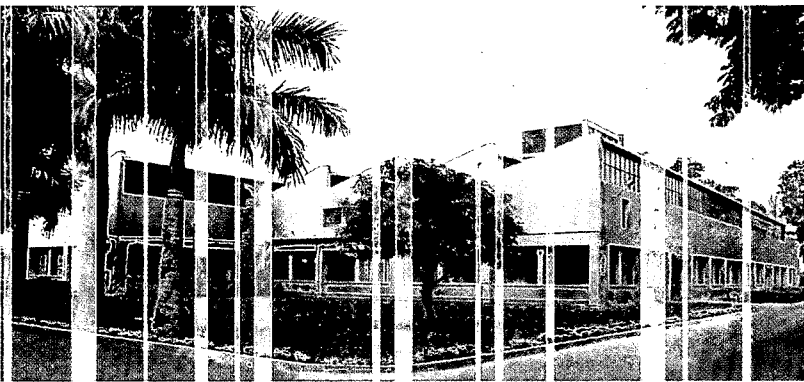


ACROSS THE CONTINENTS



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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Report on Corporate Governance
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Profit & Loss Account
Cash Flow Statement
Schedules
Balance Sheet Abstract
Notes to Accounts
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

Dated : 10th day of August, 2009

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

SILU KOHLI
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 -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.

Inspite 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:-

	Current Year 2008-2009	Form A 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 as percentage of total turnover	:	1.97 %

**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.



- h. Material developments in Human Resources / Industrial Relation front, including number of people employed**
The company's workforce across various levels remains highly motivated and committed to problem solving and growth. The strategic task force constituted last year has been able to take up various new tasks essential for current operations and growth. A year-end bonus was awarded to all the employees as a token of appreciation in managing the growth during recession period. The company has completed all the formalities on health insurance for managers and staff.

The numbers of employees as on 01.08.2009 was ninety five.

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 nine directors, one 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 five times on 30.04.2008, 31.07.2008, 19.08.2008, 31.10.2008 and 30.01.2009.

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

Director	Category	Other Directorships held	Memberships in Committees of Board	No. of Board meeting attended	Whether attended AGM held on 20.09.08
Pankaj Jain	Executive	1	0	5	Yes
N.K. Jain	Non - Executive	4	1	2	No
V.K. Garg	Non - Executive	9	0	0	No
H.K. Gupta	Independent	1	2	0	No
KSV Menon	Independent	1	3	5	Yes
H.C. Dutta	Independent	1	2	3	No
Massimo Medini*	Independent	-	-	-	No
Piero Trachinetti*	Independent	-	-	-	No
Pradeep Behl	Independent	0	1	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 30.04.2008, 31.07.2008, 19.08.2008, 31.10.2008 and 30.01.2009. The attendance of the members of the committee is as follows:

Name of Director	Details of Attendance
Dr. KSV Menon	30.04.2008, 31.07.2008, 19.08.2008, 31.10.2008 & 30.01.2009.
Mr. H C Dutta	30.04.2008, 31.10.2008, 30.01.2009
Mr. Harish K. Gupta	
Mr. Pradeep Behl	30.04.2008, 31.07.2008, 19.08.2008, 31.10,2008, 30.01.2009



4. Remuneration of Directors

The Company has constituted remuneration committee consisting of three independent directors, Dr. KSV Menon (Chairman), Mr. HC Dutta and Mr. Harish K. Gupta.

All directors except Mr. Pankaj Jain, Managing Director, receive only sitting fee.

The Remuneration package of Mr. Pankaj Jain, Managing Director for the year 2008-2009 is given below.

All elements of remuneration	Rs. 14.82 lacs*
Fixed Portion	Rs. 14.82 lacs
Performance Incentive	Nil
Criteria of performance incentive	N/A
Period of appointment	04.02.2005 to 03.02.2010
Notice Period	Nil
Severance Fees	Nil
Stock Option	Nil

* The break up is given in the notes to accounts .

Other than the fixed portion of remuneration, the managing director is entitled to contribution to provident fund and gratuity & leave encashment at the end of the tenure.

5. Shareholders / Investor Grievance Committee

Name of Non-executive Director heading the Committee	Dr. KSV Menon
Compliance Officer	Ms. Silu Kohli
No. of Shareholders complaints received during the year 2008-2009	Nil
Complaints not solved to the satisfaction of shareholders	Nil
Complaints pending on 31.03.2009	Nil

6. General Body Meetings

Location, time and date of last three A G Ms

Date	Time	Location
20.09.2008	11.30 am	72-77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana.
30.09.2007	11.30 am	— do —
30.09.2006	11.30 am	— do —

7. Disclosures

- There were no material transactions with directors or the Management or their relatives having potential conflicts with the interest of the company at large.
- There has been no instance of non-compliance by the company, penalties, strictures imposed on the company by stock exchange or SEBI or any statutory authority on any matters related to the capital market during the last three years.

8. Means of Communication

The company adopts the quarterly financial results as per the format prescribed by the stock exchange and is immediately sent to Bombay Stock Exchange, Mumbai. The quarterly results are also published in newspapers - Financial Express - Mumbai and Dainik Tribune, Chandigarh and are available in company's web site.

The Management Discussion and Analysis Report is part of the Annual Report.



9. General Shareholder Information

- a. Annual General Meeting (AGM): The Company's AGM will be held on 10.09.2009 at 11.30 am at the Registered Office of the Company at 72-77, HSIDC Industrial Estate, Hansi Road, Jind-126102 (Haryana).
- b. Financial Calendar: April to March.
- c. Date of Book Closure: 07.09.2009 to 10.09.2009.
- d. Dividend Pay out dates: 10.09.2009.
- e. Listing of Stock Exchanges: Mumbai Stock Exchange.
- f. Stock Code: BSE 524080.
- g. Market Price Data: The shares of the company quoted at Bombay Stock Exchange between Rs. 7.00 to Rs. 13.50 during the year 2008-09.
- h. Registrar and Transfer Agents: RCMC Share Registry (P) Ltd, B-106, Sector-2, Noida-201301 (U.P.). The share Transfer System: Company's Registrar & Share Transfer Agents is handling the both physical and electronic share transfer related job.
- i. Depository Participants; National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL).

Distribution of shareholdings:

Distribution of shareholding as on 31.03.2009

Shareholding of Value of Rs.	No. of Share Holders	% of Share holders to Total	No. of shares held	Amount Rs.	% to Total
0 - 5000	3910	89.06	755710	7557100	15.40
5001 - 10000	266	6.06	226461	2264610	4.61
10001 - 20000	78	1.78	114965	1149650	2.34
20001 - 30000	32	0.73	84597	845970	1.72
30001 - 40000	14	0.32	50654	506540	1.03
40001 - 50000	21	0.48	98292	982920	2.00
50001 - 100000	23	0.52	170232	1702320	3.47
100001 and above	46	1.05	3407559	34075590	69.43
Total	4390	100	4908470	49084700	100

Shareholding Pattern as on 31.03.2009

Category	No. of shares	Percentage
Promoters (including Foreign Collaborator)	2134308	43.49
FN, Banks .Mutual Funds	211300	4.30
Others	2562862	52.21
Total	4908470	100.00

Dematerialization and Liquidity: The shares of the company is dematerialized and the ISIN for Demat is: INE681F01018.

Registered Office and Plant Location: Plot No. 72-77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana - 126102. EOU Division at 52-53, HSIDC Industrial Estate, Hansi Road, Jind, Haryana - 126102.

Corp. Office: 1004, Bhikaji Cama Bhawan, Bhikaji Cama Place, New Delhi - 110 066.



Auditor's Certificate on Compliance of conditions of Corporate Governance Under Clause 49 of the Listing Agreement

We have examined the compliance of conditions of Corporate Governance by **Haryana Leather Chemicals Limited** for the year ended on 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our review of the relevant records and documents maintained by the Company and furnished to us for review and the information and explanations given to us by the Company, we certify that the Company complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement with the Stock Exchanges.

For S.C. DEWAN & CO.
Chartered Accountants

Place : NEW DELHI
Date : 10th August, 2009

S.C. DEWAN
Partner

AUDITORS' REPORT

To

The Shareholders

Haryana Leather Chemicals Limited

We have audited the attached Balance Sheet of M/s. Haryana Leather Chemicals Limited as at 31st March, 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956, we enclose in Annexure A, statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to above, we state that :
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of such books.
 - (iii) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of accounts.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account dealt with by this report, comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - (v) On the basis of the written representations from the Directors as on 31.03.2009, taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with Significant Accounting Policies as per Schedule of Notes on Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India :-
 - a) In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2009, and
 - b) In the case of Profit and Loss account of the *Profit* of the company for the year ended on that date.
 - c) in the case of cash flow statement of the cash flows for the year ended on that date.

For S.C. DEWAN & CO.
Chartered Accountants

Place : NEW DELHI
Date : 10th August, 2009

S.C. DEWAN
Partner



ANNEXURE TO THE AUDITORS' REPORT

HARYANA LEATHER CHEMICALS LIMITED, JIND.

Referred to in Paragraph 1 of our report of even date :

1. The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. The Fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification. No Fixed Assets have been disposed off during the year.
2. Physical Verification of inventory has been conducted at reasonable intervals by the management. The procedures of Physical Verification of Inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of the Inventory. No material discrepancies were noticed on Physical Verification dealt within the books of accounts.
3. The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Sector 301 of the Act.
4. There is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
5. The transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered in the register. Each of these transactions has been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposit from the public.
7. The company has an internal audit system commensurate with its size and nature of its business.
8. The company has not been required to maintain cost records under Section 209(1) (d) of the Companies Act, 1956.
9. The company is regular in depositing undisputed statutory dues including, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales –tax, Wealth – tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
10. The company has been registered for a period of more than five years, having existing share capital of Rs.490.84 lakhs. It has incurred neither accumulated loss nor any cash loss in the financial year under review or in the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to a financial institution or bank or debenture holders during the year under review.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund company.
14. The company is not running any Nidhi / Mutual Benefit Fund/Society.
15. The company is not a Financing Company.
16. The company has not given any guarantee for loans taken by others from bank or financial institutions.
17. The term loans were applied for the purpose for which the loans were obtained, as per the information available from the records of the company.
18. The funds raised by the company on short term basis have not been used for long-term investment. The company has not raised funds on long term basis as it appears from the examination of the records of the company.
19. The Company has not made any Preferential Allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act.
20. The company has not issued any Debentures to the public.
21. The company has not raised any money by Public Issue during the year.
22. No fraud on or by the company has been noticed or reported during the year.

For S.C. DEWAN & CO.
Chartered Accountants

Place : NEW DELHI
Date : 10th August, 2009

S.C. DEWAN
Partner



BALANCE SHEET

	SCH	As at 31st March, 2009 Rs.		As at 31st March, 2008 Rs.	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	49,084,700		49,084,700	
Reserve & Surplus	2	93,886,789	142,971,489	83,109,975	132,194,675
LOAN FUNDS					
Secured	3		13,193,772		5,587,820
Deferred Tax Liability			10,872,889		11,410,277
TOTAL			167,038,150		149,192,772
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	4	152,633,383		147,894,853	
Less : Depreciation		82,929,908		76,350,747	
Net Block		69,703,475		71,544,106	
Add : Capital work in progress		1,985,802	71,689,277	1,985,802	73,529,908
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	5	24,956,163		31,979,992	
Sundry Debtors	6	71,004,773		70,555,935	
Cash & Bank Balances	7	27,216,171		2,707,334	
Loans & Advances	8	10,722,844		15,106,765	
		133,899,951		120,350,026	
Less : Current Liabilities & Provisions	9	38,551,078	95,348,873	44,687,162	75,662,864
TOTAL			167,038,150		149,192,772

In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2009

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

PANKAJ JAIN
Managing Director

SILU KOHLI
Company Secretary

N.K. JAIN
Director



PROFIT & LOSS ACCOUNT

	SCH	For the year ended 31st March, 2009 Rs.	For the year ended 31st March, 2008 Rs.
INCOME			
Sales Turnover	10	229,886,134	210,592,884
Miscellaneous Income	11	3,022,783	4,949,000
Gain on Fluctuation in Foreign Exchange		5,142,414	---
TOTAL		238,051,331	215,541,884
EXPENDITURE			
Materials Consumed	12	155,436,102	142,301,549
Manufacturing, Administration and Distribution Expenses	13	56,793,749	51,354,569
Financial Expenses	14	1,417,329	1,554,189
Fluctuation in Foreign Exchange		---	3,045,862
Depreciation		6,579,161	6,528,385
TOTAL		220,226,341	204,784,554
Profit for the year		17,824,990	10,757,330
Less : Previous Years' Adjustments		---	10,558
Less : Provision for fringe benefit Tax/Income Tax earlier year		79,973	268,076
Add : Provision for Income Tax written back		325,523	---
Less : Provision for Income Tax for the year		3,985,368	3,000,000
Less : Fringe Benefit Tax for the year		400,000	240,330
Less (Add) : Deferred Tax Liability/Asset		(537,388)	(1,019,486)
Profit for the year after tax available for Appropriation		14,222,560	8,257,852
APPROPRIATION ACCOUNT			
Profit for the year after tax available for Appropriation		14,222,560	8,257,852
Less : Proposed Dividend		2,945,082	2,454,235
Less : Tax on Dividend		500,664	417,097
Less : Transfer to General Reserve		1,616,522	807,978
Net Profit carried to Balance Sheet		9,160,292	4,578,542
NOTES TO ACCOUNTS	15		
Earning Per Share		2.90	1.68

In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2009

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

PANKAJ JAIN
Managing Director

N.K. JAIN
Director

SILU KOHLI
Company Secretary

**CASH FLOW STATEMENT**

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	17,824,990	10,746,772
Adjustments for -		
Depreciation	6,579,161	6,528,385
Interest	436,315	521,611
Operating Profit before Working Capital Changes	24,840,466	17,796,768
Adjustments for -		
Trade and other Receivables	3,935,083	15,081,292
Inventories	7,023,829	-4,894,935
Trade and other payables	-5,890,534	-8,988,027
Cash Generated from Operations	29,908,844	18,995,098
Interest Paid	436,315	521,611
Direct Taxes Paid	4,285,368	2,914,807
Provision for Dividend / Dividend Tax	3,445,746	2,871,332
Provision for Direct Tax / Fringe Benefit Tax	100,000	325,523
Cash Flow before Extraordinary Items	21,641,415	12,361,825
Extraordinary items	-	-
Net Cash from Operating Activities	21,641,415	12,361,825
B. Cash Flow from Investing Activities		
Purchase of Fixed/Long Term Assets	4,738,530	15,762,017
Sale/Reduction of Fixed Assets	-	-
R & D Grant against Fixed Assets	-	1,461,952
Net Cash used in Investing Activities	16,902,885	14,300,065
C. Cash Flow from Financing Activities		
Repayment of Long Term Finance Borrowings	-7,605,952	-3,880,206
Net Cash used in Financing Activities	-7,605,952	-3,880,206
Net Increase/(Decrease) in Cash and Cash Equivalents	24,508,837	1,941,966
Cash and Cash Equivalents (Opening Balances)	2,707,334	765,368
Cash and Cash Equivalents (Closing Balances)	27,216,171	2,707,334

Notes :

1. The above statement has been prepared in indirect method.
2. Cash and Cash Equivalents represent Cash and Bank Balances Only.
3. Additions to Fixed / Long Term Assets are stated include movements of Capital Work in Progress during the year.
4. Previous year's figures have been regrouped / reclassified wherever applicable.

AUDITORS' CERTIFICATE

We have verified the above statement with the books and records maintained by M/s. Haryana Leather Chemicals Limited and certify that in our opinion and according to the information and explanations given, the above statement is in accordance therewith.

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2009

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

PANKAJ JAIN
Managing Director

SILU KOHLI
Company Secretary

N.K. JAIN
Director



	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised 6,000,000 Equity Shares (Previous Year- 6,000,000 Equity Shares) of Rs. 10 each	<u>60,000,000</u>	<u>60,000,000</u>
Issued, Subscribed and Paid-up 4,908,470 Equity Shares (Previous Year- 4,908,470 Equity Shares) of Rs. 10 each	<u>49,084,700</u>	<u>49,084,700</u>

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE 2		
RESERVES & SURPLUS		
General Reserve	27,437,700	25,821,178
As per last Balance Sheet	25,821,178	
Transfer from Profit & Loss Account	<u>1,616,522</u>	
Profit & Loss Account		
Profit as per last Balance Sheet	57,288,797	52,710,255
Add/Less : Profit/(Loss) for this year	<u>9,160,292</u>	<u>4,578,542</u>
	<u>66,449,089</u>	<u>57,288,797</u>
	<u>93,886,789</u>	<u>83,109,975</u>

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE 3		
SECURED LOANS		
Term Loans against Hypothecation on vehicles (Personal Guarantee by Managing Director)	473,308	949,299
Working Capital Loans		
From State Bank of India	13,272	4,638,521
From Technology Development Board	12,707,192	---
Add :- Interest accrued	207,192	
	<u>13,193,772</u>	<u>5,587,820</u>

	Land	Buildings	Plant & Machinery	Furniture, Fixtures & Equipments	Vehicles	Total	Previous Year
SCHEDULE 4							
FIXED ASSETS							
GROSS BLOCK							
As at 31st March, 2008	13,903,141	25,300,977	90,979,837	11,009,478	6,701,420	147,894,853	134,021,024
Additions	249,327		2,699,208	1,582,495	207,500	4,738,530	15,335,781
Sale/Adjustments	0	0		0	0	0	1,461,952
As at 31st March, 2009	14,152,468	25,300,977	93,679,045	12,591,973	6,908,920	152,633,383	147,894,853
DEPRECIATION							
As at 31st March, 2008	0	7,278,438	56,649,850	8,636,779	3,785,680	76,350,747	69,822,362
For the year		590,249	4,371,100	994,322	623,490	6,579,161	6,528,385
As at 31st March, 2009	0	7,868,687	61,020,950	9,631,101	4,409,170	82,929,908	76,350,747
NET BLOCK							
As at 31st March, 2009	14,152,468	17,432,290	32,658,095	2,960,872	2,499,750	69,703,475	71,544,106
As at 31st March, 2008	13,903,141	18,022,539	34,329,987	2,372,699	2,915,740	71,544,106	

Note : Capital work in Progress Rs. 1,985,802/- (Previous Year - Rs. 1,985,802/-)



	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE 5		
INVENTORIES		
<i>(As valued and certified by the management)</i>		
Stores and Spares	409,627	418,502
Raw Materials	14,208,589	19,675,467
Packing Materials	777,457	1,950,262
Stock in Process	1,204,683	1,160,880
Finished Goods	8,355,807	8,774,881
	<u>24,956,163</u>	<u>31,979,992</u>
SCHEDULE 6		
SUNDRY DEBTORS		
<i>(Unsecured-considered good)</i>		
Outstanding over six months		
- Considered good	10,753,227	10,688,605
- Considered doubtful	-	-
	<u>10,753,227</u>	<u>10,688,605</u>
Less : Bad debts written off	-	-
	<u>10,753,227</u>	<u>10,688,605</u>
Other debts - Considered good	60,251,546	59,867,330
	<u>71,004,773</u>	<u>70,555,935</u>
SCHEDULE 7		
CASH & BANK BALANCE		
Cash in hand	157,230	155,309
Balance with Scheduled Banks		
On Current Accounts (Including cash credit accounts)	2,375,751	1,636,333
On Fixed Deposits	23,411,000	-
As Margin	867,630	700,000
- Bank Balance in unclaimed Dividend Account	404,560	215,692
	<u>27,216,171</u>	<u>2,707,334</u>
SCHEDULE 8		
LOANS & ADVANCES		
Advances Recoverable in cash or in Kind or for value to be received	1,244,744	3,769,918
Expenses Recoverable	131,724	80,873
Staff Advances	187,616	71,675
Security Deposits	579,831	740,572
Balance with Excise Department	4,793,859	6,224,417
Prepaid Expenses	821,238	853,277
Income Tax Deposited under protest	32,207	713,596
Claims Receivable	1,292,913	237,934
Cenvat Receivable	-	717,477
Central Sales Tax Receivable	1,008,995	1,289,756
Freight Receivable	-	407,270
Other Receivable	629,717	-
	<u>10,722,844</u>	<u>15,106,765</u>



As at
31st March, 2009
Rs.

As at
31st March, 2008
Rs.

SCHEDULE 9

CURRENT LIABILITIES & PROVISION

Current Liabilities

Sundry Creditors		27,730,742	36,434,367
Creditors due to Small Scale Industries	Rs. 1,176,449		
For Capital Expenditure	Rs. 1,023,807		
Others	Rs. 25,530,486		
Security Deposits from Dealers		1,436,038	1,436,196
Sales Tax Payable		168,335	237,382
Other Liabilities		4,361,938	1,878,458
Unclaimed Dividend		404,560	215,692
		34,101,613	40,202,095
Provisions			
Proposed Dividend		2,945,082	2,454,235
Dividend Tax		500,664	417,097
Income Tax Payable		-	325,523
Fringe Benefit Tax Payable		100,000	-
Leave Encashment		393,652	397,276
Excise Duty on Finish Goods		510,067	890,936
		4,449,465	4,485,067
		38,551,078	44,687,162

SCHEDULE 10

SALES TURNOVER

CAPACITY, PRODUCTION, PURCHASES AND STOCKS

Leather Chemicals and Auxiliaries, Acrylic Emulsions and Adhesives

	Capacity Installed	Production Quantity	Opening Stock Quantity	Closing Stock Quantity	Sales Turnover Quantity	Sales Turnover Value (Rs.)
This Year	3910.0 MT	3090.64 MT	177.28 MT	164.15 MT	3103.77 MT	229,886,134
Previous Year	3910.0 MT	3387.31 MT	158.58 MT	136.80 MT	3350.05 MT	215,541,884

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
Domestic Turnover	157,579,762	145,520,977
Export Turnover	31,483,288	34,744,420
E.O.U. Division Turnover	61,630,908	51,865,298
	250,693,958	232,130,695
Less : Excise Duty	20,807,824	21,537,811
	229,886,134	210,592,884

- Note :
1. Installed capacity is as certified by the management and not verified by the auditors being technical matter.
 2. Figures of stocks are shown after adjustments for captive consumption, shortages/excesses.
 3. Manufacturing Sales are stated at ex-works prices plus excise duties.
 4. Sales include transit losses.
 5. Sales include export turnover Rs. 84,816,816 (Previous Year - Rs. 86,609,718)
 6. The Products manufactured by the Company falls under one class of Goods.



	This Year Rs.	Prev. Year Rs.
SCHEDULE 11		
MISCELLANEOUS INCOME		
Interest earned on overdue Invoices	948,761	1,229,302
Interest earned on FD's with Bank	441,152	68,960
Bad Debts Recover	600,000	1,149,872
Credit Balance written on	104,666	1,007,201
Scrap Sale	138,259	210,375
Other Income	789,945	997,605
Advances forfeited	---	285,685
	<u>3,022,783</u>	<u>4,949,000</u>
SCHEDULE 12		
MATERIALS CONSUMED		
Raw Materials		
Opening Stock	19,675,467	16,695,197
Add : Purchases	131,337,927	129,392,880
	<u>151,013,394</u>	<u>146,088,077</u>
Less : Closing Stock	14,208,589	19,675,467
	<u>136,804,805</u>	<u>126,412,610</u>
Packing Materials	13,435,570	12,370,745
Consumable Stores	607,319	370,329
Cartage Inwards	4,213,137	4,266,623
Decrease/(increase) in Stock in Process		
Opening Stock - Stock in Process	1,160,880	1,208,911
- Finished Goods	8,774,881	7,608,092
	<u>9,935,761</u>	<u>8,817,003</u>
Closing Stock - Stock in Process	1,204,683	1,160,880
- Finished Goods	8,355,807	8,774,881
	<u>9,560,490</u>	<u>9,935,761</u>
	375,271	-1,118,758
	<u>155,436,102</u>	<u>142,301,549</u>
SCHEDULE 13		
MANUFACTURING ADMINISTRATION AND DISTRIBUTION EXPENSES		
Utilities		
Power, Fuel & Water	6,164,565	6,913,315
Personnel Expenses		
Salaries, Wages, Allowances, Bonus, Ex-gratia & special incentive	15,190,406	12,976,513
Contribution of Provident Fund & ESI	685,216	726,860
Gratuity	---	174,527
Welfare Expenses	555,589	295,506
Recruitment & Training Expenses	160,387	128,608
	<u>16,591,898</u>	<u>14,302,014</u>

(Schedule 13 contd.)



(Schedule 13 contd.)

	This Year Rs.	Prev. Year Rs.
Communication and Travel		
Postage and Telephone	1,369,899	1,478,933
Travelling and Conveyance - Employees	1,746,219	2,280,059
- Directors	484,148	707,629
Vehicle Expenses	418,815	369,990
	<u>4,019,081</u>	<u>4,836,611</u>
Repairs, Maintenance and Insurance		
On Buildings	1,724,825	1,524,009
On Plant & Machinery	2,860,414	2,548,152
Others	361,247	130,213
Insurance	821,189	988,331
	<u>5,767,675</u>	<u>5,190,705</u>
Marketing & Public Relations		
Promotional Expenses	6,472,589	2,770,421
Donations	21,501	12,500
Discounts and Commissions	5,701,421	6,851,287
Freight & Forwarding	3,567,949	4,263,734
	<u>15,763,460</u>	<u>13,897,942</u>
Royalties	904,513	875,214
Rent - Building	215,427	225,998
- Others	139,017	-
Printing & Stationery	1,022,712	755,910
Professional Charges	593,788	469,009
Research & Development Expenses	2,897,154	1,879,987
Technical Services	486,476	590,152
Auditors' Remuneration & Expenses		
Statutory Audit Fee	139,150	126,500
Expenses	17,408	14,549
	<u>156,558</u>	<u>141,049</u>
Guest House Expenses	498,762	300,494
Miscellaneous	481,699	532,474
Debit Balances Written Off	422,264	2,397
Damaged Goods Written Off	-	12,355
Property Tax	39,247	53,332
Director Sitting Fee	89,000	77,000
Reimbursement of Salary to Excise Staff	540,453	298,611
	<u>56,793,749</u>	<u>51,354,569</u>

SCHEDULE 14

FINANCIAL EXPENSES

Interest on Working Capital Loans	196,287	71,382
Interest to Dealers and Others	240,028	450,229
Bank Charges	981,014	1,032,578
	<u>1,417,329</u>	<u>1,554,189</u>



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. : H-19905 State Code : 05
Balance Sheet Date : 31st March, 2009

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue : Nil Right Issue : Nil
Bonus Issue : Nil Private Placement : Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities : 167,038 Total Assets : 167,038

Sources of Funds

Paid-up Capital : 49,085 Reserves & Surplus : 93,887
Secured Loans : 13,194 Unsecured Loans : Nil

Application of Funds

Net Fixed Assets : 71,689 Investments : Nil
Net Current Assets : 95,349 Miscellaneous Expenditure : Nil
Accumulated Losses : Nil

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Incl. Misc. Income) : 238,051 Total Expenditure 220,226
Profit/(Loss) Before Tax : 17,825 Profit/(Loss) After Tax : 9,160
Earning per Share (Rs.) : 2.90 Dividend Rate (%) 6 %

V. Generic Names of Three Principal Products of the Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
390690.09	Leather Acrylic Emulsion
340311.00	Leather Lubricating Preparation
321000.09	Leather Finishing Preparation

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2009

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

PANKAJ JAIN
Managing Director

SILU KOHLI
Company Secretary

N.K. JAIN
Director

**SCHEDULES FORMING PART OF THE ACCOUNTS****Schedule 15: Significant accounting policies and notes to the accounts****Schedule 15: Significant accounting policies and notes to the accounts****1. Significant accounting policies****(i) Basis of preparation**

The accompanying financial statements are prepared on the accrual basis of accounting, under the historical cost convention, in accordance with the Generally Accepted Accounting Principles ("GAAP") in India, accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company.

(ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include future obligations under employee benefit plans, inventory and estimated useful life of fixed assets. Any changes in estimates are adjusted prospectively in the future periods. Actual results could differ from these estimates.

(iii) Revenue recognition

Revenue is recognised upon the sale of goods i.e. it is recognised at the time of transfer of significant risks and rewards of ownership to the buyer.

(iv) Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(v) Retirements benefits

i) Contribution to Provident and Family Pension Funds are funded as a percentage of salary/wages.

ii) Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.

iii) Leave encashment liability is provided on estimated basis.

(vi) Earnings per share

Basic earnings per share are computed using the weighted average number of the equity shares outstanding during the period. Diluted earning per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year end, except where the results would be anti-dilutive. There are no potentially dilutive equity shares outstanding as on 31 March 2009.

(vii) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Cenvat Credit available is deducted from the cost of Fixed Assets.

(viii) Depreciation

Depreciation on fixed assets is provided on straight line method as per schedule XIV of the Companies Act 1956 (as revised by the amending notification vide Circular no. 14/93 dated 20.12.93 issued by Department of Company Affairs, Ministry of Law, Justice & Company Affairs). Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

(ix) Inventories

Raw material, packing material, stock in process, stores and spares are valued at actual cost excluding CENVAT where available. Finished goods are valued at cost inclusive of excise duty or net realisable value whichever is lower. The claims for CENVAT are provided on actual receipt basis.

(x) Taxation

According to the Accounting Standard 22 on Accounting of Taxes on Income, differences that result between the taxable profit and the profit as per the financial statements are identified and thereafter deferred tax asset / liability is recorded as timing difference; namely the difference that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on accumulated timing differences at the end of an accounting period based on tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax asset is reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(xi) Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

(xii) Interest

Interest to be received on securities shall be accounted for as and when received.

2. Deferred tax

There is not deferred tax liability which needs to be accounted for in the books of accounts as per the Accounting Standard 22, on "Accounting for Taxes on Income". The deferred tax asset has been recognised in the books owing to virtual certainty of realisation of the same in near future. As sum of Rs. 537,388/- has been recognised as deferred tax asset and the same has been adjusted against deferred tax liability created in the earlier years.

3. Contingent liabilities

a) Letter of credits issued by the bank on behalf of the Company : Rs. 867630/- (previous year Rs. 7,00,000) net of advances.

b) Claims against the expenses not acknowledged as Debt Rs. 72,390/- (Previous Year Rs. 24,130/-)

4. Remuneration to auditors

Amount in Rs.

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Statutory audit	139,150	126,500
Expenses reimbursement	17,408	14,549
Total	156,558	141,049

Service Tax being modvatable, hence not included.

(Schedule 15 contd.)



(Schedule 15 contd.)

5. Valuation of imports on CIF basis

Amount in Rs.

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Raw material	23,293,061	22,515,582
Capital goods	---	1,608,424
Store & Spares	136,835	---
Total	23,429,896	24,124,006

6. Expenditure in foreign currency

Amount in Rs.

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Travel, boarding and lodging expenses		
- Directors	331,041	707,629
- Employees	245,080	795,088
	576,121	1,502,717
Royalty Payment	904,513	875,214
Trade Fair overseas	2,344,241	593,242
Total	3,824,875	2,971,173

7. Earnings in foreign exchange

Amount in Rs.

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Sale of goods	84,616,816	86,609,718

8. The management is confident that the balance amount outstanding against sundry debtors exceeding six months is good and recoverable. Hence, no provision for the same is required to be made in the books of accounts during the year.
9. In opinion of the Board the current assets, loan and advances if realized in the ordinary course of business have the value at least equal to the amount by which they are stated in the Balance Sheet. The provisions for all the known liabilities are adequate and not in excess of amount considered reasonable.
10. The company had applied a loan to Technology Development Board (TDB), a department of Science & Technology under Ministry of Science and Technology Govt. of India, for commercialization of indigenously developed Polyurethane Dispersions for leather and shoe finishes. TDB has disbursed the first instalment of Rs. 125 lacs out of the sanctioned amount of Rs. 495 Lacs. This instalment is proposed to be utilized for additional plant and raw materials required for production of Polyurethane dispersions from existing facilities during the pilot production and seed marketing phase.
11. Sundry creditors include a sum of Rs. 11,76,449/- (previous year Rs. 10,27,845/-) due to Micro and small Undertakings, which are outstanding for more than 45 days as at 31.03.2009. This information is required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006, as determined to the extend the parties have been identified on the basis of information with the company.

LIST OF SMALL SCALE INDUSTRIES

S.No.	Name of Industry	Amount
1.	Chlorina Organic Industries	317,233
2.	Esters & Solvents	773,434
3.	Industrial General Products (P) Ltd.	3,213
4.	Mansee Products	5,457
5.	Saroj Colour Chem Pvt. Ltd.	77,112
		<u>1,176,449</u>

However all the payment are in conformity under the terms of purchases.

12. Related party disclosures :

As per the Accounting Standard 18, issued by the ICAI, these disclosures of transactions with the related parties as defined in the Accounting Standard are given below :

List of Related Parties:

Sl.No.	Name of Related Party	Relationship
01.	Mr. Pankaj Jain	Key Managerial Person
02.	Mr. N.K. Jain	Relative of Key Managerial Person
03.	Mr. V.K. Garg	Relative of Key Managerial Person
04.	NK Jain Instruments Pvt. Ltd.	Associated Company
05.	Labotron Instruments Ltd.	Associated Company
06.	Labotech Microscopes India Pvt. Ltd.	Associated Company
07.	Mrs. Sippy Jain	Relative of Key Managerial Persons

(Schedule 15 contd.)



(Schedule 15 contd.)

Transactions with Related Parties:

Sl.No.	Related Party	Nature of Transaction	Amount (Rs. in Lacs)
01.	Key Managerial Person	Managerial Remuneration	14.82
02.	Relative of Key Managerial Person	Sitting Fee	0.00
03.	Key Managerial Person	Sitting Fee	0.00
04.	Associated Company	Sale of Material	2.01
05.	Associated Company	Sale of Material	3.60
06.	Associated Company	Sale of Material	1.65
07.	Relative of Key Managerial Persons	Salary	3.51

13. Segment Reporting

The company is in the business of manufacturing Polymer Dispersions, Fatliquors, Synthetic Tanning Agents, Finishing Chemicals and these are considered as leather chemicals. These products are also sold for applications in Shoes, textiles and plastic industry. As such there is no other segment according to the provisions of the accounting standard 17 on segment reporting as issued by Institute of chartered accountants of India. The company is in the business of manufacturing of Polymeric Fatliquors, finishing chemicals and these all are considered as Leather finishing chemicals. As such, there is no other segment according to the provisions of the Accounting Standard 17 on "Segment reporting" as issued by the Institute of Chartered Accountants of India.

14. Earnings per share have been computed :

Earning Per Share.	31.03.2009	31.03.2008
Net Profit as per Profit & Loss Account	14,222,560	8,257,852
Number of Equity Shares	4,908,470	4,908,470
E P S (Basic & Diluted)	2.90	1.68

As the share are anti-dilutive.

15. Schedules 1 to 14 are forming integral part of the Balance Sheet and Profit and Loss account.

16. Previous year figures have been re-grouped / re-classified to conform to current year's classification.

17. Staff Advances include loans advanced to employees, under various schemes of the Company, amounting to Rs. 187,616 (Previous Year - Rs. 71,675), where the repayment is regular as per the terms of sanctions.

18. Travelling and conveyance-Directors include expenditure of Rs. 484,148/- (Previous Year - Rs.707,629/-) on Managing Director foreign travel.

19. During the year under audit a sum of Rs. 4,385,368/- has been provided for as provision of Income Tax and Fringe Benefit Tax and the same has been adjusted out of tax deducted at source and advance tax deposited. As a result the provision for the Income Tax has been directly adjusted from schedule of current assets in order to reflect the correct position of current liability and assets.

20. The Company has taken Group Gratuity Policy from LIC and the entire premium demanded Rs. NIL by them for the year 2008-09 have been paid/provided as per the requirements of AS 15 issued by ICAI. The payment of Leave Encashment on cash basis. However for Leave Encashment liability the company is in the process of obtaining policy from actuarial valuation basis, however, a provision on estimated basis amounting Rs. 393,652/- (Previous Year Rs. 397,276/-) has been made in the books of accounts. The necessary adjustments in the respect of excess/short fall in this amount on the basis of actuarial valuation shall be dealt with in the Accounts in the current year.

21. During the year under Audit company exported material to M/s. Say Deri Ve Kimya Kollektif Sirketi, Turkey vide its Invoice No. E046, 003 and 006 the company received part payment against these export bills and also received a sum of Rs. 2,832,972/- from Export Credit Guarantee Corporation of India Ltd. (ECGC) on 26.03.2009. The balance amount of Rs. 385,157/- has been written off, since the amount has become irrecoverable and claim from ECGC has already been received. The written off G.R.S. necessary certificate from the bank regarding written off these G.R.S. is still pending.

22. Computation of Managerial Remuneration is as here below :

	This Year Rs.	Prev. Year Rs.
Profit before Taxation	17,824,990	10,757,330
Add: Depreciation Charged in the accounts	6,579,161	6,528,385
Managerial Remuneration	1,482,000	1,482,000
	25,886,151	18,767,715
Less: Depreciation under Section 350	3,677,363	4,075,075
	22,208,788	14,692,640
Salaries, Wages and Allowances include remuneration to Managing Director :		
Salary	1,428,000	1,428,000
Perquisites & PF	54,000	54,000
Gratuity	-	-

23. Detail of Provisions as per AS-29.

	Employee Benefit (Earned Leave)	Excise duty on Finished Goods lying in stock	Dividend & Dividend Tax	Income Tax & Fringe Benefit Tax
Balance as at March 31st, 2008	369,900	890,936	2,871,332	325,523
Provision made during the year	317,110	510,067	3,445,746	4,385,368
Provision written off / back during the period	320,734	890,936	2,871,332	245,550
Balance as at March 31st, 2009	393,652	510,067	3,445,746	100,000

(Schedule 15 contd.)



(Schedule 15 contd.)

24. Additional information as required according to Schedule VI of the Companies Act, 1956 :

A	Particulars of employees	Number	Salary and Allowances
i.	Employees whose remuneration was Rs. 24,00,000 /- or more per year.	-	-
ii.	Employees whose remuneration was Rs. 2,00,000 /- or more per month.	-	-

B Quantitative information

As per Annexure I and II attached.

Additional information pursuant to the provisions of paragraphs 3 and 4D of part II of Schedule VI of the Companies Act, 1956 not given elsewhere.

a. RAW MATERIALS CONSUMED

ITEM	Value Rs. in Lacs			
	THIS YEAR		PREVIOUS YEAR	
	QTY. (MT.)	VALUE	QTY. (MT.)	VALUE
Acids	203	70	214	51
Alkaline & Amines	176	33	186	25
Waxes	06	13	04	09
Celluloids & Colloids	65	115	51	76
Pigments	57	67	38	36
Disinfectants	2	8	2	9
Dispersants, Emulsifiers & Defoamers	75	57	57	45
Monomers	155	170	132	99
Oil Substances	448	302	335	177
Plasticizers	10	10	12	11
Gums & Resins	115	65	117	34
Salts	93	12	148	17
Solvents	157	104	180	114
Silicons	20	38	9	16
Solvents - Dyes	1	5	1	4
Basic Organics Chemical	395	105	508	163
Misc. Compounds & Intermediates	15	12	21	17

- Notes: i. The products manufactured by the Company falls under one class of goods.
 ii. The Raw Materials consumed are grouped under suitable headings and none of the single raw material constitutes 10% or more of the total raw material consumed during the year.

b. RAW MATERIALS CONSUMED - IMPORTED & INDIGENOUS

	This Year Value (Rs.)	%	Previous Year Value (Rs.)	%
i. Imported				
C.I.F. Value	23,293,061		22,515,582	
Customs Duty and other charges	1,465,133		2,630,617	
	24,758,194	16.39	25,146,199	17.21
ii. Indigenous (including procured from local agents of overseas suppliers)	126,255,200	83.61	1,21,237,317	82.79
	151,013,394	100.00	1,46,383,516	100.00
c. VALUE OF IMPORTS ON C.I.F. BASIS				
RAW Materials	23,293,061		22,515,582	
Capital Goods	---		1,608,424	
Store & Spares	136,835		---	
d. EXPENDITURE IN FOREIGN CURRENCY				
Travel - Overseas - Director	331,041		707,629	
Travel - Overseas - Employees	245,080		790,588	
Royalty	---		---	
e. F.O.B. VALUE OF EXPORTS	84,616,816		86,609,718	

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

NEW DELHI
August 10, 2009

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

PANKAJ JAIN
Managing Director

SILU KOHLI
Company Secretary

N.K. JAIN
Director



HARYANA LEATHER CHEMICALS LIMITED

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

PROXY FORM

L.F. No.

I/We

of

being member(s) of HARYANA LEATHER CHEMICALS LIMITED, hereby appoint(s)

Mr./Mrs./Miss

of

or failing him/her, Mr./Mrs./Miss

of

as my/our proxy to vote for me/us, on my/our behalf at the TWENTY FOURTH Annual General Meeting of the Company to be held at 11.30 AM on 10th September, 2009 and at any adjournment thereof.

Signed this day of 2009

Revenue Stamp

Signature



- 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 and a proxy so appointed need not be member of the Company.
- 2. The proxy form duly filled in and properly stamped should reach the Company's Registered Office atleast 48 hours before the commencement of the meeting.

Tear here

ATTENDANCE SLIP

(to be handed over at the entrance of the Meeting Hall)

Name of the attending member
(in BLOCK LETTERS)

Member's Ledger Folio No.

Name of the Proxy
(in BLOCK LETTERS)

(To be filled in by the Proxy who attends instead of the Member)

No. of Shares

I hereby record my presence at the TWENTY FOURTH Annual General Meeting held at the Registered Office at 72 - 77, HSIDC Industrial Estate, Hansi Road, Jind - 126 102, on 10th September, 2009.

Member's/Proxy's Signature

- Notes : 1. Shareholders/Representatives/Proxies are requested to sign this attendance slip at the time of handing it over at the entrance.
- 2. You are requested to bring your copy of the Annual Report to the Meeting.