HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS
N.K. Jain, Chairman
Pankaj Jain, Managing Director-cum-Vice Chairman
V.K. Garg
H.K. Gupta
H.C. Dutta
Dr. K.S.V. Menon
Dott. Massimo Medini
Marco Medini
Pradeep Behl
Sippy Jain

COMPANY SECRETARY
Silu Nanda

AUDITORS
S.C. Dewan & Co., Panchkula

CORPORATE OFFICE
1405-B, Signature Towers,
South City-I,
Gurgaon - 122 001 (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 & Operations
Ramesh Goyal, General Manager - Engg. & Tech.
Neeraj Bishnoi, General Manager - Marketing

REGISTRAR & SHARE TRANSFER AGENTS
RCMC Share Registry (P) Ltd.
B - 106, Sector - 2,
Noida - 201 301 (U.P.)

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ISIN for Demat purpose : INE 681F01018

NOTICE

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Members of the company M/s. Haryana Leather Chemicals Limited will be held on Wednesday, the 7th day of August, 2013 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 2013 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 2012-13.
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 Dot. Massimo Medini, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider appointing a Director in place of Lt. Gen. (Retd.) H. C. Dutta, who retires by rotation and being eligible offers himself for re-appointment.
6. To consider appointing retiring auditors S.C. Dewan & Co., Chartered Accountants as Statutory Auditors of the Company who are eligible and offer himself for re-appointment, to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

   "**RESOLVED THAT** subject to the approval of the shareholders in their general meeting and pursuant to the provisions of Sections 198, 269, 309 and 317 of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956, approval of the Board of Directors of the Company be and is hereby accorded to the re-appointment of Mr. Pankaj Jain as Managing Director of the Company for a further period of three years with effect from 04.02.2013 on the following terms and conditions:

   Mr. Pankaj Jain, Managing Director of the Company will be eligible for remuneration within the ceiling limit under Section-II 1(B) of Part-II of schedule XIII to the Companies Act, 1956, as follows:

Salary	:	Rs. 1,45,000/- per month
Housing Allowance	:	Rs. 58,000/- per month
Other Allowance	:	Rs. 25,000/- per month
Medical Allowance/reimbursement for himself and family	:	Rs. 4,500/- per month
Leave Travel Allowance/reimbursement for himself and family	:	Rs. 9,500/- per month

   The Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in paragraph as above:

   1. Contribution to provident fund to the extent not taxable under the Income Tax Act.
   2. Gratuity at a rate not exceeding half a month's salary for each completed year of service.
   3. Encashment of leave at the end of the tenure.
   4. Provision of car for use on Company's business and telephone at residence shall not be considered as perquisites.
   5. If and when the Managing Director is required to entertain and / or travel for the purpose of Company's business the Company shall reimburse all actual expenses incurred by him for such entertainment and / or travel.

   "RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized vary or increase the remuneration, including the salary, perquisites, allowances, etc., within such prescribed limits or ceiling without any further reference to the Company in General Meeting subject, however to the provisions of Section 302 of the Companies Act, 1956.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration within the ceiling as per Schedule XIII and other applicable sections and provisions, if any, of the Companies Act, 1956 and to do all such acts, deeds, things and matters as may be necessary to give effect to the above resolution."

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

   "RESOLVED THAT pursuant to provisions of section 198, 269, 302, 309 and 311 and other applicable provisions if any of the Companies Act 1956 and subject to the approvals of members at the Annual General

Meeting, Mrs. Sippy Jain be and is hereby re-appointed as a Whole Time Director of the Company at a remuneration of Rs. 34,250/- per month with effect from 07.08.2013."

"RESOLVED FURTHER THAT, Mrs. Sippy Jain, the Director of the Company will also be entitled traveling, boarding, lodging expenses incurred by her in connection with the Company's business and such other benefits as any from time to time, are available to other senior executives of the Company."

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 : 5th July, 2013

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 29.07.2013 to 07.08.2013 (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.

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

For item No. 7

Mr. Pankaj Jain has been Managing Director of the Company since the incorporation of the Company.

As the term of his last appointment expired on 03.02.2013 and his re-appointment is required to be considered for the benefit of the Company.

Considering his contributions and experience the remuneration committee of the Company has considered and approved his re-appointment for a period of three years considering the ceiling of the remuneration under section-II 1(A) of part-II of schedule XIII of the Companies Act, 1956. The details of the remuneration and terms of appointment are contained in the above said resolution. The new remuneration is in line with the existing remuneration and after due consideration of his experience, ability and contribution made to the Company.

Mr. Pankaj Jain is an Industrial Engineer and also promoted the Company M/s Haryana Leather Chemicals Limited in an Industrial backward area with latest technology from European companies. He managed the Company in the capacity of Managing Director for the last twenty seven year. Under his guidance the Company has been continuously going upward in technology and profits.

The Board recommends the approval of the resolution by the shareholders.

Mr. N. K. Jain, Mr. V. K. Garg being his relatives are concerned and interested in the resolution.

The text of the resolution along with the explanatory statement may be considered as an abstract and Memorandum regarding the terms of appointment of Managing Director - as required under section 302 of the Companies Act, 1956.

For item No. 8

Mrs. Sippy Jain has a Master Degree in Literature and Diploma in Textile Engineering and was appointed as the Manager-Graphic Design of the Company in the year 2007. Now looking at her capabilities and experience in designing, visualizing of promotion materials for marketing of Leather Chemicals in India and abroad and seeing her contribution and working in the Company, the Board has recommended her the post of Directorship of the Company. The Company will gain a lot from her experience mainly from her export marketing and business development skills.

Mrs. Sippy Jain has been appointed as the Whole Time Director of the Company and now the Board recommends her re-appointment as the Whole Time Director of the Company on new terms and conditions of the Company.

The Board recommends the approval of the resolution by the shareholders.

Mr. Pankaj Jain and Mr. N. K. Jain being her relative are concerned and interested in the resolution.

DIRECTORS' REPORT

Dear Shareholders,

The directors of Haryana Leather Chemicals Ltd. are pleased to present the 28th Annual Report and Audited Statement of the company's accounts for the year ended on 31st March, 2013.

FINANCIAL RESULTS

A summary of the financial results for the year 2012-2013 is given below:

	2012 - 13 (Rs. in Lacs)	2011 - 12 (Rs. in Lacs)
Sales Turnover (Net of Excise)	**3967.14**	3219.97
Gross Profit	**398.49**	294.59
Deductions Depreciation	**75.20**	74.62
Interest	**20.42**	17.21
Profit before Tax	**302.87**	202.76
Less: Provision for Income Tax for the year	**92.00**	47.15
Less: Provision for Fringe Benefit Tax for the Year	**-**	-
Less: Provision for Taxation/FBT earlier year	**28.11**	1.43
Add: Provision for Income Tax written back	**-**	18.45
Less: Previous year Adjustment	**-**	-
Less/(Add): Deferred Tax Liability	**4.29**	2.71
Profit after Tax and available for Appropriation	**178.36**	169.92
Less: Provision for Dividend	**29.45**	29.45
Less: Provision for Dividend Tax	**5.01**	5.01
Less: Transfer to General Reserve	**21.58**	20.32
Profit carried to Balance Sheet	**122.32**	115.14

OPERATIONS

During the year the company has achieved a sales turnover of Rs. 3,967 lacs against Rs. 3,220 lacs for the previous year. The net profit for the year is Rs. 178 lacs against Rs. 169.92 lacs for the previous year. The exports are at Rs. 1,673 lacs compared to the previous year's exports of Rs. 1,092 lacs.

The company has recorded 53% growth in sales in export market as compared to last year.

DIRECTORS

Pursuant to the provisions of the Articles of Association of the Company, the directors - Mr. Pradeep Behl, Dot. Massimo Medini, Lt. Gen. (Retd.) H.C. Dutta retire by rotation at the forthcoming Annual General Meeting to be held on **7th August, 2013** and being eligible they offer themselves for re-appointment.

STATUTORY AUDITORS

The statutory Auditors of the company M/s. S. C. DEWAN & Co., Chartered Accountants, Panchkula are retiring at the forth coming Annual General Meeting and they are eligible for re-appointment offers themselves for the same. Their appointment, if made, will be in accordance with section 224 (1-B) of the Companies Act, 1956 (hereinafter referred to the "Act").

Auditor's report does not need any comments from the directors.

PARTICULARS OF EMPLOYEES u/s 217(2) (A)

The company did not employ any person drawing a remuneration of Rs. 5,00,000/- or above for one month or part of the month or Rs. 60,00,000/- or above for one year, whose particulars are required to mention u/s 217(2)(A) of the Companies Act, 1956.

SECRETARIAL COMPLIANCE CERTIFICATE

As the paid up share capital of the company is more than Rs. 10,00,000/- and below Rs. 5,00,00,000/- so a certificate from the Company Secretary in practice is attached with the report as per the requirements of section 383A of the Companies Act, 1956 who has conducted audit of the books and other documents of the company and given the certificate.

TRANSFER OF FUNDS TO INVESTOR EDUCATION AND PROTECTION FUND:

As the Company is distributing dividend to its shareholders since 2006 on recommendation of the shareholders of the Company. The Board also authorised to take all the necessary steps to transfer the unpaid / unclaimed Dividend of Equity Shareholders for the year 2005-2006 to the Investor Education and Protection Fund (IEPF) of the Central Government established under sub-section (1) of section 205C of the Companies Act, 1956 on the date as per the provisions of the relevant section of the Act.

FIXED DEPOSIT

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

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 below as Annexure.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

The Board of Directors of the company confirms that:

i. during the preparing of the annual accounts, the applicable accounting standards have been followed and no material departure has taken place;

ii. the selected accounting policies were applied consistently and the directors made judgments and estimates that are reasonable and prudent so as to give an accurate view of the state of affairs of the company as at 31st March, 2013 and of the profit of the company for the year ended on that date;

iii. 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;

iv. annual accounts have been prepared on an ongoing concern basis.

QUALITY CONTROL

The focus of company's quality control has been to comply to REACH legislation (Registration, Evaluation and Authorization of Chemicals) of ECHA (European Chemical Agency) and to update changes in restricted substance list (RSL). Though most vendors have started certifying materials but regular validation from outside testing labs like SGS and INTERTEK has been carried out throughout the year. The company has also outlined an expansion plan of quality control lab to include more chromatography equipment to cover the expanding list of restricted substances.

All the quality incidences reported by customers in domestic and export market were promptly attended and resolved to their full satisfaction. The company continues to comply with the quality policy and the quality objectives outlined in the ISO 9001-2000 and ISO 14001 internal system and ISO certification are under renewal.

EXPORT OPERATIONS

Company's efforts to increase exports have yielded significant results in most of the areas. The overall increase of sales revenue can be attributed mainly to an export growth of nearly 53% with revival of some key markets. Introduction of some high value products to markets in Poland and China also resulted in increased exports. Company also invited important dealers from Indonesia and Ethiopia for training and orientation on company's new line of products targeted for these markets.

Company has also initiated alliances with competitors to initiate exports in those markets where the company could not find appropriate agents. Such alliances, especially in Latin America, can be extremely viable and beneficial for export growth. The company is also exploring possibility of setting up a representative office in the US to serve Latin American markets.

TECHNOLOGY DEVELOPMENT

The first phase of TDB funded project for commercialization of Polyurethane Dispersions has been successfully completed and the company has decided not to scale up to second phase in immediate future. Considering the revised phasing plan, the company has revised the financial outlay and has pre-paid the TDB loan of Rs. 125 lacs in monthly installment. As per the deed of settlement the monthly repayments covering the principle amount of TDB and the applicable interest started in Oct. 2012 and have concluded in June 2013. The scale up, if required in future, is proposed to be funded from internal accruals.

Plant erection work for the new spray dryer required for technology development of new generation of Di-Sulphone syntans, Acrylic impact and flow modifiers for PVC is in full swing and final stages. Upto March 2013, most of the equipment was in place - except the heater unit. The stress testing of structure, dry air run are planned between July - August 2013. The entire commissioning and testing is projected to be completed before Sept. 2013.

DIVIDEND

Considering the current growth and profitability, the directors are pleased to recommend continuation of dividend of 6%.

PERSONNEL & INDUSTRIAL RELATION

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

The company has been able to maintain cordial relations across all levels of workforce. The attrition rate of skilled workforce has been negligible. The feedback to employees through the annual appraisal system has instilled a sense of deeper responsibility amongst the mid-level managers and they are being further trained to take bigger operational responsibilities. The company has maintained the yearly increments and bonus system to ensure motivation at all levels.

ENVIRONMENT & POLLUTION CONTROL MEASURES

The company has been able to satisfactorily meet various statutory regulations of state pollution control board. The periodic sampling of air and water carried out by inspecting agency has validated that company has strictly adhered to the waste discharge norms. Inspite of increased production, the waste water discharge has not increased due to tighter control of wash cycles. The company continues to deliver all solid waste to Gujarat Enviro Protection & Infrastructure (Haryana) Pvt. Ltd. (GEIPL) common treatment facility for disposal.

The company is also actively considering various new technologies for waste water recovery. Preliminary discussions with some German Companies have revealed that using vacuum distillation process the waste water can be recovered using minimum energy. A techno – commercial evaluation of this technology is currently under progress.

ACKNOWLEDGEMENT

The Directors would like to extend their deep regards and sincere thanks to company's suppliers, domestic and international dealers, representatives, service providers, financial institutions and technical consultants for their continued support.

The directors also acknowledge and appreciate the commitment of all the employees who are putting their best efforts towards company's goals and objectives.

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

Place : GURGAON
Date : *5th July, 2013*

N.K. JAIN
Chairman

PANKAJ JAIN
Managing Director-cum-Vice 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, 2013.

A) CONSERVATION OF ENERGY

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 2012 - 13	Previous Year 2011 - 12
1.		**Power and Fuel Consumption**		
	a)	Electricity Purchased (KWH)	**270844**	252464
		Total Amount (Rs.)	**2130650**	1550900
		Rate / Unit (Rs.)	**7.87**	6.14
	b)	Own Generation		
		- Through Diesel Generator		
		Unit (KWH)	**82393**	70283
		Units / Ltr. of Diesel Oil	**2.01**	2.22
		Cost / Unit (Rs.)	**21.96**	17.53
		- Coal	**Nil**	Nil
		Quantity		
		Total Cost		
		Average Cost		
		- Furnace Oil / HSD Oil Quantity (K. Ltrs.)	**204.49**	159.10
		Total Amount (Rs.)	**8799162**	6213567
		Average Rate (Rs. K. Ltr.)	**43029**	39054
		- Others / Internal Generation	**Nil**	Nil
		Quantity		
		Total Cost		
		Rate Unit		
2.		**Consumption per Unit of Production**		
		Production (MT)	**4548**	3890
		Electricity (KWH / MT)	**79.86**	82.99
		Furnace / HSD Oil (Ltr. / MT)	**36**	32.94
		Coal	**-**	-
		Others	**-**	-

B) TECHNOLOGY ABSORPTION

a) Research & Development

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

a) Developed new generation syntans based on Di Sulphone. After thorough testing in-house and at customer end, the results are completely satisfactory and the product has met all the performance parameters. The product has been launched for application in furniture upholstery leather and the feedback is very encouraging.

As of now the product is based on imported base material which has higher purity than what is locally available. The commercial viability has been validated using the imported base material.

b) The project to develop fully-synthetic automotive leather fatliquor could not be concluded. Various approaches were tried and all the results point only towards adopting the polymeric intermediates. The company has reoriented its strategy and has developed many polymeric intermediates with the view to compound with other synthetic lubricating materials. Considering the complexity of the project, the company had approached M/s. Vismon-Spain to jointly carry out this research, but even they have not been able to conclude the formula in past six months. The work is on-going and is expected to take another one year.

c) Due to ongoing expansion of "Restricted Substance List" (RSL) under REACH, the company has faced significant challenges in developing detection techniques on banned substances using chromatography techniques. But by deploying external testing agencies, the company has ensured that all its products remain free from restricted substances. All domestic and export customers are being continuously supported with appropriate certification.

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

a) Due to addition of Di-Sulphone syntans the company has strengthened its presence in high value added products which are import substitutes. As the competition in commodity syntans is increasing, the development of di sulphone resin will enable the company to avoid a drop in profit margins on syntans which are facing price pressure due to higher fuel cost.

b) The continuous updating of detection techniques on banned substances has ensured that the company continues its presence in European market where the exports are not possible without complying with REACH requirements.

3. Future Plan of Action

a) To develop chromatography techniques for detection of SCCP (Short Chain Chlorinated Paraffin) and MCCP (Medium Chain Chlorinated Paraffin) in various raw materials & to ensure all finished products are free from them. For this a new Chromatograph from Agilent US has been ordered. After its installation, the detection techniques will be standardized.

b) To continue development project of fully-synthetic automotive leather fat liquor in collaboration with Vismon Spain.

c) To evaluate performance of ICAP IRSEA, Italy product – especially very soft acrylics and Polyurethanes for the purpose of import and compounding. The company has held preliminary discussions with M/s. ICAP SIRA and wishes to rework its product portfolio to remain abreast with newer trends in leather finishing.

4. Expenditure on R & D. (Rs. in lacs)

i)	Capital	:	2.41
ii)	Recurring	:	58.15
iii)	TOTAL	:	60.56
iv)	Total R & D expenditure as percentage of total turnover	:	1.53 %

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

1. Efforts made towards technology absorption and innovation.

i) All indigenously developed technologies have been commercialized except for "Polymeric Fatliquors".

ii) All previously imported technologies have been fully absorbed and commercialized.

c) Foreign Exchange Earnings & Outgo

a) The company's foreign exchange earnings out of export (Inclusive of foreign exchange fluctuations) were Rs. 1,673 lacs.

b) The expenditure in foreign exchange during the financial year under review is Rs. 372.62 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 : GURGAON
Date : *5th July, 2013*

N.K. JAIN
Chairman

PANKAJ JAIN
Managing Director-cum-Vice Chairman

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

a. Industry Structure

The domestic and foreign leather industry has remained stable with robust demand and order book.

Leather has become a symbol of luxury and its use in luxury articles, furniture and automotive continues to grow inspite of economic recession in some European countries. Indian tanneries are also utilizing their full potential after stabilization of the individual or common effluent treatment plants. The depreciation of Indian rupee w.r.t. USD will have a positive effect in exports of leather and will also boost export of leather chemicals. India**n** leather industry which still suffers from quality / price issues is making all out efforts to compete with China and that is good news for leather chemical sector.

b. Opportunities & Threats

Opportunities:

Leather industry remains a labour intensive industry worldwide. Due to lower labour cost in India, the leather industry will continue to grow in India. The emerging tanneries in furniture and automotive leather industry at Kanpur, Jalandhar and Kolkatta have already put India in the elite club of high-fashion leather producing countries like Italy and Turkey. These tanneries will eventually require advanced chemical technologies which are environment friendly and the company is ready with latest offerings to service this sector.

The shift of leather production from Western Europe to Asia continues due to differential wage structure. As per data gathered during participation in international leather fairs, emerging Asian economies like Vietnam, Bangladesh and Thailand are expanding their leather production infrastructure. Even in India the ban on export of unfinished leather stays in place ensuring significant value addition to leather through application of chemicals. Since the company's product range conforms to the REACH regulations, the company can expect a continued growth in demand of its products from both these markets in the long-term.

Threats:

There is no significant threat except the inflation and wide fluctuation in foreign currencies. The current depreciation of INR vs USD may affect the profitability of those products which are dependent on imported raw materials as the entire material cost increase cannot be passed on to the tanners. Fluctuation in International petroleum prices, further affecting the prices of raw materials, can also affect the profitability.

c. Segment-wise or product-wise performance

Product wise, the company expects growth in wet-end segment in the domestic sector and for exports the company is relying on its updated product offering in finishing. Customers producing gloving in Kolkatta and upholstery at Kanpur leather have remained the focus during the year. There is significant improvement in market share at Jalandhar leather producing belt. Company's thrust to tap some international dealers who buy in neutral unbranded packing has added significant volumes.

The syntan division which yields just 10% of sale and consumes 80% of the fuel cost has been a serious concern due to rising cost of diesel. The company is planning a continuous production shift to reduce fuel cost and may outsource some commodity items.

d. Outlook

Safety and environment regulations on banned substances will bring new challenges and make tougher demands on leather chemical industry. Company's laboratories are fully competent to meet such demands. The challenge of rising fuel cost will need to be addressed through more energy efficient production cycle. The general outlook for leather industry in India is bright and company's export thrust will remain the growth engine for future. The company foresees a huge potential in Latin American Markets where the company has not been able to make any in - roads so far. The company plans to initiate a representative office in the US to service these markets after obtaining required statutory approvals in the coming year.

e. Risks & Concerns

Company's main concern in the coming year will be environment and safety regulations and to remain updated. Inflation, energy costs and shortage of unskilled labour have also been a reason of worry and concern. Foreign exchange and petroleum price stability are essential to ensure a steady demand and a control on the input costs.

f. Internal control systems and their adequacy

The company's internal controls on costs, yield and profitability remain very tight. Each raw material cost is notified to higher management for a pricing review. A regular monitoring of fuel cost, deployment of contracted unskilled labour force is monitored on daily basis. Supplies to domestic dealers are linked to their payments through a computerized control. A tight check on bank charges is also evident in reduced financial expenses. Due to installation of CCTV camera system, there are reduced incidences of pilferage of items lying in open yards.

The future controls will be targeted to reduce turnaround time of inventory and reduce delivery period. A new production planning and scheduling system has been introduced to track orders and delivery.

g. Discussion on financial performance with respect to operational performance

Higher sales revenues in export market as compared to previous years are due to a well planned expansion of markets, dealers and products. Higher exports have also yielded higher profitability as the export product portfolio is mainly for those items where the value addition is higher as compared to general product range.

h. Material developments in Human Resources / Industrial Relation front, including number of people employed

The company's workforce across various levels remains highly motivated. There is deeper involvement of departmental heads in improving product quality and services. The pool of key executives has been able to take charge of the day-to-day operations. The senior managers are able to handle strategic expansion plans requiring deep understanding of engineering involved. Staff, managers and executives continue to be rewarded with bonuses and increments as a token of appreciation to their commitment.

The numbers of employees as on 01.07.2013 was 92.

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 directors 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 30.04.2012, 20.07.2012, 25.08.2012, 27.10.2012 and 30.01.2013.

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 12.09.12
Pankaj Jain	Executive	3	-	5	Yes
Sippy Jain	Executive	-	-	5	Yes
N.K. Jain	Non - Executive	4	-	-	No
V.K. Garg	Non - Executive	9	-	-	No
H.K. Gupta	Independent	5	3	-	No
K.S.V. Menon	Independent	1	3	4	No
H.C. Dutta	Independent	-	3	2	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.
* Mr. Piero Trachinetti resigned the company w.e.f. 08.02.2013

3. Audit Committee

The Audit Committee of the Company has the following members:

1. Dr. K.S.V. 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 30.04.2012, 20.07.2012, 25.08.2012, 27.10.2012 and 30.01.2013. The attendance of the members of the committee is as follows:

Name of Director	Details of Attendance
Dr. K.S.V. Menon	30.04.2012, 20.07.2012, 25.08.2012, 27.10.2012
Mr. H.C. Dutta	30.04.2012, 30.01.2013
Mr. Harish K. Gupta	Nil
Mr. Pradeep Behl	30.04.2012, 20.07.2012, 25.08.2012, 27.10.2012 and 30.01.2013

4. Remuneration Committee

The Company has constituted remuneration committee consisting of four independent directors, Dr. K.S.V. Menon (Chairman), Mr. H.C. Dutta and Mr. Harish K. Gupta and Mr. Pradeep Behl.

All directors except Mr. Pankaj Jain, Managing Director and Sippy Jain, Whole Time Director receive only sitting fee. The Remuneration package of Mr. Pankaj Jain, Managing Director for the year 2012-13 is given below:

All elements of remuneration	Rs. 24.54 lacs*
Fixed Portion	Rs. 24.54 lacs
Performance Incentive	Nil
Criteria of performance incentive	N/A
Period of appointment	04.02.2010 to 03.02.2013 and renewed thereafter Rs. 29.04 lacs
Notice Period	Nil
Severance Fees	Nil
Stock Option	Nil

The Remuneration package of Mrs. Sippy Jain, Whole Time Director for the year 2012-13 is given below:

All elements of remuneration	Rs. 3.51 lacs*
Fixed Portion	Rs. 3.51 lacs
Performance Incentive	75,000
Criteria of performance incentive	N/A
Period of appointment	10.08.2010 and to be renewed after three years
Notice Period	Nil
Severance Fees	Nil
Stock Option	Nil

*Other than the fixed portion of remuneration the Managing Director is entitled for contribution to provident fund, gratuity & leave encashment at the end of the tenure.

5. Shareholders / Investor Grievance Committee

Name of Non-executive Director heading the Committee: Dr. K.S.V. Menon

Compliance Officer	Ms. Silu Nanda, Company Secretary
No. of complaints received during the year 2012-2013	Shareholders = 1 Stock exchange = Nil SEBI = Nil NSDL = Nil
Complaints not solved to the satisfaction of shareholders	Nil
Complaints pending on 31.03.2013	Nil

6. General Body Meetings

Location, time and date of last three AGMs

Date	Time	Location
25.09.2012	11.30 am	72 - 77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana.
12.09.2011	11.30 am	— do —
17.09.2010	11.30 am	— do —

7. Disclosures

a. There were no material transactions with Directors or the Management or their relatives having potential conflicts with the interest of the Company at large.

b. There has been an unforeseen / un-intended instance of non-compliance by the Company with respect to Bombay Stock Exchange (BSE) during the financial year ending 31.03.2013 due to non-receipt of documents sent by the Company to the concerned department of BSE. Hence the BSE had suspended the trading of equity in BSE effective July, 2012. However after completing all the requisite formalities by the Company, the BSE had revoked the suspension effective January, 2013. Apart from this no penalties or strictures were 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 Ajit Samachar (Jalandhar) and are also available in Company's web site.

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

9. General Shareholder Information

i. Annual General Meeting (AGM): The Company's AGM will be held on 07.08.2013 at 11.30 am at the Registered Office of the Company at 72-77, HSIDC Industrial Estate, Hansi Road, Jind - 126 102 (Haryana).

ii. Financial Calendar: April to March.

iii. Date of Book Closure: 29.07.2013 to 07.08.2013 (both days inclusive).

iv. Dividend Pay out dates: 08.08.2013

v. Listing of Stock Exchanges: Mumbai Stock Exchange Limited.

vi. Stock Code: BSE 524080.

vii. Market Price Data: The shares of the company quoted at Bombay Stock Exchange between Rs. 12.98 to Rs. 17.25 during the year 2012-13.

viii. Registrar and Transfer Agents: RCMC Share Registry (P) Ltd., B-106, Sector-2, Noida - 201 301 (U.P.). The share Transfer System: Company's Registrar & Share Transfer Agents is handling the both physical and electronic share transfer related job.

ix. Depository Participants; National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL).

Distribution of shareholdings:

Distribution of shareholding as on 31.03.2013

Shareholding of Value of Rs.	No. of Share Holders	% of Share holders to Total	No. of shares held	Amount Rs.	% to Total
0 - 5000	3644	87.76	687398	6873980	14.00
5001 - 10000	253	6.09	214556	2145560	4.37
10001 - 20000	97	2.34	149220	1492200	3.04
20001 - 30000	43	1.04	111568	1115680	2.27
30001 - 40000	18	0.43	63279	632790	1.29
40001 - 50000	18	0.43	85110	851100	1.73
50001 - 100000	33	0.79	254635	2546350	5.19
100001 and above	46	1.11	3342704	33427040	68.10
Total	4152	100	4908470	49084700	100

Shareholding Pattern as on 31.03.2013

Category	No. of shares	Percentage
Promoters (including Foreign Collaborator)	20,29,290	41.35
FII, Banks, Mutual Funds	10,100	0.21
Others	28,69,080	58.44
Total	49,08,470	100.00

Dematerialisation and Liquidity: The shares of the company is dematerialised and the ISIN for demat is: INE681F01018.

Registered Office and Plant Location: Plot No. 72 - 77, HSIDC Industrial Estate, Hansi Road, Jind, Haryana - 126 102.

EOU Division: 52 - 53, HSIDC Industrial Estate, Hansi Road, Jind, Haryana - 126 102.

Corporate Office: 1405-B, Signature Towers, South City-I, Gurgaon - 122 001.

The Board of Directors,
Haryana Leather Chemicals Ltd.
72-77 Industrial Estate, Hansi Road,
Jind - 126 102, Haryana.

26th April, 2013

Re: CEO Certification

As stipulated under clause 49 of the Listing Agreement with Stock Exchange, we hereby certify that:

(a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2013 and that to the best of our knowledge and belief:

  (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

  (ii) these statements together present a true and fair view of the Company's affair and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2013 which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and the Audit Committee:

  (i) significant changes, if any, in internal control over financial reporting during the year;

  (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statement; and

  (iii) instances of significant frauds of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Haryana Leather Chemicals Ltd.

PANKAJ JAIN
Managing Director-cum-Vice Chairman

CODE OF CONDUCT
DIRECTORS AND SENIOR MANAGEMENT

Applicable to all Directors and Senior Management of the Company i.e. all Board members including Managing Director and Senior Management who are members of the core management team i.e., all executives who are one level below the Directors including all functional heads.

General Policy

The Company's philosophy of Corporate Governance is reflected in the commitment of management, which objectively works, realizing and accepting its responsibilities towards shareholders, society and the country. The management's endeavor is to maintain transparency, optimize operational efficiency and retain high level of credibility with the shareholders, creditors and the government.

This Code of Conduct is intended to provide guidance and help to all Directors & Senior Management Executives in recognizing their responsibility and dealing with the issues in such manner as to achieve the objective of the corporate in an ethical way and to help to foster a culture of honesty in the performance of one's duties and accountability.

Each person should act with competence and diligence to bring honour and respect for the Company and comply with all the relevant laws governing the operations of the Company's business in accordance with the principles laid down in the Code. A Director of the Company is to act in the fiduciary capacity and every Senior Management Executive is to act as a most disciplined, sincere and loyal worker to protect the interest of the Company and to make efforts for achievement and promotion of the corporate objectives, inter alia relating to financial, social, cultural and ethical areas.

The Best – of results can be achieved by adopting the best practices as under:

DIRECTORS

Every Director to:

- Make reasonable efforts to attend Board and Committee meetings regularly
- Dedicate sufficient time, energy and attention to the affairs of the Company to ensure diligent performance of his duties, including preparing for meetings and decision making by viewing in advance any Agenda / material distributed and making reasonable enquiries.
- Seek to comply with all Corporate Policies
- Act in the best interest of, and fulfill his fiduciary obligations to the Company's shareholders
- Conduct himself in a professional, courteous and respectful manner
- Comply with all applicable laws, rules and regulations
- Act in a manner to enhance and maintain the reputation of the Company
- Disclose potential conflicts of interest that he may have regarding any matters that may come before the Board, and abstain from discussion and voting on any matter in which the Director has or may have a conflict of interest
- Make available to and share with fellow Directors information as may be appropriate to ensure proper conduct and sound operation of the Company and its Board of Directors
- Respect the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors, except when authorized or legally required to disclose such information
- Restrain from the use of confidential information acquired in the course of their service as Directors to his personal advantage
- Notify the other Directors of his material personal interest and must not vote on the matter
- Bring an open and independent mind to Board or Committee meetings and should not make a decision about a matter before attending and participating in the deliberations of the meeting

SENIOR MANAGEMENT EXECUTIVES

Every Senior Executive to:

- Attend to the duties regularly
- Dedicate sufficient time, energy and attention to the affairs of the Company and ensure diligent performance of his duties, including preparing for each meetings and decision making by viewing in advance any Agenda / material distributed and making reasonable inquiries
- Seek to comply with all Corporate Policies
- Make available to and share with seniors information as may be appropriate to ensure proper conduct and sound operation of the Company and its Board of Directors

- Respect the confidentiality of information relating to the affairs of the Company acquired in the course of his service as Sr. Executive, except when authorized or legally required to disclose such information
- Notify his personal material interest to his seniors and not to participate in the discussions and decision making in the concerned matters.
- Protect Company's assets / funds / properties and ensure its efficient use. Theft, carelessness, waste, etc. of the assets / properties which have a direct impact on the Company's profitability.
- Consult the Legal Department of the Company if he is unfamiliar / uncertain about the legal rules involving Company's business before taking any action that may jeopardize the Company or that individual.
- To obtain prior approval of the Managing Director of the Company before accepting employment or a position of responsibility (such as Consultant / Director) with any other Company nor provide 'freelance' services to anyone.

GENERAL

- All persons should avoid conflicts of interest with the Company. Any situation that involves or may reasonably expected to involve, a conflict of interest should be disclosed properly to the Chairman / Director-in-charge.
- All persons should act and conduct free from fraud and deception. Their conduct shall conform to the best efforts.
- All persons owe a duty for not taking themselves personally, opportunities that are discovered during the use of the Company's property, information or position, and they have duty towards the Company to advance its objectives and interest.
- All persons not to compete directly or indirectly with the Company and not to disclose the confidential and crucial information gathered by the individuals during the tenure of their position in this Company even after resignation from the directorship or leaving the services of the Company.
- All persons or their family members shall not accept any gift from persons or firms who deal with the Company where such gifts can be construed as a force to influence their actions and decisions in conflict with the interest of the Company.
- All persons shall deal fairly with employees of the Company. They shall not take any unfair advantage of anyone through manipulation, concealment, abuse of confidential, proprietary or trade secret information, misrepresentation or other unfair dealing-practices.
- All persons shall not indulge in the activity of subscribing or buying or selling the Securities of the Company, which may be in contravention of the policies prescribed by SEBI in the matter of Insider Trading. Such persons shall not misuse any unpublished price sensitive information about the Company with others.
- All persons shall give full cooperation to their seniors, share the information with them, if required, in the best interest of the Company or for compliance of the requirement of the good corporate governance.
- All persons must adopt proactive practices to promote the progressive and ethical behavior at all levels of the management and among other members of the team in the organization.
- All persons must ensure that none of their actions obstruct other person who is performing his duty as assigned to him.
- All persons ought to report variation of any type in policy Code to their seniors and all of them should give patient hearing to those who want to discuss and criticize any of the issues pertaining to any transaction assuming the same is in the interest of the Company. In case a person feels uncomfortable in discussion of such matters then the person desiring to convey his feeling should contact the Chairman of the Company.
- All persons must disclose if any of their relatives or any Company or firm in which they have interest is entering into employment or any business transaction with the Company. Such disclosure of interest should be given from time to time or periodically to the Managing Director / Company Secretary.
- Only Board of Directors have the right to make any waiver / modification in any part of this Code of Conduct.

For Haryana Leather Chemicals Ltd.

PANKAJ JAIN
Managing Director-cum-Vice Chairman

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 March 31, 2013 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
FRN 000934N

Place : Gurgaon
Dated 30.05.2013

(S.C. Dewan)
Partner
M.NO.015678

INDEPENDENT AUDITORS' REPORT

To

The Members of

Haryana Leather Chemicals Limited

We have audited the accompanying financial statements of **Haryana Leather Chemicals Limited,** which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Profit and Loss Account, of the profits for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) 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 those books
   (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
   (e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For S.C. Dewan & Co.
Chartered Accountants
FRN: 000934N

S.C. Dewan
Partner
Membership No.: 015678

Place: Gurgaon
Date: 30.05.2013

ANNEXURE TO THE AUDITORS' REPORT

HARYANA LEATHER CHEMICALS LIMITED, JIND

The Annexure referred to in paragraph 1 of Our Report of even date to the members of Haryana Leather Chemicals Limited on the accounts of the company for the year ended 31st March, 2013.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. In respect of its fixed assets :
   (a) 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.
   (b) Physical verification of inventory has been conducted at reasonable intervals by the management. The procedures of physical verification of inventory followed by the management appear to be reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification dealt with in the books of accounts
   (c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories :
   (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
   (c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.
   (e) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) & (g) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the

purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.

5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
   (b) As per information & explanations given to us and in our opinion, the transaction entered into by the company with parties covered u/s 301 of the Act does not exceeds five lacs rupees in a financial year therefore requirement of reasonableness of transactions does not arises.
6. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
7. As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2013 for a period of more than six months from the date they became payable.
10. The Company has no accumulated losses/cash losses.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us, 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 or a nidhi /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. According to information and explanations given to us, the Company is not trading in Shares, Mutual funds & other Investments. Proper records & timely entries have been maintained in this regard & further investments specified are held in their own name.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
19. The Company has no outstanding debentures during the period under audit.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

For S.C. Dewan & Co.
Chartered Accountants
FRN: 000934N

S.C. Dewan
Partner
Membership No. : 015678

Place: Gurgaon
Date: 30.05.2013

BALANCE SHEET

₹ in Thousand

		Notes	March 31, 2013	March 31, 2012
I.	**EQUITY AND LIABILITIES**			
	1) Shareholders' Funds :			
	Share Capital	**1**	49,084.70	49,084.70
	Reserves and Surplus	**2**	163,868.05	149,477.33
	2) Non Current Liabilities			
	Long Term Borrowings	**3**	177.50	4,356.11
	Deferred Tax Liability (Net)	**4**	13,673.90	13,244.66
	Long Term Provisions	**5**	621.68	586.14
	3) Current Liabilities			
	Short Term Borrowings	**6**	8,853.39	14,399.89
	Trade Payables	**7**	72,926.55	53,545.94
	Other Current Liabilities	**8**	7,275.18	5,992.46
	Short Term Provisions	**9**	8,274.96	7,054.19
	TOTAL		**324,755.91**	**297,741.42**
II.	**ASSETS**			
	1) Non Current Assets			
	a) Fixed Assets	**10**		
	Tangible Assets		241,429.33	229,816.31
			241,429.33	229,816.31
	Less : Depreciation		111,469.46	104,272.33
	Net Block		**129,959.88**	**125,543.98**
	Capital Work in Progress		32,782.16	25,142.53
			162,742.04	**150,686.51**
	b) Long Term Loans and Advances	**11**	851.87	851.86
	2) Current Assets			
	Inventories	**12**	42,926.30	32,422.44
	Trade Receivables	**13**	92,076.77	95,563.86
	Cash and Bank Balances	**14**	7,225.96	4,944.18
	Short Term Loan & Advances	**15**	18,932.98	13,272.57
	TOTAL		**324,755.91**	**297,741.42**
	Significant Accounting Policies Notes to Financial Statement	**1-26**		
			-	-

In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

GURGAON
May 30, 2013

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

PANKAJ JAIN
Managing Director-cum-Vice Chairman

SIPPY JAIN
Director

SILU NANDA
Company Secretary

PROFIT AND LOSS ACCOUNT

₹ in Thousand

		Notes	March 31, 2013	March 31, 2012
	INCOME			
I.	**Revenue from Operations**	**16**	396,714.73	321,997.79
II.	**Other Income**			
	Other Misc. Income	**17**	858.98	1,551.07
	Gain on fluctuation in Foreign Exchange		4,616.97	1,928.30
III.	**TOTAL REVENUE (I + II)**		**402,190.68**	**325,477.16**
IV.	**EXPENSES**			
	Cost of Material Consumed	**18**	284,201.07	226,885.28
	Decrease/(Increase) in Stocks	**19**	(2,853.13)	140.81
	Employees' Benefits Expenses	**20**	24,586.54	22,098.20
	Financial Expenses	**21**	2,858.80	2,932.45
	Depreciation	**10**	7,520.55	7,462.39
	Other Expenses	**22**	55,589.71	45,681.32
	TOTAL EXPENSES		**371,903.54**	**305,200.44**
V.	**Profit before exceptional items**		30,287.14	20,276.72
VI.	**Exceptional Items**			
	Prior Period Income		-	-
	Prior Period Expenses		9.75	-
	Profit before Tax		30.277.39	20,276.72
VII.	**LESS : Tax Expenses**			
	Current Tax Provision		9,200.00	4,715.63
	Tax for earlier Year		2,811.69	143.51
	Deferred Tax Liability		429.24	271.65
	Total Taxes		**12,440.93**	**5,130.79**
	Add : Taxes - Previous Year		-	(1,845.59)
			12,440.93	**3,285.20**
VIII.	**Profit Carried to Balance Sheet**		**17,836.46**	**16,991.52**
	Earnings per Equity Share	**23**		
	Basic (Nominal value of shares Rs. 10 each)		**3.63**	**3.46**
	Diluted (Nominal value of shares Rs. 10 each)		**-**	**-**
	Significant Accounting Policies			
	Notes to Financial Statement	**1-26**		

In terms of our report of even date attached

For S.C. DEWAN & CO.
Chartered Accountants

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

S.C. DEWAN
Partner

PANKAJ JAIN
Managing Director-cum-Vice Chairman

SIPPY JAIN
Director

GURGAON
May 30, 2013

SILU NANDA
Company Secretary

CASH FLOW STATEMENT

₹ in Thousand

		March 31, 2013	March 31, 2012
A.	**Cash Flow from Operating Activities**		
	Net Profit before Tax and Extraordinary Items	**30,278**	20,277
	Adjustments for -		
	Depreciation	7,520	7,462
	(Profit)/loss on sale of assets	63	
	Interest	2,042	1,721
	Operating Profit before Working Capital Changes	**39,903**	29,461
	Adjustments for -		
	Trade and other Receivables	-2,173	-1,260
	Inventories	-10,504	4,707
	Trade and other payables	21,920	-4,004
	Cash Generated from Operations	**49,146**	28,904
	Direct Taxes Paid	12,012	3,013
	Provision for Dividend / Dividend Tax	3,446	3,446
	Provision for Direct Tax / Fringe Benefit Tax	-	-
	Cash Flow before Extraordinary Items	**33,688**	20,723
	Extraordinary items	-	-
	Net Cash from Operating Activities	**33,688**	20,723
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed / Long Term Assets	19,679	28,907
	Sale / Reduction of Fixed Assets	40	-
	R & D Grant against Fixed Assets	-	-
	Net Cash used in Investing Activities	**14,049**	-8,184
C.	**Cash Flow from Financing Activities**		
	Repayment of Long Term Finance Borrowings	9,725	2,791
	Interest Paid	2,042	1,772
	Net Cash used in Financing Activities	11,767	2,791
Net Increase / (Decrease) in Cash and Cash Equivalents		**2,282**	-10,975
Cash and Cash Equivalents (Opening Balances)		4,944	15,919
Cash and Cash Equivalents (Closing Balances)		7,226	4,944

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

GURGAON
May 30, 2013

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

PANKAJ JAIN
Managing Director-cum-Vice Chairman

SIPPY JAIN
Director

SILU NANDA
Company Secretary

Notes forming part of the Financial Statement

NOTE 1 ₹ **in Thousand**

	March 31, 2013	March 31, 2012
The previous year figures have been regrouped / reclassified wherever necessary to confirm the current year presentation.		
Share Capital		
Authorised Capital		
6,000,000 Equity Shares of Rs. 10/- each	60,000.00	60,000.00
Optionally Convertible, cumulative or non-cumulative		
Issued, Subscribed and Paid Up Capital		
4,908,470 Equity Shares of Rs. 10/- each	49,084.70	49,084.70
TOTAL	**49,084.70**	**49,084.70**

Shares out of the issued, subscribed and paid up Share Capital were allotted as Bonus Shares in the last five years by capitalization of Securities Premium Reserves - Nil.

Shares out of the issued, subscribed and paid up Share Capital were allotted in the last five years pursuant to the various scheme of amalgamation without payment being received in cash - Nil.

Shares out of the issued, subscribed and paid up Share Capital held by subsidiaries do not have Voting Rights and are not eligible for Bonus Shares - Nil.

The details of Shareholders holding more than 5% shares.

Name of the Share Holder	March 31, 2013		March 31, 2012	
	No. of Shares	% held	No. of Shares	% held
Narendra Kumar Jain	297,060	6.05	297,060	6.05
Pankaj Jain	453,910	9.25	453,910	9.25
ICAP SIRA Chemicals & Polymers SpA	768,470	15.66	768,470	15.66

The reconciliation of number of shares outstanding is set out below:

Particulars	March 31, 2013 No. of Shares	March 31, 2012 No. of Shares
Equity Shares at the beginning of the year	4,908,470.00	4,908,470.00
Add : Shares issued	-	-
Less : Shares cancelled	-	-
Equity Shares at the end of the year	**4,908,470.00**	**4,908,470.00**

NOTE 2 ₹ **in Thousand**

	March 31, 2013	March 31, 2012
Reserves & Surplus		
General Reserve		
As per Last Balance Sheet	35,776.27	33,744.41
Add: Transfer from Profit & Loss	2,158.61	2,031.86
Closing Balance	37,934.88	35,776.27
Profit and Loss account (Carried over from P&L)		
As per Last Balance Sheet	113,701.06	102,187.15
Add: Profit for the year	17,836.46	16,991.51
Less: Appropriations	2,158.61	2,031.86
Proposed Divided	2,945.08	2,945.08
Divided Distribution Tax	500.66	500.66
Closing Balance	125,933.17	113,701.06
TOTAL	**163,868.05**	**149,477.33**

Notes forming part of the Financial Statement

NOTE 3 ₹ in Thousand

	March 31, 2013			March 31, 2012		
LONG TERM BORROWINGS						
SECURED						
Loans from Others	Current	**Non Current**		Current	**Non Current**	
Rana Motors Ltd. Delhi	462.82	177.50		449.55	405.29	
Total	462.82	**177.50**	177.50	449.55	**405.29**	405.29
UNSECURED						
- From NBFC						
Technology Development Board	2,665.01	-		7,000.00	2,019.14	
RELIGARE FINVEST LTD.	1,550.44	-	-	1,928.20	1,931.68	3,950.82
TOTAL	**4,678.27**		**177.50**	**9,377.75**		**4,356.11**

Note:
Term Loans from Rana Motors are secured by Hypothecation on Vehicles and personal Guarantee of Managing Director, and from financial institutions and other are unsecured but personal guarantee of Managing Director.

Maturity Profile of Secured Term Loans are as below:

Particulars	1st Year	2nd Year	3rd Year	4th Year	5th Year
Term Loans from Other - Current Year	1,550.44	-	-	-	-
Previous Year	1,928.20	1,931.68	-	-	-

NOTE 4 ₹ in Thousand

	March 31, 2013	March 31, 2012
Deferred Tax Liability (Net)		
Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	13,244.66	12,973.01
Gross Deferred Tax Liabilities	13,244.66	12,973.01
Deferred Tax Assets/Liability		
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	429.24	271.65
Gross Deferred Tax Liability	**429.24**	271.65
Net Deferred Tax Liability	**13,673.90**	**13,244.66**

In compliance with AS 22 issued by ICAI on Accounting for the Taxes on Income, a sum of Rs. 429.24 thousand (previous year Rs. 271.65 Thousand) has been considered as deferred tax liability in respect of timing difference for the year under consideration and the same has been charged to profit & Loss account.

NOTE 5 ₹ in Thousand

	March 31, 2013	March 31, 2012
Long Term Provisions		
Provision for Leave Encashment	621.68	586.14
Total	**621.68**	**586.14**

During the year, company has made a provision of Rs. 589.94 Thousands for accrued liability on account of leave encashment on the basis of actuarial valuation based on projected unit method as required by AS 15 (Revised 2005).

Notes forming part of the Financial Statement

NOTE 6 ₹ in Thousand

		March 31, 2013		March 31, 2012
Short Term Borrowings				
(Secured)				
- Working Capital Loans				
- From Banks		4,175.12		5,022.14
CC A/c - State Bank of India				
- From Others		462.82		449.55
Rana Motors Ltd. Delhi	462.82			
(Unsecured)				
- From NBFC				
Technology Development Board	2,665.01		7,000.00	
RELIGARE FINVEST LTD.	1,550.44	4,215.45	1,928.20	8,928.20
		8,853.39		**14,399.89**

Note :

Working Capital Limits from Banks are secured / to be secured by First charge on stocks of Raw materials, Semi-finished goods, Finished goods, Consumable stores, hypothecation of book debts. The Limits are further secured by Equalibale Moratage of Factory Land of the company.

All secured and Unsecured loans are further secured by personal guarantee of Managing Director of the Company.

NOTE 7 ₹ in Thousand

	March 31, 2013	March 31, 2012
Trade Payables		
- Small, Medium and Micro Enterprises	6,543.66	3,162.59
- Others	66,382.89	50,383.35
Total	**72,926.55**	**53,545.94**

Debit and Credit Balances in the accounts of suppliers and others are subject to confirmation and reconciliations.

Detail of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

₹ in Thousand

Particulars	March 31, 2013	March 31, 2012
Principle amount due and remaining unpaid	6,543.66	3,162.59

NOTE 8 ₹ in Thousand

	March 31, 2013	March 31, 2012
Other Current Liabilities		
Duties & Taxes	601.33	435.11
Unclaim Dividend	1,417.76	1,143.95
Security Deposits from Dealers	500.00	800.00
Other Payables (incl. Salary, Bonus, PF, ESI payables)	4,756.09	3,613.40
Total	**7,275.18**	**5,992.46**

NOTE 9 ₹ in Thousand

	March 31, 2013	March 31, 2012
Short Term Provisions		
Provision for Taxation (Net of Payments)	669.08	-
Accured Liability Royalty	1,334.22	1,335.51
Provision for Excise on Finished Goods	1,153.05	773.26
Accured Liability Others	1,672.87	1,499.67
Proposed Dividend	2,945.08	2,945.08
Dividend Distribution Tax	500.66	500.66
Total	**8,274.96**	**7,054.19**

Notes forming part of the Financial Statement

NOTE 10

Fixed Assets ₹ in Thousand

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2012	Additions	Deletions/ Adjustments	As at 31.03.2013	As at 01.04.2012	For the Year	Deletions/ Adjustments	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013
Tangible Assets :										
Land	16,138.27	-	-	**16,138.27**	-	-	-	**-**	**16,138.27**	16,138.27
Building	76,662.41	7,557.22	-	**84,219.63**	11,252.64	1,572.42	-	**12,825.06**	**65,409.77**	71,394.56
Plant & Machinery	108,874.53	393.68	-	**109,268.21**	74,078.32	4,129.12	-	**78,207.45**	**34,796.21**	31,060.77
Furniture, Fixture & Equipments	17,256.85	3,490.38	-	**20,747.23**	12,093.31	753.70	-	**12,847.01**	**5,163.54**	7,900.22
Vehicles	10,884.25	598.32	426.58	**11,056.00**	6,848.06	1,065.31	323.43	**7,589.94**	**4,036.19**	3,466.06
Intengible Assets :										
TOTAL	**229,816.31**	**12,039.60**	**426.58**	**241,429.33**	**104,272.33**	**7,520.55**	**323.43**	**111,469.46**	**125,543.98**	**129,958.88**
Previous Year	226,051.80	3,764.51	-	229,816.31	96,809.95	7,462.39	-	104,272.33	129,241.86	125,543.98
Capital work in Progress	-	28,923.14	-	28,923.14	-	-	-	-	25,142.53	32,782.16
Intangible Assets under development	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Depreciation on fixed assets provided on straight line method as per schedule-XIV of the Company Act, 1956 (as revised by the amending notification vide circular No. 14/93 dated 20.12.1993 issued by Department of Company Affairs, Ministry of Law, Justice & Company Affairs). Depreciation is charged on proratta basis for assets purchased/sold during the year.

Notes forming part of the Financial Statement

NOTE 11

₹ in Thousand

	March 31, 2013	March 31, 2012
Long Term Loans and Advances		
(Unsecured - considered goods except to the extent provided for)		
Security Deposits	851.87	851.86
Advance Tax / Tax Deducted at Source	-	-
(Net of provision for tax Rs. 92,00,000/- Previous Year Rs. 47,15,634/-)		
Total	**851.87**	**851.86**

NOTE 12

₹ in Thousand

	March 31, 2013	March 31, 2012
Inventories		
(As valued and certified by management)		
(Cost or market price, whichever is lessor, otherwise stated)		
Raw Material & Components	27,125.96	19,031.62
Stores & Spares	439.38	390.63
Packing Material	1,679.51	2,171.88
Work in Progress	1,641.47	2,330.63
Finished Goods	12,039.98	8,497.69
Total	**42,926.30**	**32,422.44**

NOTE 13

₹ in Thousand

	March 31, 2013	March 31, 2012
Trade Receivables		
(Unsecured, considered goods unless otherwise stated)		
Debts Outstanding for a period exceeding six months	2,027.65	3,695.75
Other Debts - Considered Goods	90,049.12	91,868.11
Total	**92,076.77**	**95,563.86**

NOTE 14

₹ in Thousand

	March 31, 2013	March 31, 2012
Cash and Bank Balances		
Cash in Hand	124.24	225.02
Balances with Scheduled Banks on :		
- in current accounts	4,230.07	1,260.61
- in dividend accounts	1,417.76	1,143.95
- Fixed Deposit / Margin Money Account	1,453.89	2,314.60
Total	**7,225.96**	**4,944.18**

Fixed Deposit / Margin Money Account include Rs. 13,53,890/- pledged against margin money previous year Rs. 10,50,000/-.

NOTE 15

₹ in Thousand

	March 31, 2013	March 31, 2012
Short Term Loans and Advances		
(Unsecured - considered goods except to the extent provided for)		
Advances Recoverable in Cash or in Kind (Short Term)		361.47
Prepaid Expenses	620.28	521.17
Claims Receivable	3,692.96	730.47
Deposit for Flat	7,609.79	5,945.12
Staff Advances	513.39	349.25
Balance with Excise Dept.	3,070.87	1,929.82
Advances to Suppliers	2,285.91	524.95
Interest Accrued but not due	4.06	-
Income Tax Refundable	104.31	1,868.35
ITC VAT/CST Recoverable	1,031.41	1,041.97
Total	**18,932.98**	**13,272.57**

Notes forming part of the Financial Statement

NOTE 16

₹ **in Thousand**

	March 31, 2013	March 31, 2012
SALES		
DOMESTIC SALES:		
Manufactured Products	191,559.93	240,207.96
Less: Excise Duty	37,833.21	27,436.34
NET DOMESTIC SALES	**229,393.14**	**212,771.62**
EXPORT SALES:		
Manufactured Products	167,321.59	109,226.17
Total	**396,714.73**	**321,997.79**

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.

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 in Thousand
This Year	**4910.0 MT**	**4549.07 MT**	**112.07 MT**	**157.61 MT**	**4503.53 MT**	**396,715**
Previous Year	**4910.0 MT**	**3890.15 MT**	**160.24 MT**	**112.07 MT**	**3938.32 MT**	**321,998**

₹ **in Thousand**

	March 31, 2013	March 31, 2012
Domestic Turnover	**267,226**	240,208
Export Turnover	**101,211**	56,341
Export Turnover - EOU	**66,111**	52,885
	434,548	349,434
Less: Excise Duty	**37,833**	27,436
	396,715	321,998

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. 16,732,159** (Previous Year - Rs. 109,226.17).
6. The products manufactured by the company falls under one class of goods.

Earnings in Foreign Exchange

₹ **in Thousand**

	March 31, 2013	March 31, 2012
Sale of goods	167,321.59	109,226.17

Notes forming part of the Financial Statement

NOTE 17

₹ in Thousand

	March 31, 2013	March 31, 2012
Other Income		
Interest Income	169.07	449.99
Balances written back / off (Net)	44.36	518.86
Miscellaneous Income:		
Misc. Income	645.55	582.22
Total	**858.98**	**1,551.07**

NOTE 18

₹ in Thousand

	%age of Consumption	March 31, 2013	%age of Consumption	March 31, 2012
Cost of Material Consumed				
Imported	11.89	33,799.93	13.02	29,531.32
Indigenous	88.11	250,401.14	86.98	197,353.96
Total	**100**	**284,201.07**	**100**	**226,885.28**
Value of Imports on CIF Basis in respect of:				
Raw material		30,662.06		27,700.46
Components & Spare Parts		118.83		-
Capital goods (including CWIP)		2,778.79		9,459.72
Total		**33,559.68**		**37,160.18**

NOTE 19

₹ in Thousand

	March 31, 2013	March 31, 2012
Change in Inventories of Finished Goods, Stock-in-Process and Stock-in-Trade		
Opening Stocks:		
F.G.	8,497.69	9,940.86
Stock-in-process	2,330.63	1,028.27
Closing Stocks:		
F.G.	12,039.98	8,497.69
Stock-in-process	1,641.47	2,330.63
Net Change in Stock	**(2,853.13)**	**140.81**

NOTE 20

₹ in Thousand

	March 31, 2013	March 31, 2012
Employees' Benefits Expenses		
Salaries, Wages, Bonus & Incentives etc. (Net)	21,111.81	20,328.26
Contribution to Provident Fund and ESI	885.99	1,037.54
Workmen and Staff Welfare Expenses	1,294.25	544.65
Gratuity	1,222.53	140.00
Recruitment & Training Expenses	71.96	47.75
Total	**24,586.54**	**22,098.20**

The Company has taken Group Gratuity Policy from LIC and the fund Value as on 31.03.2013 was Rs. 60,53,681/- and this is conformity as per the requirements of AS 15 issued by ICAI. The provision for Leave Encashment is on actuarial valuation basis. As per the actuarial valuation report the provision for leave encashment has been determined at Rs. 6,21,683/- as on 31.03.2013 and the same has been provided for in the books of accounts.

Notes forming part of the Financial Statement

NOTE 21

₹ in Thousand

	March 31, 2013	March 31, 2012
Financial Expenses		
Interest to Bank		
- on working capital loan	157.51	178.76
- interest others	1,884.99	1,542.66
- finance charges	816.30	1,211.03
Total	**2,858.80**	**2,932.45**

NOTE 22

₹ in Thousand

	March 31, 2013	March 31, 2012
Auditors Remuneration	329.97	225.68
Damaged Material Written Off	-	15.00
Debit Balance Written Off	111.95	26.25
Director's Sitting Fees	80.00	96.00
Guest House Expenses	66.01	451.08
Insurance Expenses	1,423.33	959.08
Postage & Telephone Expenses	1,789.40	1,648.94
Printing Stationary Expenses	714.07	621.80
Professional Charges	783.29	591.86
Property Tax	44.98	49.39
R&D Expenses	5,814.97	3,960.25
Rent - Building	281.86	126.80
Rent - Other	155.18	222.04
Repair Maintenance	5,031.99	4,986.02
Royalty	1,400.08	1,420.70
Technical Services	792.73	898.99
Marketing Expenses	17,463.52	13,213.57
Miscellaneous Expenses	1,081.45	1,060.19
Loss on Sale of Fixed Assets	63.15	-
Repair Others	-	63.10
Travelling	5,177.43	4,723.39
Power, Fuel and Water	11,819.31	9,248.31
Vehicle Expenses	587.28	543.48
Reimbursement of Excise Salary	577.76	529.38
Total	**55,589.71**	**45,681.32**

Remuneration to auditors

₹ in Thousand

	March 31, 2013	March 31, 2012
Statutory audit	203.76	185.24
Certification charges	53.84	10.00
Expenses reimbursement	72.37	30.44
Total	**329.97**	**225.68**

Service Tax being modvatable, hence not included.

Notes forming part of the Financial Statement

₹ in Thousand

Expenditure in foreign currency		March 31, 2013	March 31, 2012
Travel, boarding and lodging expenses			
- Directors	2,912.72		
- Employees	496.52		
		3409.24	3440.40
Trade Fair overseas		293.09	236.90
Total		**3,702.33**	**3,677.30**

NOTE 23

₹ in Thousand

	March 31, 2013	March 31, 2012
Earnings per share (EPS)		
Basic		
Net profit as per profit and loss account	17,836.46	16,991.51
Weighted average number of equity shares outstanding during the year	49,084.70	49,084.70
Earning per share - Basic	**3.63**	**3.46**
Diluted		
Net profit as per profit and loss account	-	-
Weighted average number of equity shares outstanding during the year	49,084.70	49,084.70
Earning per share - Diluted	**-**	**-**
Nominal value of equity share	**10**	**10**

NOTE 24

Related Party Disclosure

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
1.	Mr. Pankaj Jain	Key Managerial Person
2.	Mr. N.K. Jain	Relative of Key Managerial Person
3	Mr. V.K. Garg	Relative of Key Managerial Person
4.	NK Jain Instruments Pvt. Ltd.	Associated Company
5.	Labotron Instruments Ltd.	Associated Company
6.	Labotech Microscopes India Pvt. Ltd.	Associated Company
7.	Mrs. Sippy Jain	Key Managerial Person

Transactions with related parties:

Related Party	Nature of Transaction	March 31, 2013	March 31, 2012
Key Managerial Person	Managerial Remuneration	2,889.83	2,795.00
Relative of Key Managerial Person	Sitting Fee	-	-
Key Managerial Person	Sitting Fee	-	-
Associated Company	Sale of Material	766.00	654.00
Associated Company	Sale of Material	-	-
Associated Company	Sale of Material	103.00	72.00

Notes forming part of the Financial Statement

NOTE 25

₹ **in Thousand**

	March 31, 2013	March 31, 2012
a) Managing Director Remuneration:		
Salary and allowances	2,311.50	2,232.00
Perquisites and provident fund	142.97	123.00
Total	**2,454.47**	**2,355.00**
b) Whole Time Director Remuneration:		
Salary and allowances	351.00	351.00
Perquisites and provident fund	84.36	89.00
Total	**435.36**	**440.00**

NOTE 26

CONTINGENT LIABILITIES NOT PROVIDED FOR ON ACCOUNT OF:

₹ **in Thousand**

	March 31, 2013	March 31, 2012
a) Letter of credit outstanding for import / purchase of Raw materials, spares and plant and machinery	2,122.09	3,349.00
b) Estimated amount of contracts remaining to be executed on account of capital account and not provided for (net of advances)	NIL	430.96

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 1st April, 2012	586,141.00	773,264.00	3,445,746.00	-
Provision made during the year	589,936.00	1,153,046.00	3,445,746.00	9,200,000.00
Provision written off / back during the period	554,394.00	773,264.00	3,445,746.00	8,530,921.00
Balance as at 31st March, 2013	621,683.00	1,153,046.00	3,445,746.00	669,079.00

For S.C. DEWAN & CO.
Chartered Accountants

S.C. DEWAN
Partner

GURGAON
May 30, 2013

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

PANKAJ JAIN
Managing Director-cum-Vice Chairman

SIPPY JAIN
Director

SILU NANDA
Company Secretary

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 EIGHTH Annual General Meeting of the Company to be held at 11.30 AM on 7th August, 2013 and at any adjournment thereof.

Signed this ..... day of 2013

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 EIGHTH Annual General Meeting held at the Registered Office at 72 - 77, HSIDC Industrial Estate, Hansi Road, Jind - 126 102, on 7th August, 2013.

.....
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.