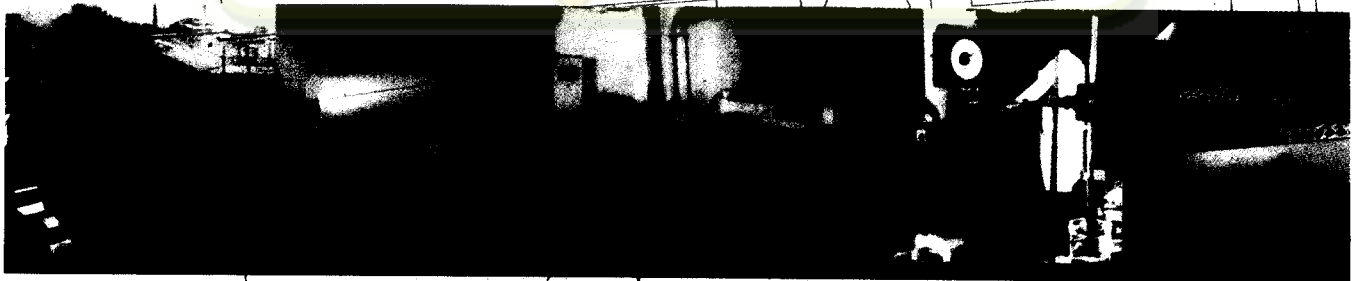




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Century Laminating Co. Ltd.

Annual Report 2002 - 2003



CENTURY LAMINATING COMPANY LIMITED

BOARD OF DIRECTORS : SHRI M. K. LOHIA — *Chairman*
SHRI C. L. LOHIA — *Executive Vice-Chairman*
SHRI R. C. LOHIA — *Director (Technical)*
SHRI P. LOHIA — *Managing Director*
MISS R. LOHIA — *Whole-time Director*
SHRI N. K. DUGAR — *Whole-time Director*
DR. G. BHATTACHARJEE
SHRI A. N. ROY
SHRI S. BANERJEE
DR. H. P. MITRA

**SECRETARY & CHIEF
EXECUTIVE (FINANCE)** : SHRI A. K. PARUI

REGISTERED AND HEAD OFFICE : 5, ALEXANDRA COURT,
60/1, CHOWRINGHEE ROAD,
KOLKATA - 700 020

LAMINATE & OTHER PLANTS : DELHI - HAPUR ROAD,
VILL. : ACHHEJA
P.O. : HAPUR - 245 101
DIST. : GHAZIABAD (U.P.)

BRANCHES : AHMEDABAD, BANGALORE, BHUBANESWAR,
CHENNAI, DELHI, ERNAKULAM, HYDERABAD
JAIPUR, MUMBAI, NAGPUR, PUNE and TINSUKIA

AUDITORS : PRICE WATERHOUSE
Chartered Accountants

BANKERS : STATE BANK OF INDIA
UTI BANK LIMITED

**REGISTRAR & SHARE
TRANSFER AGENT** : AXC COMPUTERS PRIVATE LIMITED
National Council of Education, Bengal Building,
Jadavpur University Campus,
Jadavpur, Kolkata - 700 032

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Directors' Report & Management Discussion and Analysis

Dear Members,

Your Directors have pleasure in presenting their thirty-eight Annual Report together with the audited accounts of your Company for the year ended 31st March, 2003.

1. FINANCIAL RESULTS

	(Rupees in '000)	
	Current Year	Previous Year
Sales (net of excise duty)	110 26 60	97 73 72
Other Income	3 68 48	1 84 93
	<u>113 95 08</u>	<u>99 58 65</u>
Profit before Interest, Depreciation and Tax	14 76 68	12 78 08
Less : Interest	3 14 06	1 97 91
Depreciation	<u>3 21 10</u>	<u>1 61 69</u>
Profit before Tax	8 41 52	9 18 48
Less : Provision for Tax (including Deferred Tax of Rs. 65 01 thousand in the current year and previous year Rs. 45 16 thousand)	3 00 01	2 76 16
Profit after Tax	<u>5 41 51</u>	<u>6 42 32</u>
Add : Balance brought forward from previous year	4 27 63	20 69
	<u>9 69 14</u>	<u>6 63 01</u>
Appropriations		
Transfer to general reserve	54 15	64 00
Interim Dividend	—	1 55 52
Tax on Interim Dividend	—	15 86
Balance carried to Balance Sheet	9 14 99	4 27 63
	<u>9 69 14</u>	<u>6 63 01</u>

2. FINANCIAL PERFORMANCE VIS-À-VIS OPERATIONAL PERFORMANCE

The year under review witnessed highest ever turnover at Rs. 110 26 60 thousand achieved by your Company. Production of decorative laminated sheets also registered an all time high at 116.94 lac sq. mtrs. Net profit before tax for the year recorded a decline as compared to the previous year mainly due to escalation in input costs and other expenses.

3. SWOT ANALYSIS

In order to sustain the growth in this ruthlessly competitive business environment and retain its *numero uno* position in the market, your Company has consistently identified its strengths and tried to leverage them against the weaknesses by benchmarking its operations in conjunction with world standards. Through research and development, your Company has been able to achieve cost reduction across the board by minimizing the dependence on conventional sources of energy and instead focusing its attention on non-conventional sources and improved methods of production that use up less energy.

Directors' Report *(Contd.)*

Opportunities and threats abound the current business environment and every business, big and small, must be alive to this fact. We, at Merino are constantly monitoring the ever-changing business landscape such that we are able to face head on the challenges that present themselves with amazing alacrity.

4. SEGMENT-WISE BUSINESS PERFORMANCE

Decorative laminates continue to be the dominant business segment contributing about 81.26% of the total revenue for the year ended 31st March, 2003 while panel products and furniture components contributed about 5.64%, Formaldehyde 3.29% and others including trading of raw materials 9.81%. Almost entire operating profit for the year has been contributed by decorative laminates segment. Truly this segment is the focal point of the business segments.

5. FUTURE OUTLOOK

Your Company has imbibed the philosophies of Economy, Excellence and Ethics as its motto and these have been reflected in its operations so as to fulfil the cherished ideals of increasing shareholder value, protecting the environment and meeting societal obligations. It is our bounden duty to all stakeholders and the society at large that we acknowledge the due.

Ethics has been one of the cornerstones of success for your Company and it has been our constant endeavour to maintain ethical corporate practices and transparent dealings both within and without. Your Company has been diligent in adopting the Code of Corporate Governance as a manual for good management, a fact that is amply demonstrated in the section on Corporate Governance.

Considering all these facts and its inherent potential, the future prospects of your Company are expected to be encouraging. Your Company is seeking to consolidate its position in the laminates markets both domestic and overseas through aggressive marketing and consolidation of its present market share.

6. IDENTIFICATION OF RISKS AND AREAS OF CONCERN

The Company's business operations are exposed to risk of foreign currency fluctuation as a substantial portion of raw materials input is imported. The impact thereof is partially offset by exports earnings. Also, the Company's performance is dependent on the outlook of the construction industry.

7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an adequate system of internal control commensurate with the size of operations and the nature of its business, which ensures that transactions are recorded, authorized and reported correctly apart from safeguarding its assets against loss from wastage, unauthorized use and removal.

The internal control system is supplemented by documented policies, guidelines and procedures and an extensive program of review is carried out by the Company's Internal Auditors who submit detailed reports periodically to the management and the Audit Committee.

Your Company's Statutory Auditors have, in their report, confirmed the adequacy of the internal control system and the procedures therein.

Directors' Report (Contd.)

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

Your Company considers human resources to be the most important contributing element of the organization. A dedicated and silent workforce of 457 has always led your Company to the pinnacle of success with an untiring effort for betterment. The relations continue to be cordial.

9. SAFETY, HEALTH AND ENVIRONMENT MEASURES

Your Company is committed to providing a safe and healthy environment for its employees, customers, shareholders, visitors and managing the organisation in an environmentally sensitive and responsible manner. Your Company further recognises an obligation to demonstrate safety and environmental leadership by maintaining the highest standards and serving as an example to our interested parties as well as the community at large. Your Company will strive to improve continually its safety and environmental performance by adhering to the following policy objectives :

- (i) Developing and improving programs and procedures to assure compliance with all applicable laws and regulations ;
- (ii) Ensuring that personnel are properly trained and provided with appropriate safety and emergency equipment and fully comprehend environmental issues ;
- (iii) Taking appropriate action to correct hazards or conditions that endanger health, safety and the environment on proactive basis ;
- (iv) Engaging in sound re-use and recycling practices and exploring feasible opportunities to minimise the amount of and toxicity of, waste generated ;
- (v) Using energy efficiently throughout its operations ;
- (vi) Communicating its desire to continuously improve its performance and fostering the expectation that every employee, in the organisation's premises will follow this policy and report any environmental, health or safety concern to the designated person ;
- (vii) Monitoring its progress through periodic evaluations.

10. EXPORT EARNINGS

Your Company's export earnings during the year were Rs. 32 48 75 thousand (F.O.B value) once again a new high. We have every expectation that we shall again get the award for the highest exporter of Decorative Laminates. If received, this will be the eight year in succession. Your Directors are particularly gratified to have fulfilled one of the avowed objectives of the management in serving national interest by contributing to the country's foreign exchange earnings.

11. FUTURE PROSPECTS

High Pressure Decorative Laminates

Your Company has embarked upon production of higher sized laminates mainly for exports. A huge market of such product exists overseas. Your Company is confident that it will be in a position to utilise the capacity tapping these huge markets.

Export market for standard sized laminates is encouraging. Your Directors feel that a reasonable growth of sales will be achieved in the years ahead.

Directors' Report (Contd.)

Furniture and Furniture Components

Your Company's furniture division has witnessed wide acceptance of certain items launched. Your Directors are hopeful that in course of time this furniture division will contribute a substantial portion of revenue to your Company. The outlook is encouraging.

12. CAPITAL EXPENDITURE

A sum of Rs. 9 71 07 thousand has been incurred towards capital expenditure for the acquisition of various assets put to use during the year. This excludes assets valued at Rs. 50 68 thousand which await installation as at the end of the year. During the year some fixed assets (original cost of Rs. 88 23 thousand) have been disposed of.

13. IRRECOVERABLE ADVANCES

As approved by the members, the Company had made advances totaling Rs. 51,90,522/- to Merinoply & Chemicals Limited, an associate Company on several occasions and a portion of the outstanding amount was adjusted against other dues of this Company. In view of complete stoppage of production activities in pursuance of the Order of Hon'ble Supreme Court pertaining to the pollution control, the said Company is still under severe financial strain and has not been in a position to repay the outstanding balance of Rs.21,21,783/-. Your Directors were informed that a creditor of the said Company had filed a winding up petition of the said Company and the Company has since been ordered to be wound up by the Hon'ble High Court of Calcutta.

Your Directors have, therefore, written off the advances in line with the accepted accounting practices and standards.

14. DIVIDEND

Your Directors propose to plough back the profits for the business of the Company and regret their inability to recommend any dividend for the year.

15. DELISTING OF SHARES

Your Company has already received an "In-Principle" approval from the Stock Exchange, Mumbai regarding de-listing of the shares. However, approvals for our de-listing applications are currently pending with the Kolkata, Delhi and Chennai Stock Exchanges. Follow-up steps are being currently taken by your Company to expedite the process of de-listing and it is hoped that the necessary approvals would be received in due course.

16. NOTICES FROM STOCK EXCHANGES / SEBI

During the year the Company had paid a lump-sum amount under SEBI Regularisation Scheme, 2002 for non-compliance with regulations 6(2), 6(4) and 8(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. No other penalties or strictures have been imposed/passed by any regulatory authority on any matter related to capital markets during the last three years.

17. SUBSIDIARY COMPANY

Your Company's subsidiary, Merino Panel Products Limited (MPPL) had the seventh full year of commercial production. During the year under review total turnover (net of excise duty) of MPPL has increased by Rs. 11 16 65 thousand as compared to that of the previous year.



Directors' Report (Contd.)

MPPL has earned a net profit (post tax) of Rs. 2 25 29 thousand during the year under review. The Company's holding in the subsidiary's equity continues to be Rs. 1 49 30 thousand out of the total paid-up equity capital of Rs. 2 00 00 thousand. The subsidiary's audited Accounts and Directors' and Auditors' Reports are annexed herewith. The statement required under section 212(1)(e) of the Companies Act, 1956 is also enclosed.

18. CONSOLIDATED FINANCIAL STATEMENTS & CASH FLOW STATEMENT

Pursuant to the accounting standards issued by the Institute of Chartered Accountants of India, segment-wise financial statements, transactions with related parties, computation of earnings per share, provision of deferred tax liability, consolidated financial statements presented by the Company including financial information of its subsidiary and Cash Flow Statement duly verified by your Auditors together with their certificate form part of the annual report and accounts.

19. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Man Kumar Lohia and Shri Shyamal Banerjee, Directors, retire by rotation at the ensuing annual general meeting and being eligible offer themselves for re-appointment.

20. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 with respect to Directors responsibility statement, it is hereby confirmed that :

- a. in the preparation of the annual accounts for the financial year ended 31st March, 2003 the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- b. the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review ;
- c. the Directors had taken proper and sufficient care 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 ;
- d. the Directors had prepared the accounts for the financial year ended 31st March, 2003 on a going concern basis.

21. STATUTORY AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing annual general meeting and have expressed their willingness to offer themselves for re-appointment. The Company has received a letter from Messrs. Price Waterhouse to the effect that their appointment as Auditors, if made, would be within the permissible limits under section 224(1B) of the Companies Act, 1956.

22. CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as prescribed under the Listing Agreements with the Stock Exchanges.

Directors' Report — (Contd.)

A separate Report on Corporate Governance alongwith the certificate of the Auditors, Messrs. Price Waterhouse, Chartered Accountants, confirming compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreements entered into with Stock Exchanges is annexed.

23. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure to this report.

24. PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, the particulars of the employees are set out in the annexure to this Report.

25. FORWARD LOOKING STATEMENTS

Forward looking statements are based on certain assumptions and expectations of future events and also involve risks and uncertainties. Words or phrases such as "hopeful", "confident", "feel" and similar expressions as they relate to your Company and/or its businesses intended to identify such forward looking statements. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include demand and supply conditions, finished goods prices, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigations and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward looking statements that speak only as of their dates. This report should be read in conjunction with the financial statements included herein and the notes thereto.

26. AUDITORS' REPORT

Observations and comments made by the Auditors in their reports including those on consolidated accounts have been further clarified in the relevant note to the accounts.

27. ACKNOWLEDGEMENTS

The Directors would like to express their sincere thanks for the continued assistance and co-operation received from State Bank of India, UTI Bank Limited, ICICI Bank Limited, Export-Import Bank of India and customers.

Right from its inception, the Directors and management have followed a policy of developing excellent team spirit among the management, officers, employees and workers. By sustaining this policy over the years has resulted in a dedicated team of management personnel, officers, employees and workers with whom your Directors and management have the best of relations.

New Delhi,
The 20th day of June, 2003

For and on behalf of the Board
MAN KUMAR LOHIA
Chairman



ANNEXURE — A**ANNEXURE TO DIRECTORS' REPORT**

Particulars for conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March, 2003.

A. CONSERVATION OF ENERGY**(a) Energy conservation measures taken :**

- i) Further study undertaken for reduction of steam in press as well as higher collection of condensate.
- ii) Higher capacity saw dust dryer installed to reduce moisture content in saw dust.
- iii) Construction of modified furnace for better utilization of heat for drying saw dust.
- iv) Replacement of 30 H.P. motor by 20 H.P. motor in formaldehyde plant resulting in lower power consumption.
- v) Replacement of installed tube lights by Asian Electronic retrofit fittings for reduction of power consumption.
- vi) Monitoring schedule of generator running to bring better capacity utilization of Generator sets.

(b) Additional investments and proposals for reduction of consumption of energy :

Additional investments are proposed for further undertaking energy audit and replacement by energy efficient Asian Electronic retrofit fittings.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- i) Automatic Boiler alongwith provision of accumulator has helped in case of operation as well as saving of energy.
- ii) Saving of electric power has already resulted because of replacement of motor in formaldehyde plant.
- iii) Dryer saw dust consumption is lower resulting in significant saving in cost of fuel used in boiler.
- iv) Because of enhanced capacity of boiler coal use has been eliminated altogether.

(d) Total energy consumption and energy consumption per unit of production :

The particulars are given as per Form 'A' enclosed to the extent applicable relating to cold storage unit.