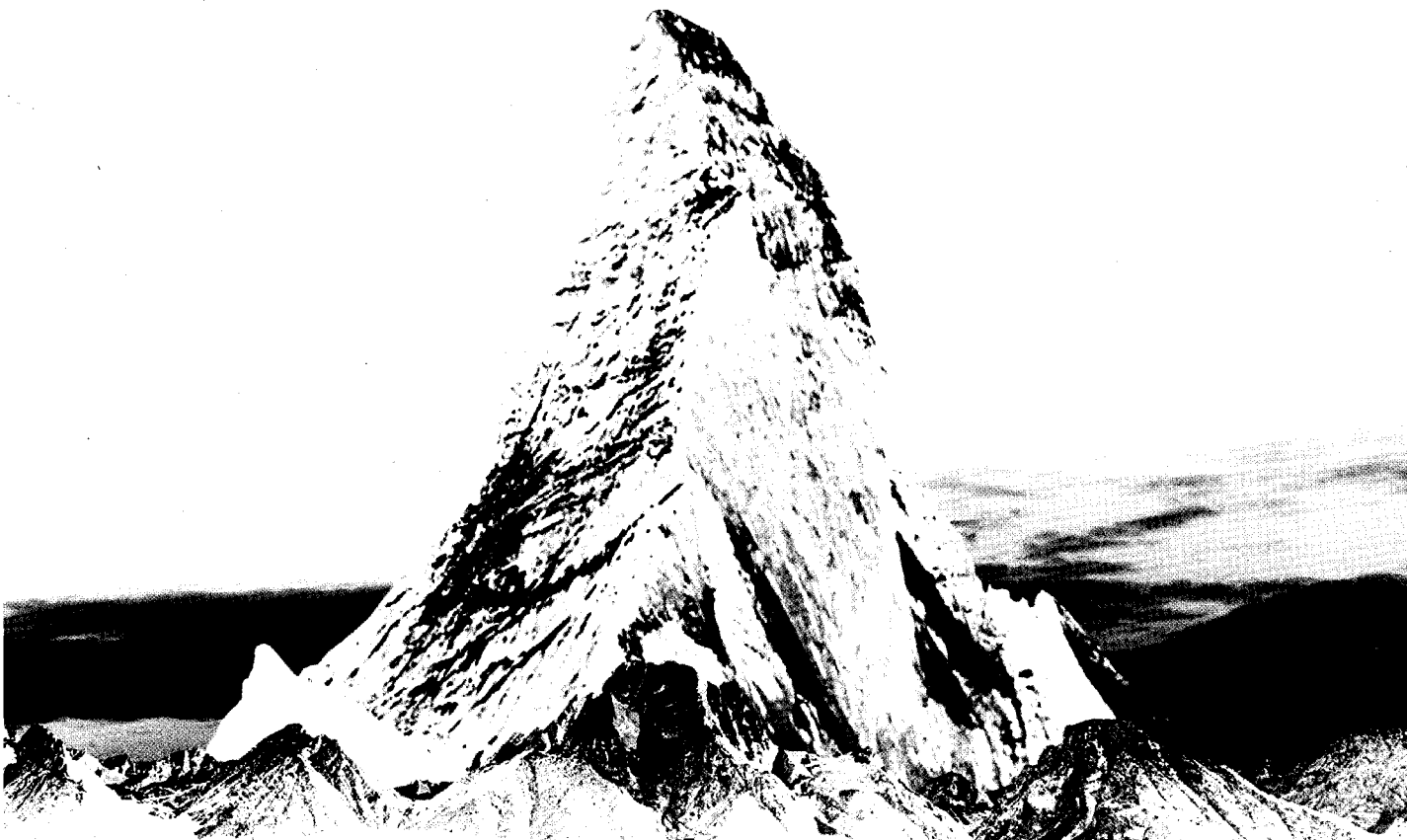


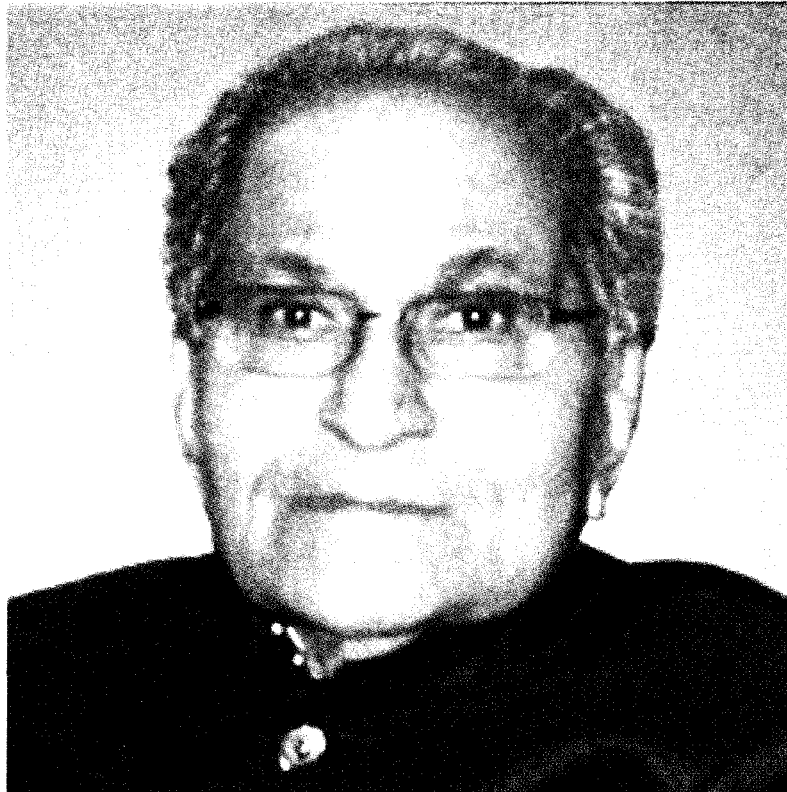
MERINO ■ LAMINATES
THE POWER TO CREATE

GROWTH ABOVE ALL

THE POWER TO CREATE GROWTH

MERINO INDUSTRIES LIMITED
ANNUAL REPORT 2010-11





(1926-2009)

Shri Man Kumar Lohia
Founder chairman & inspiration behind
the Merino Group

Board of Directors	:	Shri Champalal Lohia	-	Executive Chairman
	:	Shri Rupchand Lohia	-	Executive Vice-Chairman
	:	Shri Prakash Lohia	-	Managing Director (Resigned w.e.f. 14.08.2010 & further appointed w.e.f. 01.03.2011)
	:	Miss Ruchira Lohia	-	Whole-time Director
	:	Shri Prasan Lohia	-	Whole-time Director
	:	Shri Bikash Lohia	-	Whole-time Director
	:	Shri Madhusudan Lohia	-	Whole-time Director
	:	Shri Nripen Kumar Dugar	-	Whole-time Director
	:	Dr. Gautam Bhattacharjee		
	:	Shri Amar Nath Roy		
	:	Shri S. J. Sonowal	-	Nominee Director (Export-Import Bank of India) upto 27.04.2011
	:	Shri Sudatta Mandal	-	Nominee Director (Export-Import Bank of India) w.e.f. 29.04.2011
Secretary & Chief Executive (Finance)	:	Shri Asok Kumar Parui		
Registered & Head Office	:	5, Alexandra Court, 60/1, Chowringhee Road, Kolkata-700 020		
Plants	:	Delhi-Hapur Road, Vill. Achheja, P.O. Hapur-245 101 Dist. Ghaziabad (U.P.)		
	:	Bagalur Road, Vill. Kalahasthipuram, Hosur - 635 103, Dist. Krishnagiri Tamil Nadu		
Branches	:	Ahmedabad, Bangalore, Bhubaneswar, Chennai, Coimbatore, Delhi, Ernakulam, Hyderabad, Jaipur, Mumbai, Nagpur, Pune, Rohad and Tinsukia		
Auditors	:	Price Waterhouse Chartered Accountants		
Bankers	:	State Bank of India AXIS Bank Limited Export-Import Bank of India Standard Chartered Bank ING Vysya Bank Limited IDBI Bank Limited		
Registrars & Share Transfer Agents	:	C.B Management Services (P) Ltd., P-22, Bondel Road, Kolkata-700 019 Phone Nos.: (033) 4011 6700, 2280 6692 - 94 Fax: (033) 2287 0263; Email: rta@cbmsl.com		

Table of Contents

	Page Nos.
Chairman's Message	3
Directors' Report	4
Auditors' Report	11
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Schedules	19
Ten Years at a glance	39
Statement pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Company	41
Subsidiary Company Report and Accounts	42
Notice and Explanatory Statement (Separate insert)	

EXECUTIVE CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,



It gives me great pleasure to reach you through this Annual Report which sets out your Company's Strategy and analyses our performance and achievements for the financial year 2010 - 11.

The Highlights of that year, as compared with previous year, are:

- Net sales increase by 16%,
- PAT increase by 73 %, and
- Earnings per share (considering extra-ordinary item) increased from Rs. 14 to Rs. 23.

Today, we continue to focus on three basic Business Growth Drivers.

- First, to grow the core business
- Second, to scale-up the other existing business
- Third, to invest in latest technologies and improve efficiency.

The year 2010-11 reaffirmed that in terms of the business environment, MERINO continued to sustain its growth momentum. India clocked a GDP growth of 8.5% in 2010-11, as against 8%, registered in 2009-10. Fundamentally, with growth firmly back on track, business and market sentiments became positive. The macro-economic parameters suggested that, while there might be the odd shock, the rise in income levels in India would be sustained over a period of time. These developments led to a notable growth in activity in all our interior infrastructure markets.

You would recall that in the period of depressed markets in 2009 and early 2010, we at Merino had focused on looking within and improving the internal systems and processes of the Company. During those months, we had rolled up our sleeves and put considerable efforts on streamlining the fundamentals of our business – sales management, customer analytics and technology. The emphasis was on better targeting of activities to generate higher value from every rupee spent. With these initiatives, Merino emerged a much stronger Company from the market downturn and was even better positioned to traverse a high growth path, once demand conditions improved. In fact, 2010-11 signaled the beginning of this new phase of growth.

Merino conducts its business based on guiding principles of Economy, Excellence, Ethics and, above all, putting customers first. These principles and values have allowed Merino to play a leading role in developing product lines that improve and beautify the quality of human life. They have shaped both the manner in which we have responded to the challenges of the past year as well as our ongoing efforts, on behalf of our customers and shareholders alike, to position Merino for future success and growth. We will have to continue to focus on excellence in innovation and execution and I am confident of my team and its ability to deliver on these fronts in the coming years.

Corporate Social Responsibility (CSR)

We will continue to contribute to a healthy, safe, and comfortable lifestyle and environment around the globe by leveraging our accumulated expertise. Our CSR activities for the betterment of the environment and society are:

- Development of a 'Green Belt' inside the factory by planting shrubs, flowers, grass and trees
- Minimization of waste in all processes through Environment Management Program
- Replacement of CFCs by using vapour absorption machines which use steam as source of energy
- 100% usage of boiler ash in brick production
- Adopting 100 villages in the belt from Hapur, U.P. to Garh Mukteshwar
- Establishing free dispensaries as well as provided mobile vans and doctors on service. This initiative is supported by the Government of India and W.H.O.
- Follow up checkups & treatments are made available for up to 2 years curing the patient

We empower the education movements in India:

- By way of affording equal opportunity to deserving and needy students for studies;
- By publishing books for student welfare

We are proud of our initiative ANNAPOORNA, which is our participation in the "Swami Vivekananda" Mid-day, Meal Program through which nutritious and hygienic meals are provided to students and includes girls studying in primary schools and children belonging to the weaker sections of society.

Well-Positioned for Future

With our strong performance in the past, the company remains well-positioned to capture the economic tailwinds that hold such promise for our future. Our plans for helping to meet the growing need for high pressure laminates and interior infrastructure products are well on track, and moving ahead at an accelerated rate. That is the primary reason why we remain so confident about the company's prospects and our ability to deliver significant value to customers and investors in the years ahead.

We firmly believe this is a great time to be associated with Merino. To all who share our commitment to improving global living standards and our passion for serving our customers and stakeholders, we acknowledge your continuing support and convey our appreciation to the dedication and hard work of the employees at all levels.

With Best Wishes,

Yours sincerely,

Champalal Lohia
Executive Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Directors have pleasure in presenting their Forty-sixth Annual Report together with the Audited Accounts of your Company for the year ended 31st March 2011.

FINANCIAL RESULTS

		(Rs. Lac)
	For the year ended 31.03.2011	For the year ended 31.03.2010
Net Sales & Other Income	40004	33885
Total Expenditure	37927	30065
Profit before Tax	2077	3820
Add/Less: Extraordinary Item	1521	(1741)
Profit after Extraordinary Item and before Tax	3598	2079
Less: Provision for Current Taxation	1164	625
Less: Provision for Deferred Taxation	51	1
Less: Provision for Fringe Benefit Tax	4	6
Profit after Taxes	2379	1447
Add: Balance brought forward from the previous year	2398	1588
Balance	4777	3035
Which the Directors have appropriated as under, to:		
Interim Dividend	156	451
Tax on Dividend	-	41
General Reserve	238	145
TOTAL	394	637
Leaving a balance to be carried forward	4383	2398

During the year under review, the Net Sales of the Company amounted to Rs. 37,835 Lac as against Rs. 32,654 Lac, last year, registering a growth of about 15.87%, as against 13.00% last year. Profit before Tax, after considering extraordinary item, was Rs. 3598 Lac as against Rs. 2079 Lac, last year. Though the current year's profit was the highest ever, the Profit before Tax during the year, before this extraordinary item, registered a drop of Rs. 1743 Lac as compared with that of the previous year. This was primarily due to escalation in prices of major inputs amounting to Rs. 2167 Lac that could not be passed on, due to market dynamics. The company's net profit after taxes was Rs. 2379 Lac as against Rs. 1447 Lac last year. Your Directors are hopeful that further improved results would be posted in the coming years.

DIVIDEND

For the year under review, the encouraging performance of your Company enabled the Directors to declare and pay Interim Dividend at the rate of Rs. 1.50 per share. In view of the same, your Directors have not recommended any final dividend for the year.

EXPORT PERFORMANCE

Your Directors put on record that your Company achieved export turnover (FOB value) during the year of Rs. 7275 Lac as against Rs. 6685 Lac last year.

SEGMENTWISE BUSINESS PERFORMANCE

Your Company continued to function in three business segments namely, Decorative Laminates, Potato Flakes and Panel Products & Furniture. During year under review, the contributions from Laminates Division

remained considerable alongwith that of Panel Products and Furniture segments, keeping in line with the trend of earlier years. It is heartening to note that your Company's 'MY SPACE' brand of furniture and 'MERINO' Restroom Cubicles have become leading brands, enjoying sizeable market share. The 'VEGIT' - potato flakes manufactured by your Company continued to receive a positive response from overseas and domestic buyers. However, the prices of all inputs of your Company's products are on an escalating trend, the markets for the same remaining volatile and very competitive.

CAPITAL EXPENDITURE

During the current year, Rs. 1619 Lac (Previous year Rs. 2673 Lac) has been spent mainly towards acquisition of miscellaneous fixed assets. In addition, a sum of Rs. 503 Lac stood under the head capital work-in-progress as at 31.03.2011.

SUBSIDIARY COMPANY

The Company has one subsidiary company, Merino Panel Products Limited (MPPL). During the year under review, MPPL's net sales continued to increase by Rs. 2690 Lac as compared to that of the previous year. The profit before tax for the year decreased from Rs. 2288 Lac to Rs. 1647 Lac during the year under review. As required by section 212 of the Companies Act, 1956, the Audited Accounts, etc. of subsidiary company are attached with this report. The Company's share holding in MPPL's equity continues to be 14,93,000 equity shares out of its total paid-up equity capital consisting of 20,00,000 shares.

DIRECTORS

As you are aware, Shri Prakash Lohia had held the post of Managing Director of the Company from 01.05.1995 with subsequent re-appointments to the said post till 14th August, 2010. He had resigned from his office w.e.f. 15.08.2010 due to personal reasons / commitments but continued to function as a Non-Executive Director. He was further appointed as Managing Director of the Company for a period of three years with effect from 1st day of March, 2011 with your approval at the Extra-Ordinary General Meeting held on 31st March, 2011.

Shri Prasan Lohia was re-appointed as Whole-time Director for a further period of three years, effective 1st day of October, 2010, with your approval at the Annual General Meeting held on 30th September, 2010. Your approval was also accorded at the Extra-Ordinary General Meeting held on 31st March, 2011 whereby Miss Ruchira Lohia was re-appointed as Whole-time Director for a further period of three years, effective 1st day of April, 2011.

Shri Sudatta Mandal, Deputy General Manager, Export-Import Bank of India, had been nominated as Director of the Company with effect from 29th April, 2011 in place of Shri S. J. Sonowal, erstwhile nominee Director.

In accordance with the Articles of Association of the Company, Shri Amar Nath Roy, Dr. Gautam Bhattacharjee, and Miss Ruchira Lohia retire by rotation and, being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having:

- a) followed all the applicable accounting standards issued by the Institute of Chartered Accountants of India in the preparation of the Annual Accounts as required under Section 211(3C) of the Companies Act, 1956;
- b) selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- c) 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 your Company and for preventing and detecting fraud and other irregularities; and
- d) prepared the Annual Accounts on a going concern basis.

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.

AUDITORS' REPORT

The observations made in the Auditors' Report are self-explanatory and do not call for further comments. However, in respect of pending registration of charges as per Schedule III, note no. 5, corrective actions have been initiated. The observations in paragraph 9(a) of the Annexure to Auditors' Report have been noted for due compliance.

AUDIT COMMITTEE

Your Company has an Audit Committee at the Board level with terms of reference specified by the Board and with the powers and the role that are in accordance with Section 292A of the Companies Act, 1956. Constitution of the present Audit Committee is as follows.

Name of the Director	Designation	Category
Shri Amar Nath Roy	Chairman	Independent Non-Executive
Shri Sudatta Mandal	Member	Independent Non-Executive (Nominee of Export-Import Bank of India)
Dr. Gautam Bhattacharjee	Member	Independent Non-Executive

REMUNERATION COMMITTEE

Your Company has a Remuneration Committee at the Board level, which comprises three Non-Executive Directors. Constitution of the present Remuneration Committee is as follows.

Name of the Director	Designation	Category
Shri Sudatta Mandal	Member	Independent Non-Executive (Nominee of Export-Import Bank of India)
Shri Amar Nath Roy	Member	Independent Non-Executive
Dr. Gautam Bhattacharjee	Member	Independent Non-Executive

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 Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the annexure to this report.

PARTICULARS OF EMPLOYEES

Information in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is not required as no employee was in receipt of remuneration during the year, which was in excess of limits laid down in the rules as mentioned above. However, certain Whole-time Directors drew unclaimed perquisites in respect of previous years of their employment.

ACKNOWLEDGEMENTS

The Directors thank the Company's Shareholders, Business Associates, Bankers, Financial Institution and Government Authorities for their co-operation and support to the Company. The Directors also sincerely acknowledge the significant contribution made by all the employees of the Company.

For and on behalf of the Board of Directors

New Delhi
2nd September, 2011

Champalal Lohia
Executive 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, 2011

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

- i) Provided AC Drive for ID Fan of Incinerator (75 HP).
- ii) Replaced 200 nos. (Asian make) 28 Watt Tube Lights, consuming 30 watt, with same make of 23 Watt Tube Lights, with buyback offer.
- iii) Increased the capacity of Condensing Turbine which has now been running at 1400/1450 KW (avg.) producing an Additional 6500 units per day in co-gen loading.
- iv) Venting of Steam from backpressure Turbine has been reduced to zero.
- v) Our specific Steam consumption has been reduced to 6.5TPH/MW from 6.7 TPH.

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

Plan to improve Power Factors through implementation of APFC (Automatic Power Factor Control) system with Savings of about 300KVA at a cost of about Rs. 40 Lac.

(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) Saving of electricity up to 20-25 %
- ii) Saving of electricity by 23% per Lamp i.e. a saving of 8,000 Units per year.
- iii) Achieved savings of Rs.45, 500/day (approx.), by way of minimizing generation of power through DG set.
- iv) Saving 4-5TPH process steam per day, resulting in a savings of about Rs. 1,20,000 per month.
- v) Saving of Steam consumption to 0.2TPH/MW, resulting in a savings of about Rs. 1,50,000 per month.

(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 Formaldehyde Unit.

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption as per Form - B

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans

- (i) Ensuring prompt supply of quality goods.
- (ii) Continuous research for producing and supplying environment-friendly products, engagement of overseas agents, planned foreign travels to coincide with overseas industrial fairs and development of direct quality products sustainable in the overseas markets.

(g) Total foreign exchange used and earned (2010-2011)

Rs. Lac

OUTGO:**i) C.I.F. value of imports:**

Raw materials

9738.45

Consumables and spares

302.73

Capital goods

165.18

ii) Expenditure in foreign currency

155.64

EARNINGS:**Foreign exchange earned (F.O.B. value of export of goods)**

7275.25