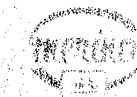


THANK BIG



ECONOMY · EXCELLENCE · ETHICS

MERINO INDUSTRIES LIMITED
ANNUAL REPORT, 2009-10

02 Corporate identity & highlights

08 Executive Chairman's review

12 Our products

13 The integrated business model

18 Indian furniture industry

22 Business segments

27 Finance review

THANK YOU BIG

Disclaimer: Merino Group consists of six companies dealing with various products and services comprising panels, potato flakes, ITes, cold storage, chemicals and agriculture. For the purpose of presentation in this Annual Report (Pages 1-32), Merino Group refers to only Merino Industries Ltd. and its subsidiary, Merino Panel Products Ltd..

In this annual report, we have disclosed forward-looking statements that set out anticipated results – based on the management's plans and assumptions – to enable investors to comprehend our prospects and take informed investment decisions. We cannot guarantee that these forward-looking statements will be realised as the achievement of results is subject to risks and uncertainties. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

TO BE BIG

— CLAUDE M. BRISTOL

Risk analysis 30

Corporate social responsibility 32

Corporate information 33

Directors' report of Merino Industries Limited 34

Financial section of Merino Industries Limited 43

Directors' report of Merino Panel Products Limited 72

Financial section of Merino Panel Products Limited 79

**MERINO IS A BRAND OF LAMINATE
ORIGIN THAT HAS EXTENDED TO
PANEL PRODUCTS, FURNITURE AND
POTATO FLAKES.**

**MERINO IS A BRAND OF INDIAN
ORIGIN THAT HAS EXTENDED TO A
PRESENCE ACROSS 42 COUNTRIES.**

**MERINO IS A BRAND OF COMMODITY
SEGMENT ORIGIN THAT HAS
GRADUATED TO VALUE-ADDED
SPACES.**

**MERINO IS A BRAND OF SINGLE
PRODUCT ORIGIN THAT HAS
EMERGED AS A ONE-STOP SHOP FOR
ALL INTERIOR SOLUTIONS.**

Merino Group was set up as a small unit in 1965 by the late Man Kumar Lohia and his brothers. The Group has since evolved into the largest manufacturer and exporter of laminates in India.

Mission

Continual endeavour to achieve excellence in products and services through intelligent and economic use of resources, while adopting ethical means to conduct business

Motto

At Merino, our motto is to approach every step of our work keeping in mind three key principles:

- Economy
- Excellence
- Ethics

Presence

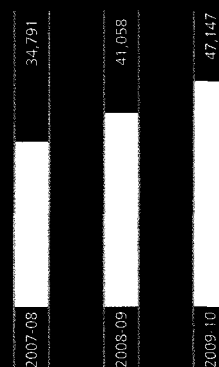
- Headquartered in Kolkata, West Bengal
- Three manufacturing units located at Hapur, Uttar Pradesh, Rohad, Haryana and Hosur, Tamil Nadu
- Offices in 13 states in India and the US and a presence across 42 countries around the world

Awards and certifications

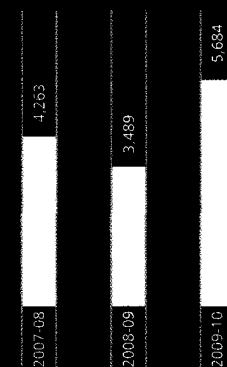
- Merino was the first brand in its industry in India to receive the coveted ISI, ISO-9001 and ISO-14001 certifications.
- Merino products are GREENGUARD Indoor Air Quality-certified and GREENGUARD Children and School-certified.
- Merino was awarded the 'Top Exporter' award by The Plastics Export Promotion Council successively for 12 years till 2008-09.

Company	Location	Products	Capacities
Merino Industries Limited	Hapur, U.P	• Laminates	60 lac sheets
		• Furniture	75,000 pcs
		• Formaldehyde	9,000 MT
		• Potato flakes	43.20 lac kg
Merino Industries Limited	Hosur, Tamil Nadu	Prelam Boards	24.12 lac sqm
Merino Panel Products Limited	Rohad, Haryana	• Laminates	36 lac sheets
		• Plywood	7.80 lacs sqm
		• Prelam boards	3.74 lacs pcs
		• Formaldehyde	9,360 MT

Revenues (net) (Rs. lacs)



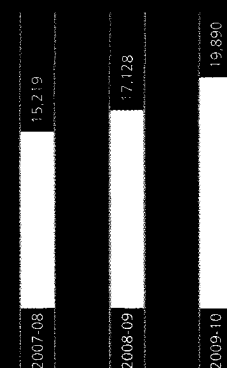
EBIDTA (Rs. lacs)



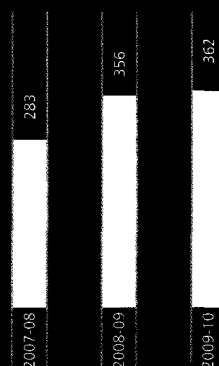
Post-tax profit (Rs. lacs)



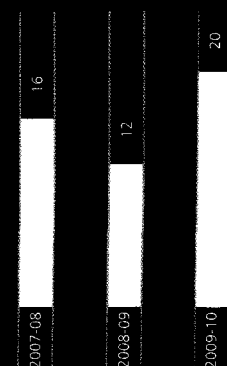
Gross block (Rs. lacs)



Laminate realisation (Rs. per sheet)



ROCE (%)



THINK BIG

AT MERINO, WE ARE NOT EXCITED
BY WHAT IS BUT WHAT CAN BE.

Consider the realities

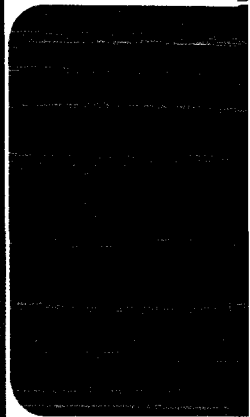
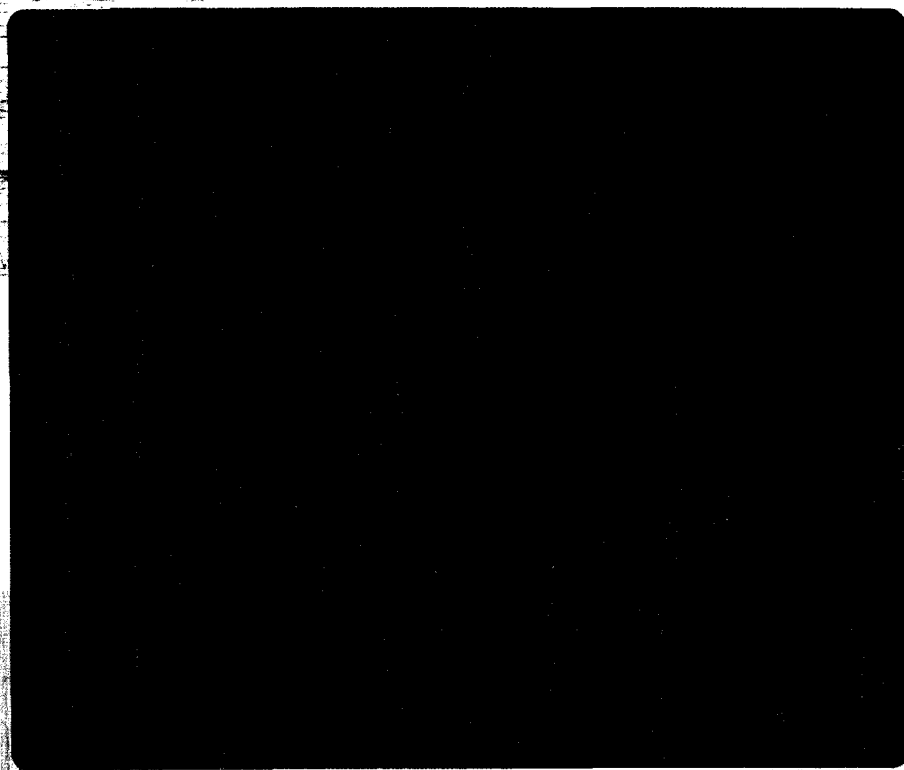
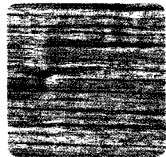
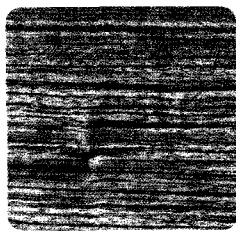
- India advantage: Merino is already the largest laminate brand in the second most populous country, giving it a deep insight into diverse consumer preferences that will be progressively leveraged to grow its international footprint.
- Global competitiveness: Merino is one of the most competitive laminate manufacturers in the world, leveraging a complement of factors (low funds cost, wage arbitrage, asset utilisation, value engineering and product innovation), resulting in a third of its volume being exported.

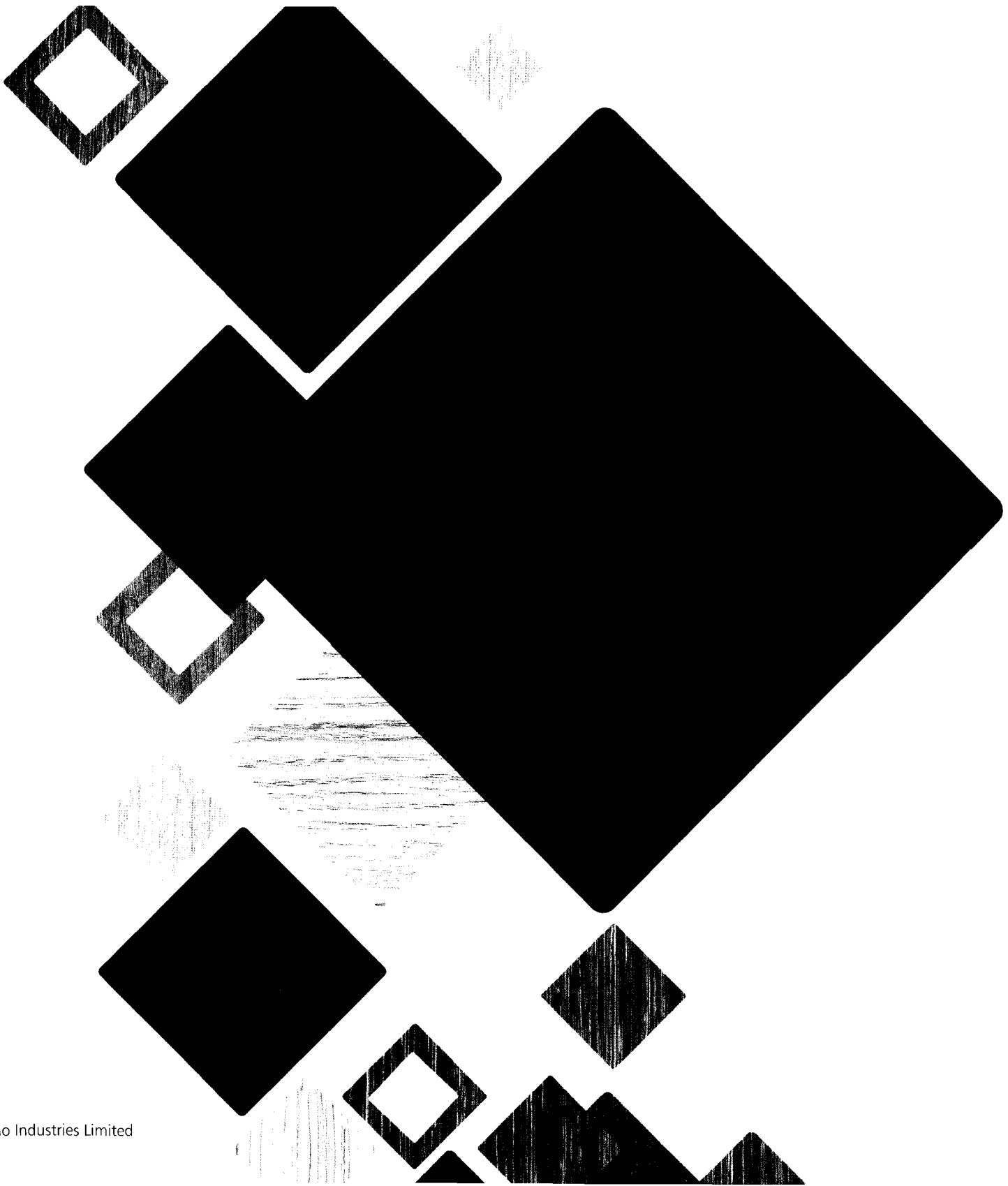
Merino intends to take these realities ahead. By going wider and deeper in India on the one hand. And spreading its international coverage on the other.

Emerging as the largest laminate manufacturer in the world in the coming year.

“Believe big. The size of your success is determined by the size of your belief.”

- David. J. Schwartz





THINK BIG

AT MERINO, BIGNESS IN SIZE HAS
BEEN ACHIEVED THROUGH
BIGNESS IN A NUMBER OF THINGS.

Consider the evidence

- We were a single product Company until 1993; we are a six product Group today.
- We were present in one country until 1990; we are in 42 countries today.
- We possessed a portfolio comprising 400 SKUs until 1990; we possess a portfolio in excess of 50,000 SKUs today.
- We possessed an annual laminate production capacity of 18 lac sheets in 1990-91; we will possess a production capacity of 110 lac sheets by the end of 2010.

“Small thoughts fear the future.
big thoughts are the future.”

-Michael Porter

Executive Chairman's review
of Group performance



“OUR AIM: TO EMERGE AS
THE LARGEST LAMINATE
MANUFACTURER IN THE
WORLD IN THREE YEARS.”

Dear Shareholders,

We are pleased to state that even though 2009-10 was not the best year for the Indian or global economy, it was a record year at Merino.

This contrarian group performance translated into some attractive numbers despite a depreciation of the value of the Indian currency against the US dollar, rising raw material costs and a Rs. 567-lacs one-time write-off:

- Revenues increased 15% from Rs. 41,058 lacs in 2008-09 to Rs. 47,147 lacs in 2009-10
- PAT increased 395% from Rs. 468 lacs in 2008-09 to Rs. 2,316 lacs in 2009-10
- Net profit after tax margin increased from 1% in 2008-09 to 5% in 2009-10
- EBITDA increased 63% from Rs. 3,489 lacs in 2008-09 to Rs. 5,684 lacs in 2009-10

The pre-tax profit before extraordinary items for the year under review represented a 489% increase over the corresponding period in the previous year, indicating the full impact of the Group's improved performance.

Out performance

India's laminate industry grew 10% and the global laminate industry grew 4% in 2009-10. This contrarian performance was the result of a number of factors that converged concurrently: