



ECONOMY ♦ EXCELLENCE ♦ ETHICS

# ON THE RISE

The Group's  
Contribution to  
EXCHEQUER (Gross) in  
FY 2015-16  
**₹ 365 Cr**

Return on  
Total Assets  
of the company for  
FY 2015-16  
**20%**

ANNUAL REPORT 2016  
MERINO INDUSTRIES LTD.

# OUR MISSION

Universal Weal through  
Trade & Industry

# OUR VISION

Global Competence &  
Global Competitiveness,  
Synergizing Western  
Work Culture  
& Indian Ethos.

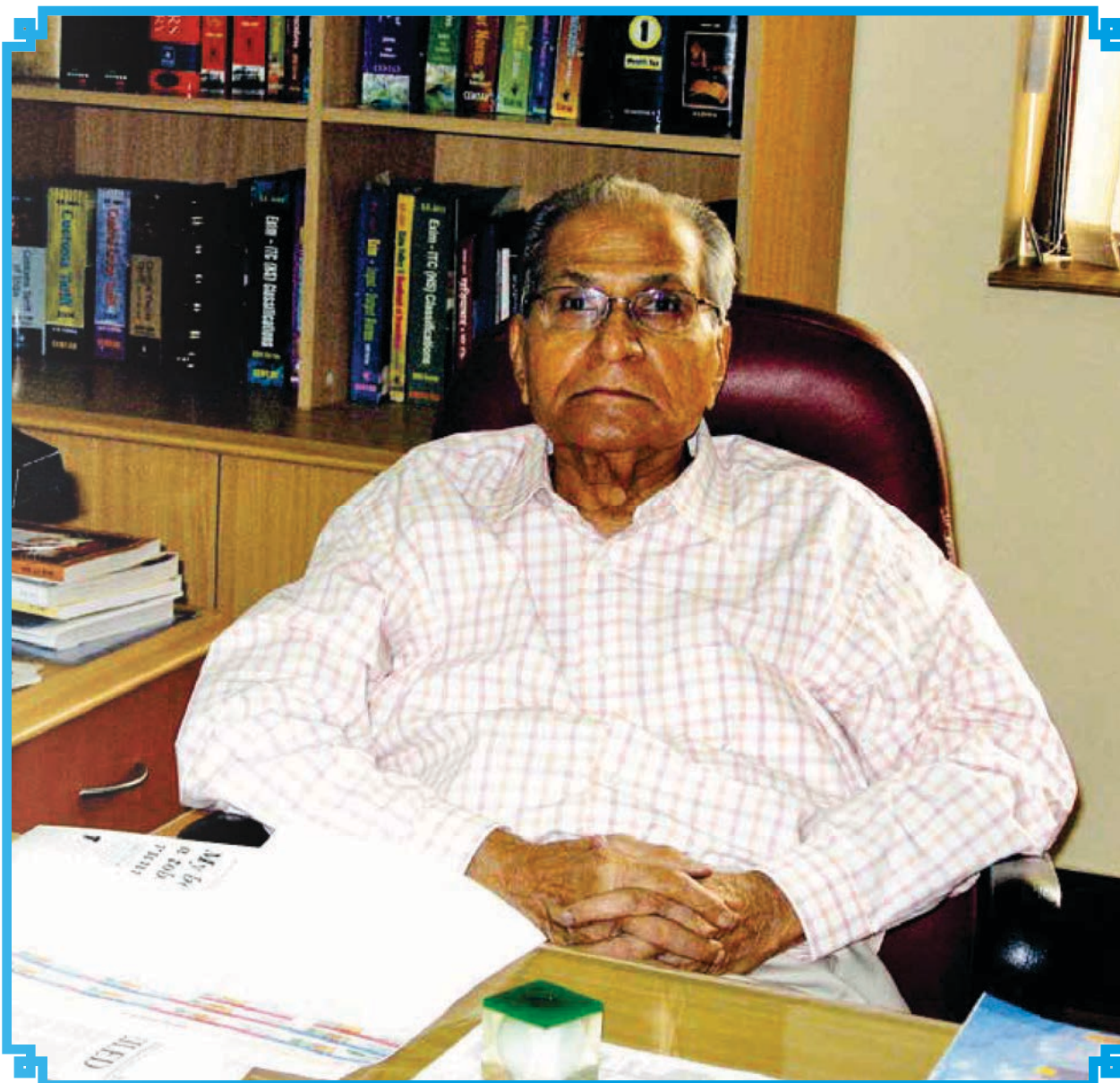
# OUR MOTTO

Economy, Excellence, Ethics  
Excellence in Economy is:  
Economic, when founded on  
Work Ethics. Sustainable,  
when nourished by Moral Ethics.

Our Inspiration







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



## Board of Directors

### Executive Chairman

Mr. Champa Lal Lohia

### Executive Vice-Chairman

Mr. Rup Chand Lohia

### Managing Director

Mr. Prakash Lohia

### Directors

Ms. Ruchira Lohia – Whole-time Director  
 Mr. Prasan Lohia – Whole-time Director  
 Mr. Bikash Lohia – Whole-time Director  
 Mr. Madhusudan Lohia – Whole-time Director  
 Mr. Nripen Kumar Dugar – Whole-time Director  
 Dr. Gautam Bhattacharjee – Independent Director  
 Mr. Amar Nath Roy – Independent Director  
 Mr. Sujitendra Krishna Deb  
 Mr. Sisir Kumar Chakrabarti

### Audit Committee

Mr. Sujitendra Krishna Deb – Chairman  
 Mr. Amar Nath Roy  
 Dr. Gautam Bhattacharjee  
 Mr. Sisir Kumar Chakrabarti  
 Mr. Prasan Lohia

### Stakeholders Relationship Committee

Mr. Amar Nath Roy – Chairman  
 Dr. Gautam Bhattacharjee  
 Mr. Prasan Lohia

### Nomination and Remuneration Committee

Mr. Amar Nath Roy – Chairman  
 Dr. Gautam Bhattacharjee  
 Mr. Prasan Lohia  
 Mr. Sujitendra Krishna Deb  
 Mr. Sisir Kumar Chakrabarti

### Corporate Social Responsibility Committee

Mr. Champa Lal Lohia – Chairman  
 Mr. Prakash Lohia  
 Mr. Prasan Lohia  
 Mr. Amar Nath Roy

### Chief Financial Officer

Mr. Asok Kumar Parui

### Company Secretary

Mrs. Sumana Raychaudhuri

### Registered Office

5, Alexandra Court,  
 60/1, Chowringhee Road,  
 Kolkata-700 020  
 Phone: 2290-1214,  
 Fax: 91-33-2287-0314,  
 E-mail: merinokol@merinoindia.com  
 Website: www.merinoindia.com

### Plants

Delhi-Hapur Road,  
 Vill. Achheja,  
 P.O. Hapur-245 101  
 Dist. Hapur (U.P.)

Bagalur Road,  
 Vill. Kalahasthipuram,  
 Hosur - 635 103,  
 Dist. Krishnagiri  
 Tamil Nadu

### Branches

Ahmedabad, Bangalore, Bhubaneswar, Chandigarh,  
 Chennai, Coimbatore, Delhi, Ernakulam, Hyderabad,  
 Jaipur, Mumbai, Nagpur, Pune, Rohad and Vijaywada

### Auditors

M/s. Singhi & Co.  
 Chartered Accountants

### Cost Auditors

M/s. Bhagat & Associates  
 Cost Accountants

### Banks & FI

AXIS Bank Limited  
 Export-Import Bank of India  
 Standard Chartered Bank  
 Kotak Mahindra Bank Limited  
 IDBI Bank Limited  
 Punjab National Bank  
 The Hongkong and Shanghai Banking Corporation Limited  
 DBS Bank Limited  
 CITI Bank N.A.

### 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) 4011 6739;  
 Email: rta@cbmsl.com

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## Executive Chairman's Message



ECONOMY • EXCELLENCE • ETHICS

*Dear fellow shareholders,*



It gives me immense pleasure to present to you the Annual Report for the financial year 2015-16 of your Company.

I feel pleased to announce that amidst a plethora of global economic setbacks and technology transformations your Company has reported a commendable performance in terms of revenue which stood at Rs. 66234 lacs in 2015-16. In an economic environment, wherein revenue growth in the interior infrastructure sector has slowed down, your Company achieved a growth in Profit Before Tax by nearly 26%.

During the year, your Company focused on product innovation, brand building and distribution to grow faster than the market. Your Company's brands have become iconic over the years due to a combination of superior product and endearing communication. Your company's focus on building new capabilities and a robust pipeline of innovation resulted in new launches in the form of GLOSSMEISTER PU+ PANELS. Coupled with leading edge go-to-market approaches, these innovations tap new sources of growth and profitable revenue, while building brand differentiation and relevance.

The year 2015-16 has been a year of diverse experiences for both traders and investors with dramatic decline in oil prices, a slowdown in China, uncertainty in Europe and anticipation of a shift in U.S monetary policy. According to International Monetary Fund (IMF) India has emerged as the fastest growing economy at a time when the global growth is facing increasing downside risks. India's growth has benefitted from falling global oil prices given its status as a net importer of crude oil. In India, lower commodity prices, a range of supply-side measures and a relatively conservative monetary stance have resulted in a faster than expected reduction in inflation, making provisions for normal interest rate cuts.

Apart from our strong presence in global markets, we are eyeing developing and emerging markets to expand our business horizon.

Over the year under review, we made significant efforts to strengthen our strategies to address various risks being faced by the Company. Consequentially, our results improved marginally despite of intricate global business conditions. Worldwide we are delivering best-in-class products to our valued customers. Your Company continued its pursuit for excellence in its preferred area of business to come out as a true global brand.

### **Corporate Governance and Financial Controls**

Your Company maintains the best Corporate Governance practices and believes that it is "better to spend time on compliances than penalties later". The Internal Financial Controls are monitored effectively and efficiently through Entity Level Controls Framework to ensure continuous identification of control gaps and implementation of mitigation plans to bridge the gaps.

### **Corporate Social Responsibility**

The Company has a firm belief that the purpose of its business is not only earning money but also returning a part thereof to the society for its weal, prosperity and sustainability. It holds the Group surplus as a trustee for the society as whole. In discharging the CSR, the Group always keeps in mind, and receives alert from, the message of Swamiji: "I consider that the great national sin is the neglect of the masses, and that is one of the causes of our downfall. No amount of politics would be of any avail until the masses in India are once more well educated, well fed, and well cared for. They pay for our education, they build out temples, but in return they get our kicks.

They are practically our slaves. If we want to regenerate India, we must work for them.”

Merino Group strongly supports child care and women empowerment programmes. Our CSR agenda involves promotion of education through assistance to schools and mid-day meal programmes and also preventive healthcare through establishment of free dispensaries, mobile vans & doctors on service, organizing free health, eye and dental check-up camps. Our Preventive healthcare initiative is supported by Government of India as well as W.H.O. Elimination of Tuberculosis Project.

### **Environment and Safety**

Energy conservation and the use of clean fuels continue to be a priority area for your Company. A focused Energy Program is being established with a view to carrying out specific initiatives in the field of Energy Efficiency and Conservation. Environment, Health and Safety are treated as priorities of your Company. Your Company has strengthened its workplace systems and practices as a part of ZERO accident culture through several accident prevention programmes.

### **Contributions to the exchequer**

During the year, Merino Group contributed to the exchequer towards various taxes and duties, both direct and indirect (gross), amounting to Rs. 36500 Lac.

### **Acknowledgements:**

The entire Merino team is committed to creating great value and delivering long-term profitability and growth by changing the way the world lives. In the years to come, we expect our overall sales volume to grow worldwide boosting our confidence to reach new milestones and achievements.

I thank you all for your consistent support and being a part of this never-ending journey. Together, we can make a difference.

I commend and appreciate the faith and confidence reposed in us by our stakeholders and assure that determination and solidarity will be our tools to accomplish our objective along with effective implementation of our strategies in the face of challenges.

Jai Hind.

Kolkata,  
8th June, 2016

**Champa Lal Lohia**  
Executive Chairman



## DIRECTORS' REPORT

### TO THE SHAREHOLDERS

#### Dear Shareholders,

Your directors are pleased to present their Fifty-first Annual Report on the business and operations of the company together with the Audited Statement of Accounts for the year ended 31st March, 2016.

#### FINANCIAL HIGHLIGHTS (STANDALONE AND CONSOLIDATED)

During the year under review, performance of your company is as under:

(Rs. Lac)

Particulars	Standalone performance		Consolidated performance	
	Year ended 31st March 2016	Year ended 31st March 2015	Year ended 31st March 2016	Year ended 31st March 2015
Turnover	<b>66234.12</b>	64109.89	<b>97109.30</b>	92813.38
Profit before taxation	<b>8740.82</b>	6637.50	<b>14673.48</b>	11337.58
Less: Tax Expense	<b>2834.70</b>	2363.55	<b>5051.75</b>	4081.45
Profit before Minority Interest	–	–	<b>9621.73</b>	7256.13
Less: Minority Interest	–	–	<b>986.63</b>	791.24
Profit after tax	<b>5906.12</b>	4273.95	<b>8635.10</b>	6464.89
Add: Balance B/F from the previous year	<b>12566.78</b>	8890.91	<b>20043.00</b>	14420.48
Balance	<b>18472.90</b>	13164.86	<b>28678.10</b>	20885.37
Appropriations:				
Interim Dividend	<b>362.94</b>	155.54	<b>362.94</b>	155.54
Dividend distribution tax on interim dividend	<b>41.97</b>	15.14	<b>73.88</b>	26.43
General Reserve	<b>590.61</b>	427.40	<b>881.15</b>	660.40
<b>TOTAL</b>	<b>995.52</b>	598.08	<b>1317.97</b>	842.37
Balance Profit C/F to the next year	<b>17477.38</b>	12566.78	<b>27360.13</b>	20043.00

#### ECONOMIC OVERVIEW

The global economy has remained subdued in 2015–16 with global growth in developing economies and emerging markets declining, while a modest recovery continued in many advanced economies. China's economic slowdown reverberates in other emerging market economies, depressing Chinese demand for emerging market exports and dampening foreign investor spirit for emerging markets. The slowdown of the emerging markets results basically from the combination of several factors, i.e., firstly, weak export demand in the European Union which is the principal trading partner of China and other emerging markets, secondly, falling prices of global commodities which constitutes a lion's share of the exports of resource-centric economies and thirdly, the declining external capital flows signaling the foreign investors lessening appetite towards emerging market investment.

The fiscal 2015–16 experienced a GDP growth at 7.5% making Indian economy the fastest growing economy in the world. At 7.5% India has become the growth champion of the emerging market with the aid of pre-growth reforms supported also by the windfall of declining oil and gas prices for this energy-import susceptible country.

According to Economic Survey 2015–16, given the current global environment and India's integration with it, India's actual growth would however, depend on global growth and demand. India's exports had been declining for 14 months due to low global demand and continuation of a weak export market would have a severe impact on India's overall GDP growth. One of the most critical immediate challenges confronting the Indian economy is the impaired financial positions of the public sector banks and some corporate houses and this is a major bottleneck for the full-fledged economic recovery. Despite these, India remains a bright spot in the global economic system being a haven of stability and an outpost of opportunity. India proving to be a sustainable and resilient economy, there is strong chance of India emerging in a transformed structure, where the economy will be in double digit growth trajectory, moving forward.

Laminates have become an indispensable part of evolving markets like real estate markets, furniture markets, flooring markets, etc. and the increased demands in these markets trigger the demand for laminates. Moreover, the increasing urban population, rising per capita income and a gradual shift towards expenditure in non-food industry are other key issues behind growth of laminates market in India. Global demand for decorative laminates is expected to rise 5.6% per year to 10.7 billion square meters in 2018 valued at \$40.8 billion.

Asia-Pacific region represents the largest and fastest growing market for decorative laminates, followed by North America and Europe. This region benefits from its leading position in engineered wood production, particularly, particle board and medium density fibre boards (MDF), which are often given a laminate layer at the point of production.

India is expected to post the most rapid gains in laminate demand worldwide through 2018. The country continues to rapidly develop its manufacturing sector including cabinets and ready-to-assemble furniture, and to increase its capacity to produce particle board and MDF more efficiently.

#### **STATE OF COMPANY'S AFFAIRS, SEGMENTWISE PERFORMANCE AND FUTURE OUTLOOK**

Your Company realized a total revenue of Rs. 66234.12 Lac as compared to Rs. 64109.89 Lac in the previous year. There was an increase in profits during the year under review, the profit before tax indicating an increase by Rs. 2103.32 Lac as compared to previous year's figures. The Company's net profit after taxes stood at Rs. 5906.12 Lac as against Rs. 4273.95 Lac last year.

During the year the FOB value of exports of the Company amounted to Rs. 15103.50 Lac as against Rs. 14491.43 Lacs of last year.

The Consolidated total revenue for Financial Year 2015–16 stood at Rs. 97109.30 Lac as compared with the previous year's figures of Rs.92813.38 Lac. The consolidated profit before tax was Rs. 14673.48 Lac as against Rs.11337.58 Lac, in the previous year. The consolidated profit after tax and minority interest is Rs. 8635.10 Lac as compared to the previous year's figures of Rs.6464.89 Lac.

Your Company operates mainly in four segments, namely, manufacturing of Laminates, Potato Flakes, Panel Products & Furniture and Formaldehyde though business activities of your Company also involve trading in similar and allied products including Acrylic solid surface.

Amongst all the segments, the laminates segment is the most dominant segment both in terms of profit and revenue. Increase in profits in laminates can be attributed to the growth in exports and domestic sales.

During the fiscal under review, revenue (including inter-segment transfer) generated from Laminates Segment was Rs. 48412.81Lac as against Rs.46197.51 Lac, Panel Products Rs.12106.13 Lac as against Rs.11270.56 Lac and Potato Flakes Rs.5154.20 Lac as against Rs. 7168.84 Lac in the previous year.

The Profit before tax for Laminates segment was Rs. 12037.17 Lac (previous year Rs.8252.70 Lac), for Panel Products Rs. 864.51 Lac (previous year Rs.1385.82 Lac) and Loss for Potato Flakes Rs.925.93 lac (previous year profit of Rs. 39.16 Lac). The results of the Potato Flakes division were affected by some external factors (adverse price movements of potatoes and pollution issues) that have since been addressed.

The Directors and Management of your Company expect steady growth and progressive results in the coming years.

#### **DIVIDEND AND RESERVES**

For the year under review, your Company declared and paid Interim Dividend at the rate of Rs. 3.50 per share for Financial Year 2015–16 duly approved at the Board meeting held on 07.08.2015. In view of the same and to conserve liquidity, your Directors have not recommended any final dividend for the year.

The Company had transferred a sum of Rs. 590.61Lac to the General Reserve during the year under review, as against Rs. 427.40 Lac in the previous year.