to a complaint from the field. The company continues with its present quality system of ISO 9001-2000 and ISO 14001. The company is strictly complying with the quality policy and the quality objectives outlined in the system.

EXPORT OPERATIONS

Company's export operations continue to be the focus of growth as it would eventually benefit the domestic sector too due to new releases. There has been significant expansion of customer base due to a new thrust in countries like Ethiopia, Poland, Uzbekistan and Vietnam. The company is still struggling to regain its customers in Bangladesh but due to logistical difficulties there is no breakthrough as yet. There are very promising enquiries of PVC modifiers from Russia, Iran and Turkey and the sampling is under progress.

TECHNOLOGY DEVELOPMENT

The first phase of commercial production platform of the indigenously developed Polyurethane Dispersions is under final stages of completion. The project which is partially funded by TDB (Technology Development Board) of Govt. of India is being set up in existing plot - instead of the new plot - for speedier implementation and better operational control. The pilot scale production is ongoing and is complementing the first phase capacity of 300 MT / Year.

The research project on 'Polymeric Fatliquors' sponsored by DSIR (Department of Scientific & Industrial Research) has already been completed to the satisfaction of sponsoring authority. Due to sensitivity in the production technology the company has yet not firmed up any plans for its commercialization until the seed marketing in various domestic and export market is satisfactorily completed.

After the successful completion of the trial production of Acrylic Processing Aids for PVC, the company is setting up a new 'pressure nozzle' type spray drying system based on latest technology using pulse bag filtration. The new drying facility has been designed to ease off the production constraints and also to address the environmental concerns during production. The plant which is first of its kind in the country is expected to go into trial run phase by June 2012.

DIVIDEND

Considering the current cash flow situation due to new investments and lower profits as compared to last year, the directors have recommended a dividend of 6%.

PERSONNEL & INDUSTRIAL RELATION

The 'Performance Appraisal System', introduced few years ago has been further expanded to ensure more accountability across all staff, managers and executives. The team of 'key executives' is able to handle day to day operations while senior executives are handling more challenging tasks on product development, technical services, safety and environmental issues.

Industrial relation remained cordial across all segments of skilled and unskilled workforce.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The water treatment technology has been periodically reviewed under the guidance of a water treatment consultant from M/s. Expertise Limited U.K. The improved treatment cycle has consistently met with all the statutory requirements. Improved efficiency in production and more frequent audits of water consumption have yielded further reduction in waste water volume from 20 KL to about 8 KL per day. The company is delivering all solid waste to Gujarat Enviro Protection & Infrastructure (Haryana) Pvt. Ltd. (GEIPL) common treatment facility for disposal - as per the directives of state pollution control board.

ACKNOWLEDGEMENT

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

The directors appreciate the diligence, dedication and commitment of all those employees, who have worked hard to get the company to where it stands today.

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

Place : New Delhi
Date : 10th day of August, 2011

N.K. JAIN
Director

PANKAJ JAIN
Managing 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, 2011.

A) CONSERVATION OF ENERGY

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

1. Reduction in waste water and improved yield..
2. Installation of computer controlled Weishaupt Germany burner in the Syntan plant.
3. Increased batch size of some fast moving products in wet end area.
4. Optimization in change over system for generators and load distribution.

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 2010 - 11	Previous Year 2009 - 10
1.	Power and Fuel Consumption			
	a) Electricity Purchased (KWH)		274328	354976
	Total Amount (Rs.)		1582345	1631225
	Rate / Unit (Rs.)		5.76	4.59
	b) Own Generation			
	- Through Diesel Generator			
	Unit (KWH)		129370	93030
	Units / Ltr. of Diesel Oil		2.60	2.55
	Cost / Unit (Rs.)		13.45	12.38
	- Coal		Nil	Nil
	Quantity			
	Total Cost			
	Average Cost			
	- Furnace Oil / HSD Oil Quantity (K. Ltrs.)		230.83	237.98
	Total Amount (Rs.)		7597944.04	6411063
	Average Rate (Rs. K. Ltr.)		32915.90	26939
	- Others / Internal Generation		Nil	Nil
	Quantity			
	Total Cost			
	Rate Unit			
2.	Consumption per Unit of Production			
	Production (MT)		5396.80	4489.40
	Electricity (KWH / MT)		74.80	99.79
	Furnace / HSD Oil (Ltr. / MT)		37.34	44.89
	Coal		-	-
	Others		-	-

B) TECHNOLOGY ABSORPTION

a) Research & Development (R & D)

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

- a) The research project on "Polymeric Fatliquor" has been successfully concluded in June, 2010 as per the satisfaction of sponsoring authority DSIR - Govt. of India. The final application tests and performance validation was carried out in company's application lab at Jind, Haryana. The Kolkata application lab which was designed for testing such products is still awaiting statutory clearance from West Bengal State Pollution board and these approvals will be necessary for commercialization of developed technologies.



- b) The pilot production of PVC process aids and modifiers has been successfully carried out and the application testing set-up has been completed with very high standards of precision and repeatability in test results which is essential for commercial launch of the products.
- c) The testing procedures of all inputs were audited in view of new regulations relating to banned substances and REACH regulations. The company's in house infrastructure for detection of banned substances was found adequate. For some of the newly declared banned substances, the outside testing facilities were identified and their results calibrated to ensure compliance of prevailing safety standards.
- d) Company has bought a new technology - in collaboration with Vismon Spain - for synthetic fatliquors for processing light weight high fashion leather articles. The tests are under way and products from this technology will be launched in luxury goods leather segment in the coming year.

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

- a) The company is able to firm up its plans for expansion in high value added products in leather and non-leather sector to achieve higher sales and profitability.
- b) The risk of banned substances in inputs has been minimized to build up confidence amongst foreign customers, especially in Europe, and other domestic customers who export their products to Europe.

3. Future Plan of Action

- a) To generate data on thin film properties using the new Zwick Roell tensile tester for the entire range of acrylics and Polyurethane binders. This data will be included in the technical brochures to enable customers to choose products faster and adjust their processes quickly on the basis of physical properties of the films.
- b) To evaluate and rank the hot light ageing properties of all wet end products using newly acquired Atlas Sun-test machine enabling the company to develop a quick selection guide for the customers.
- c) To develop a range of low- solid hybrid acrylics that can give the same properties of high- solid acrylic at much lower production cost.

4. Expenditure on R & D.

i) Capital	: 76.37
ii) Recurring	: 40.77
iii) TOTAL	: 117.14
iv) Total R & D expenditure as percentage of total turnover	: 3.38 %

b) Technology Absorption, Adaptation & Innovation
(as per form B of the annexure to this rule)

1. Efforts in brief made towards technology absorption and innovation.

Technology imported for light weight synthetic fatliquor from Vismon Spain is under evaluation and absorption. The products from this technology are being optimized using Indian raw materials. The company will implement the complete technology after indigenization by December, 2011.

All previously imported technologies have been fully absorbed and commercialized.

c) Foreign Exchange Earnings And Outgo

- a) The company's foreign exchange earnings out of export were Rs.1420 lacs.
- b) The expenditure in foreign exchange during the financial year under review is Rs.336.6 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, 2011

N.K. JAIN
Director

PANKAJ JAIN
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure

Indian leather production and exports have seen a robust growth in the current year with good capacity utilization by most tanneries and renewed enquiries from foreign buyers. However there are indicators of declining raw hide availability with most tanners resulting into substantial hike of prices of raw skins and wet blue leather – the key input for leather and allied industry. Such a situation is putting a significant pressure on the margins of many leather and goods suppliers in India inspite of a healthy order book across all segments of leather industry.

b. Opportunities & Threats

Opportunities

India and China continue to be the most favored countries for leather industry due to cheaper labor cost as compared to Italy, Germany, Spain and Brazil. With most tanneries in India and China now out of the transition phase of modernization and environmental compliances, they are now well placed to compete the European big tanneries in leather production. This trend offers a huge opportunity for leather chemical industry also. The company is already very well entrenched in India and China. With expanded product range - which conforms to the most stringent performance and environmental regulations - the company can expect a healthy order situation from both these markets in long term.

Threats

The inflation and a two fold increase in some of the key inputs has started to affect the profitability of leather chemical industry as the entire burden of material cost increase could not be passed on to the tanners.

International petroleum prices, which affect the prices of raw materials, can further cause serious threat to the profitability. There are also concerns that due to appreciation of domestic currencies against US dollar – both in China and India – the exporters' margins will remain under pressure. The instability in US Dollar remains a big reason for worry for most leather and chemical exporters.

c. Segment-wise or product-wise performance

The growth in domestic sales and exports has been encouraging and the company continues its thrust for higher market share. The growth in volume has also validated that expansion of customer base with new products and distribution channels is the key to the future growth. The company is making all efforts to reach distant customers by regular participation in trade fairs in countries like Indonesia, Vietnam and Ethiopia.

The growth in Acrylic division of the company has not been satisfactory due to a sudden jump in cost of acrylic monomers and cancellation by some customers due to price increase. There is a likely improvement in capacity utilization of Acrylic emulsion plant once the new spray drying facility for PVC additives is completed.

d. Outlook

The growth potential of leather chemical Industry in India remains positive in domestic and international markets, mainly due to lower cost of production. Safety and environment regulations on banned substances will continue to make tougher demands on leather chemical industry but company's testing infrastructure is fully competent to meet such demands. The challenges of rising input cost will need to be addressed through research and development of newer products, more efficient processes and general cost cutting measures.

e. Risks & Concerns

Company's main concern will remain rising input cost which cannot be transferred directly on the selling price. Foreign exchange and petroleum prices stability is essential to ensure a steady demand and a control on the input costs.

f. Internal control Systems and their adequacy

The cost of inputs and its relation to selling prices has been the main focus of internal controls. The previous year's efforts to tighten the credit sales have enabled improved cash flow and investment in new plants and technologies. A new system has also been tested on SAP - ERP to ensure phased reduction of credit periods offered to the company by the suppliers to avail higher trade discounts in purchasing.

A computerized biometric system for attendance management of employees has also been installed at the factory to remove any chance of error in time keeper's records. This has significantly reduced worker's grievances and has improved the discipline in the workforce.

g. Discussion on financial performance with respect to operational performance

Higher sales revenues -as compared to previous years - are mainly due to expansion of products and customer base within India and abroad. However the profits are lower mainly due to steep escalation of inputs costs. The company exercised greater restraint in increasing the selling prices to ensure continuity of orders from long term customers.



- h. Material developments in Human Resources / Industrial Relation front, including number of people employed**
The company's workforce across various levels remains highly motivated to ensure growth and to achieve excellence in product quality and services. The pool of key executives has been able to take charge of the day-to-day operations freeing the senior managers to devote more time to strategic work, research and growth opportunities. The practice of 'year-end' bonus to staff, managers and executives was continued as a token of appreciation to their commitment.

The numbers of employees as on 01.08.2011 was Ninety One.

CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The company has strictly adhered to the model code in corporate governance and has strictly complied with various statutory regulations.

Fairness to shareholders and common bodies, transparency, disclosures and accountability has been the guiding philosophy on company's day to day and long term operational goals.

2. Board of Directors

The Board of directors consists of ten directors, two executive director and eight non-executive directors. Out of the eight non- executive directors, two are nominees of the collaborators i.e., ICAP Sira Chemicals & Polymers SPA, Italy.

The Board normally meets once in every quarter. During the year the Board of Directors met six times on 30.04.2010, 31.07.2010, 10.08.2010, 15.09.2010, 29.10.2010 and 31.01.2011.

The Composition of the Board of Directors and attendance record is as follows:

Director	Category	Other Director-ships held	Memberships in Committees of Board	No. of Board meeting attended	Whether attended AGM held on 10.09.10
Pankaj Jain	Executive	2	-	6	Yes
Sippy Jain	Executive	-	-	2	Yes
N.K. Jain	Non - Executive	4	-	1	Yes
V.K. Garg	Non - Executive	9	-	-	No
H.K. Gupta	Independent	1	3	1	Yes
KSV Menon	Independent	1	3	6	No
H.C. Dutta	Independent	-	3	0	No
Massimo Medini*	Independent	-	-	-	No
Piero Trachinetti*	Independent	-	-	-	No
Pradeep Behl	Independent	-	3	5	No

* Represents collaborator M/s. ICAP Sira Chemicals & Polymers SpA, Italy.

3. Audit Committee

The Audit Committee of the Company has the following members:

1. Dr. KSV Menon – Chairman
2. Mr. H.C. Dutta – Member
3. Mr. H.K. Gupta – Member
4. Mr. Pradeep Behl – Member

The terms of reference are as required under clause 49 of the Listing Agreement.

During the year the committee met on 30.04.2010, 31.07.2010, 10.08.2010, 29.10.2010 and 31.01.2011. The attendance of the members of the committee is as follows:

Name of Director	Details of Attendance
Dr. KSV Menon	30.04.2010, 31.07.2010, 10.08.2010, 29.10.2010 & 31.01.2011
Mr. H C Dutta	
Mr. Harish K. Gupta	30.04.2010
Mr. Pradeep Behl	30.04.2010, 31.07.2010, 10.08.2010, 29.10.2010 & 31.01.2011