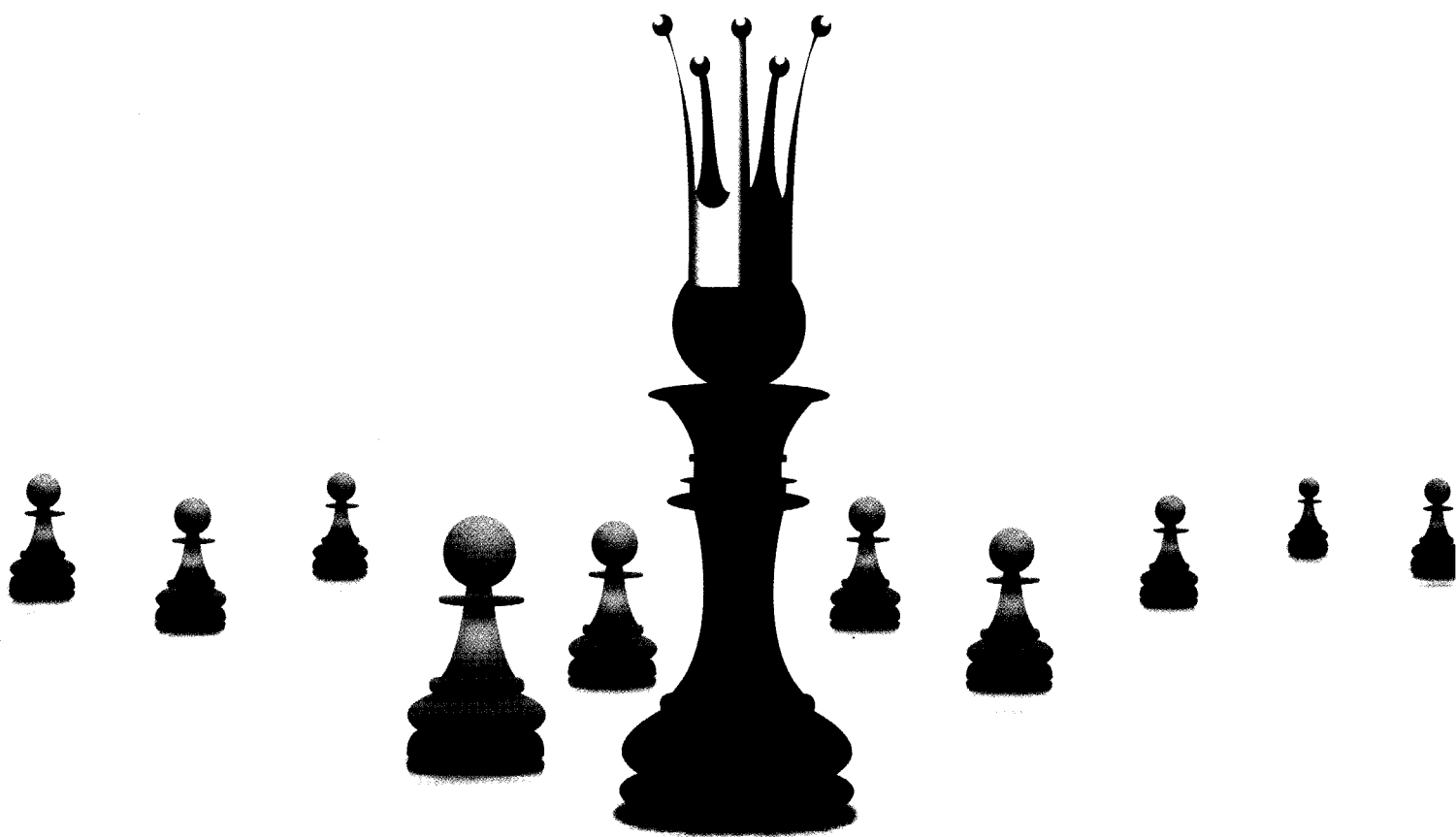


LEADING THE WAY.
ALWAYS.

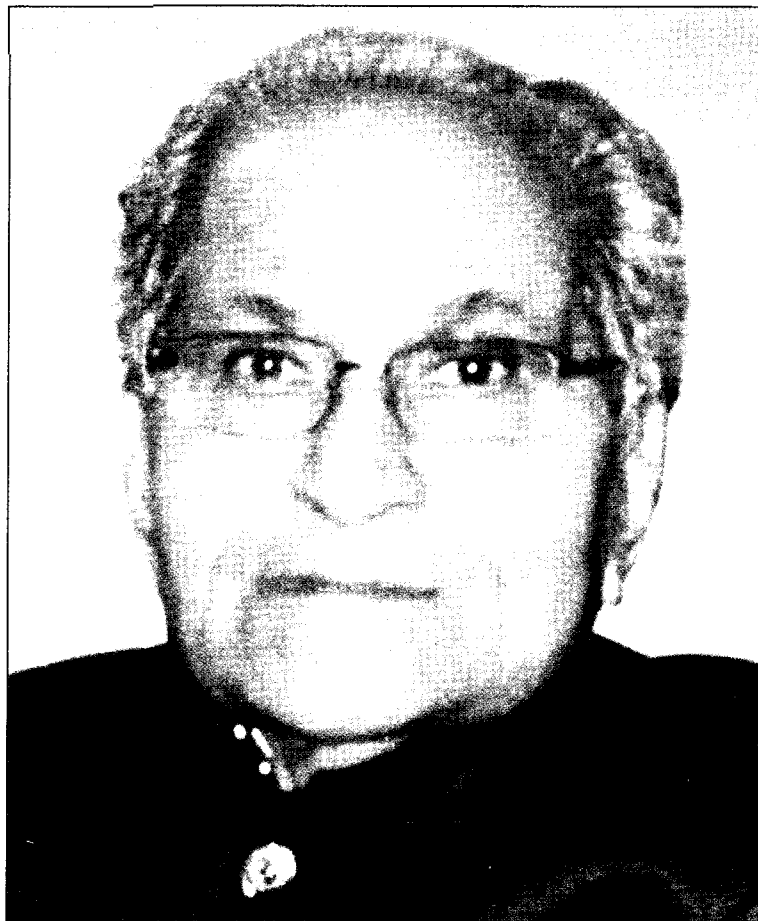


MERINO INDUSTRIES LIMITED

ANNUAL REPORT 2011-12



ECONOMY • EXCELLENCE • ETHICS



(1926-2009)
Shri Man Kumar Lohia
Founder Chairman and inspiration behind
the Merino Group

Board of Directors	:	Shri Champalal Lohia	– Executive Chairman
		Shri Rupchand Lohia	– Executive Vice-Chairman
		Shri Prakash Lohia	– Managing Director
		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 Sudatta Mandal	– Nominee Director (Export-Import Bank of India)
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 Punjab National Bank The Hongkong and Shanghai Banking Corporation Limited HDFC 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	

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Executive Chairman's Message

Dear fellow stakeholders,



I extend my warm greetings while sharing with you the annual results of the Company for the financial year 2011-12. Your Company has performed reasonably well in terms of growth and profitability by capturing prospects and making value additions at all levels of performance.

The year gone by, has indeed been challenging, with unprecedented economic uncertainty, geo-political upheavals resulting in slowing down of economic growth across the Globe. Things were gradually stabilizing during the early part of the present fiscal but the Euro zone is showing disturbing signs of slipping into a slow down, once again. These events had a profound effect on the demand and outlook for industrial products across the world. In many ways, we are still feeling the after-shocks of the financial meltdown of earlier years with leading economies continuing to suffer from low growth and the resultant adverse impact on demand for most products and services. We are endeavouring towards insulating our portfolio of businesses by following

a prudent operating discipline and further strengthening our foundation by channelizing resources and investments towards potential growth areas.

The Indian economy posted a growth of about 6.5 % during the year which was much lower compared to the growth path we witnessed during the last three years. This was due to a lower agricultural output and sluggish industrial growth. However, Indian exports crossed targeted expectations despite a challenging international environment.

Your Company continued to make forays into newer international arenas with satisfactory results. Business demands of your Company's products in the domestic markets too grew steadily with the coming up of various capital expansion projects all round. As such, net sales of the Company grew by about 8.90 %, the profits indicating a marginal drop due to rise in input cost and other expenses. However, the trend for the current year appears encouraging.

The focus now is to enhance growth and increase profitability in the face of market volatility and sharp edged competition as we carry on to deliver value to all our stakeholders. We shall strive to continuously develop and release new product lines which are aligned to international trends catering to market demand. The road ahead may not be without hurdles but I am hopeful that we shall see a strong revival in business demand across markets. Going forward, Merino will converge on increasing its worth to address larger segments of the market and grow in terms of scope and opportunities.

Corporate Social Responsibility (CSR)

For the betterment of the environment and society, we at MERINO are working to reduce pressure on natural resources and in projects. In healthcare, we are involved in fighting tuberculosis by adopting more than a hundred villages in the belt from Hapur, Uttar Pradesh to Garh Mukteshwar, establishing free dispensaries as well as providing mobile vans and doctors on service. This initiative is supported by the Government of India and W.H.O. Follow up checkups and treatments are made available for up to two years curing the patient.

Also, we empower the education movements in India by providing assistance to deserving and needy students giving them an equal opportunity to study and publishing books for student welfare.

We are proud of our initiative *Annapurna*, which is our participation in the "Swami Vivekananda Mid-day Meal Program". This program is one of the basic blocks of nation building. It is a landmark service in the field of Health and Education. The program provides nutritious and hygienic meals to students and includes girls studying in primary schools and children belonging to the weaker sections of society. The system through which the program is administered is ISO and HACCP certified and is also IT enabled.

We have recently initiated a Teachers' Yoga Training Programme at Hapur in an effort to spread the good effects of this training targeted at physical, emotional and psychological benefits of persons pursuing this regime.

I wish to thank you all for your sustained support and commitment. Your belief in us has helped our onward journey. Our success would not have been possible without the dedication, commitment and performance of employees at all levels which I am sure, coupled with your good wishes, will help take MERINO to the next levels.

We look forward to more fruitful years ahead of us.

With Best Wishes,

Yours sincerely,

Champalal Lohia
Executive Chairman

DIRECTORS' REPORT**TO THE SHAREHOLDERS**

Dear Shareholders,

The Directors have pleasure in presenting their Forty-seventh Annual Report together with the Audited Accounts of your Company for the year ended 31st March 2012.

FINANCIAL RESULTS

(Rs. Lac)

	For the year ended 31.03.2012	For the year ended 31.03.2011
Net Sales & Other Income	42032.22	38620.72
Total Expenditure	40030.70	36574.99
Profit before Tax	2001.52	2045.73
Add: Extraordinary Item	–	1521.19
Profit after Extraordinary Item and before Tax	2001.52	3566.92
Less: Provision for Current Taxation	670.00	1133.27
Less: Provision for Deferred Taxation	(38.72)	50.89
Less: Provision for Fringe Benefit Tax	–	3.44
Add : Excess provision of current tax written back	48.80	–
Add: Excess provision of Fringe Benefit tax written back	9.30	–
Profit after Taxes	1428.34	2379.32
Add: Balance brought forward from the previous year	4383.42	2397.57
Balance	5811.76	4776.89
Which the Directors have appropriated as under, to:		
Interim Dividend	207.39	155.54
Tax on Dividend	20.93	–
General Reserve	142.83	237.93
TOTAL	371.15	393.47
Leaving a balance to be carried forward	5440.61	4383.42

During the year under review, the Net Sales of the Company amounted to Rs. 41494.76 Lac as against Rs. 38101.55 Lac, last year. While the year of 2011-12 registered an increase in net revenue from operations by Rs. 3393.21 Lac as compared to that for the year 2010-11, the profit before tax and extraordinary item for that year indicated a marginal drop by Rs. 44.21 Lac in the year under review, as compared to that of previous year. Despite a rise in net revenue from operations during the year under review, a rise in input cost and other expenses, the impact of which could not be fully passed on to the customers, was responsible for profit before tax for the year under review not showing a northward trend. The company's net profit after taxes was Rs. 1428.34 Lac as against Rs. 2379.32 Lac last year. Your Directors are hopeful that improved results would be posted in the coming years.

DIVIDEND

For the year under review, your Company declared and paid Interim Dividend at the rate of Rs. 2.00 per share duly approved at the Board meeting held on 16th March, 2012. 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 during the year of Rs. 7736.74 Lac as against Rs. 7275.25 Lac last year.

SEGMENTWISE BUSINESS PERFORMANCE

Your Company continued to function in three primary business segments namely Laminates, Potato Flakes and Panel Products & Furniture and has emerged as a versatile manufacturer and marketer of Interior solutions with a wide array of products for homes, offices, commercial and public areas. Your Company's speciality is to continuously release new products which are aligned to international trends and market demand. With Laminates remaining the core area, over the years, our innovations have been continuously well received by all. Your Company offers the entire range for restroom cubicles and locker systems in various colours with stylish accessories and fittings. The 'VEGIT' - potato flakes manufactured by your Company has been a success across the domestic as well as, international markets. Your Company has introduced a wide variety of traditional snack mixes and each recipe has been developed through detailed consumer insights and research. However, the prices of all inputs of your Company's products remain escalating and the market dynamics, largely unpredictable.

CAPITAL EXPENDITURE

During the current year, Rs. 2368.45 Lac (Previous year Rs. 1618.45 Lac) has been spent mainly towards acquisition of miscellaneous fixed assets.

SUBSIDIARY COMPANY

The Company has one subsidiary company, Merino Panel Products Limited (MPPL). During the year under review, MPPL's net sales increased by Rs. 1561.68 Lac as compared to that of the previous year. Profit before tax for the year decreased to Rs. 795.32 Lac as against Rs. 1646.39 Lac in the previous year due to increase in expenditure, mainly attributed to increase in cost of expenses by Rs. 2183.15 Lac. 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

In accordance with the Articles of Association of the Company, Shri Amar Nath Roy, Dr. Gautam Bhattacharjee, and Shri Nripen Kumar Dugar 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:

- 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;
- 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;
- 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
- prepared the Annual Accounts on a going concern basis.

STATUTORY AUDITORS

Messrs. Price Waterhouse, Chartered Accountants (FRN 007568S), Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and have not expressed their willingness to offer themselves for re-appointment. The shareholders will have to appoint the Statutory Auditors of the Company at the ensuing Annual General Meeting.

AUDITORS' REPORT

The observations made in the Auditors' Report are self-explanatory and do not call for further comments. However, as regards the observations in paragraph xvi of the Annexure to Auditors' Report, the operation of escrow account is as per the regulation ECB loan account, the proceeds of which remain in the account out of which the disbursements for capital expenditure for the term loan takes some time. Funds remaining unutilized as on 31.03.2012 remain fully utilized as on the

date of this report. As per note no. 20(b) of Notes to Financial Statements, the Company has initiated necessary steps in this regard in the light of the new consortium arrangement with the lenders.

COST AUDIT

Your Company has appointed Messrs. Bhagat & Associates, Cost Accountants, Kolkata, as Cost Auditor with the approval of Central Government for audit of Cost Records relating to the Laminate division of your Company at Hapur, U.P. in compliance with Orders / Circulars of the Ministry of Corporate Affairs and also for preparation / submission of Compliance Report in terms of the Companies (Cost Accounting Records) Rules, 2011 for the financial year ended 31st March 2012. The due date for filling the Cost Audit Report is 30th September, 2012.

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 Amar Nath Roy	Member	Independent Non-Executive
Shri Sudatta Mandal	Member	Independent Non-Executive (Nominee of Export-Import Bank of India)
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.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

New Delhi
31st August, 2012

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, 2012

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

- i) Replaced 200 nos. Asian make 28 watt tube lights (consuming 30 watt) with 23 watt tube lights, of the same make, with buy- back offer.
- ii) Improved Power Factors through implementation of APFC (Automatic Power Factor Control) system with savings of about 300KVA at a cost of about Rs. 40 Lac.
- iii) Our specific steam consumption has been reduced to 5.7 TPH/MW from 6.5 TPH earlier.
- iv) Heating Cooling system for Hot Press No. 1
- v) Steam Trap Module System for Hot Press No. 4

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

- i) Closed Circuit Heating Cooling System (CCHCS) for Hot Press No.2, 3, 4, 5. (Expenses – Rs. 150 Lac) and saving of water up to 18.73 mega litre per year per press or Rs. 30 Lac per year per press, by installation of CCHCS.
- ii) High Tension Power Line System with expenses of Rs. 100 Lac and saving of Rs. 5.50 per unit against DG Fuel Cost.
- iii) 3.00 MW new turbine system with expenses of Rs. 1000 Lac for enhancement of new machineries
- iv) Flash vessel system with expenses of Rs. 21 Lac and saving Rs. 14400 per day in Steam re-utilization
- v) Steam trap module system for Hot Press No. 01, 02, 03, 05 and 06 with expenses of Rs. 50 Lac and saving of Rs. 90 Lac per year.

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

- i) Saving of electricity by 23% per lamp i.e. saving of 8000 units per year.
- ii) Saving of electricity up to Rs. 40 Lac per year.
- iii) Saving of 1 TPH process Steam, resulting in a saving of about Rs. 90 Lac per year.
- iv) Saving of Steam consumption to 0.8TPH/MW, resulting in a saving of about Rs. 30 Lac per year.
- v) Saving of through steam trap module approximately Rs. 18 Lac per year

(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 (2011-2012)

(Rs. Lac)

OUTGO:

- | | |
|-------------------------------------|---------|
| i) C.I.F. value of imports: | |
| Raw materials | 9900.14 |
| Consumables and spares | 140.18 |
| Capital goods | 1036.27 |
| ii) Expenditure in foreign currency | 195.68 |

EARNINGS:

Foreign exchange earned (F.O.B. value of export of goods)	7736.74
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