

**FIFTEENTH ANNUAL REPORT
1999-2000**



PARAMOUNT
COSMETICS (INDIA) LTD.

PARAMOUNT COSMETICS (INDIA) LTD.

PARAMOUNT COSMETICS (INDIA) LTD.

FIFTEENTH ANNUAL REPORT

On Monday 30th December, 2000
at 11.00 a.m. at 59, G.I.D.C., Vapi-396 195, Dist. Bulsar, Gujarat.

BOARD OF DIRECTORS

Mr. B.D. Topiwala	<i>Chairman</i>
Mr. Hemant B. Topiwala	<i>Director</i>
Mr. Hitesh B. Topiwala	<i>Director</i>
Mr. Vishwajeet N. Mehta	<i>Director</i>
Mr. Rajiv Bhatt	<i>Director</i>
Mr. Ravindra Joshi	<i>G.M. Legal & Company Secretary</i>

AUDITORS

M/s. R.U. Jain & Co.
Chartered Accountants

BANKERS

State Bank of Indore
Fort, Mumbai - 400 023.

REGISTERED OFFICE

59, G.I.D.C., Vapi 396 195,
Dist. Bulsar, Gujarat.

HEAD OFFICE

Kalptaru,
71, Nutan Laxmi Society
N.S. Road No. 8, Juhu Scheme,
Vile Parle (W), Mumbai - 400 049.

REGISTERED & SHARE TRANSFER AGENTS

I.I.T. Corporate Services Ltd.
I.I.T. House,
Opp. Vazir Glass Works,
Near J.B. Nagar, Andheri (E),
Mumbai - 400 059.

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Members are requested to bring their copy of Annual Report alongwith them at the Annual General Meeting as the copies of the Report will NOT be distributed at the Meeting.



FIFTEENTH ANNUAL REPORT 1999-2000

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of PARAMOUNT COSMETICS (INDIA) LIMITED will be held at the Registered Office of the Company at 59, G.I.D.C., VAPI - 396 195, Dist. Bulsar, Gujarat on Saturday, December 30, 2000, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the fifteen months period ended on June 30, 2000 and the Balance Sheet as at that date and Report of the Directors and Auditors thereon.
2. To appoint Director in place of Mr.B.D.Topiwala, who retires by rotation at the conclusion of the ensuing Annual General Meeting and being eligible offers himself for re-appointment as the Director of the Company.
3. To appoint Director in place of Mr.Hemant B. Topiwala, who retires by rotation at the conclusion of the ensuing Annual General Meeting and being eligible offers himself for re-appointment as the Director of the Company.
4. To appoint the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"Resolved that pursuant to the provisions of Section 31 and all other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the Company, be and are hereby altered by deleting the existing Articles 155 and 156 and substituting in its place and stead the following new Articles 155 and 156:

"Article 155

- (a) The Board shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and to substitute a new seal in lieu thereof and the Directors shall provide for the safe custody of the seal for the time being and the seal shall never be used except by or under the authority of the Directors or a Committee of Directors previously given.

- (b) The Company shall also be at liberty to have an official seal in accordance with section 50 of the

Companies Act, 1956 for use in any territory, district or place outside India and such power shall accordingly be vested in the Directors or by or under the authority of the Directors granted in favour of any person appointed for the purpose in that territory, district or place outside India."

"Article 156

Every deed or other instrument to which the seal of the Company is required to be affixed shall, unless the same is executed by a duly Constituted Attorney or authorised person of the Company, be affixed in the presence of one Director and/or the Manager and/or the Secretary at the least who shall sign every instrument to which the seal is so affixed in his presence; Provided that the certificates of Shares or Debentures shall be sealed in the manner and in conformity with the provisions of the Companies (Issue of Share Certificate) Rules, 1960 or any statutory modification thereof for the time being in force."

6. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that the Board of Directors of the Company be and is hereby authorised to decide and apply to such of the non-regional stock exchanges for delisting the Company's equity shares listed with them as may be deemed necessary by it in the interest of the Company.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take such steps and to make such arrangements/commitments as may be necessary or expedient and to do all such acts, deeds, matters and things as may be required to comply with the guidelines for voluntary delisting issued by Securities & Exchange Board of India (SEBI) and/or the concerned stock exchanges so as to give effect to this resolution and to resolve any question relating thereto and otherwise considered by the Board to be in the best interest of the Company."

For and on behalf of the Board

Mumbai
December 1, 2000

B.D. Topiwala
Chairman & Managing Director

Registered Office:
59 G.I.D.C., Vapi - 396 195,
Dist. Bulsar, Gujarat.



PARAMOUNT COSMETICS (INDIA) LIMITED

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. The register of Members and Share Transfer Books of the Company will remain closed from Tuesday, December 26 2000 to Saturday, December 30, 2000, (both days inclusive).
3. Members are requested to notify immediately change of address if any, and to send all communications pertaining to shares to the Company's Registrars and Share Transfer Agents M/s. Industrial Investment Trust Corporate Services Limited, IIT House, Opp. Vazir Glass Works, J.B. Nagar, Off Sir M.V. Road, Andheri (E), Mumbai - 400 059.
4. Members are requested to quote their Register Folio Number in all the correspondence with the Company to facilitate prompt action.
5. Members or their proxies are requested to produce the enclosed attendance slip duly signed in accordance with their specimen signature registered with the company for admission to the venue of the Meeting.

For and on behalf of the Board

Mumbai
December 1, 2000

B.D. Topiwala
Chairman & Managing Director

Registered Office:
59 G.I.D.C., Vapi - 396 195,
Dist. Bulsar, Gujarat.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

THE EXPLANATORY STATEMENT AS REQUIRED PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT 1956, FOR ITEM NOS. 5 and 6 OF THE ACCOMPANYING NOTICE ARE AS UNDER :

Item No.5

Articles 155 and 156 of the Article of Association of the Company, interalia, provides that the Common Seal of the Company shall not be affixed to any instrument except under the authority of a resolution of the Board of the Directors or a Committee of the Board authorised by it in that behalf and in the presence of one Director at the least.

Keeping in view the administrative convenience, consent of the Shareholders is hereby sought for altering Articles 155 and 156 of the Article of Association of the Company, in the manner set out at item no. 8 of the Notice convening the meeting.

The Directors commend the resolution for your approval.

None of the Directors of the Company is in any way concerned with or interested in the aforesaid the resolution.

Item No.6

Considering the volume of transaction on non-regional stock exchanges where the shares of the Company are listed and also the amenities provided by way of Bolt facilities through which territorial aspect is no longer any hindrance/ restriction for transacting in securities, the Board of Directors proposed to delist the shares of the Company from the non-regional stock exchanges which inturn will economies the expenditure, also. Thus, in accordance with the SEBI guidelines dated 29.4.1998 for voluntary delisting by Companies, the resolution under item no.5 is commended by the Board for your approval.

The Directors holding shares in the Company may be deemed to be concerned or interested in the resolution to the extent of their shareholding.

For and on behalf of the Board

Mumbai
December 1, 2000

B.D. Topiwala
Chairman & Managing Director

Registered Office:
59 G.I.D.C., Vapi - 396 195,
Dist. Bulsar, Gujarat.



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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their Fifteenth Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2000.

CHANGE IN THE FINANCIAL YEAR OF THE COMPANY:

The Company has extended its financial year in terms of section 210(4) of the Companies Act, 1956 from March 31 to June 30 and hence the Annual Report Accounts pertain to fifteen months financial period ending on June 30, 2000.

FINANCIAL RESULTS:

	Period ended 30.06.2000 (Rs. in lacs)	Year ended 31.03.1999 (Rs. in lacs)
Turnover	2472.37	2077.96
Gross Profit	778.50	761.32
Less:		
Depreciation	25.11	25.51
Income Tax	Nil	8.65
Deferred Revenue		
Expenditure w/o	200.17	Nil
Net Profit/(Loss)	(138.34)	61.62
Add:		
Profit/(Loss) from previous		
year brought forward	3.86	3.08
Prior Period Expenditure	(17.99)	(60.44)
Surplus/(Deficit)	(152.46)	3.86
Appropriations		
Transfer to General Reserve	Nil	Nil
Provision for Dividend	Nil	Nil
Balance to be carried forward		
to the Balance Sheet	(152.46)	3.86

DIVIDEND:

In view of the Loss for the period, no dividend is recommended.

OPERATIONS AND PERFORMANCE DURING THE YEAR:

During the period your Company has been successful in fighting the competition and has achieved the turnover of Rs.24.72 crores and has made a net profit of Rs.61,83,460/- as compared to net profit of Rs.69,87,460/- during the previous year. However, during the period, your Company has written off an amount of Rs.2,00,17,451/- towards part deferred revenue expenditure resulting in a loss of

Rs.1,38,33,991/-. The decline in profit is basically due to the higher cost of transportation and consumption.

Your Company is in the process of engaging the services of Management Consultants, Price Water House Coopers Ltd to facilitate the Company to reorganize and restructure, which will enable the Company to grow more effectively resulting in higher profits.

INCREASE IN PAID-UP SHARE CAPITAL OF THE COMPANY:

The Company has issued and allotted 30,00,000 (Thirty lacs) Equity Shares of Rs.10/- each by conversion of Unsecured Loans pursuant to the consent received from the members at the Extra Ordinary General Meeting of the Company held on June 24, 2000. Consequent upon the said issue, the Paid up Capital of the Company has increased to Rs.4.86 crores and the Reserves of the Company has increased by Rs. 9,00,00,000/- which now stands at Rs.11.33 Crores.

ENERGY CONSERVATION:

The information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of Board of Directors' Rules, 1988) is not being given as the same is not applicable to your Company.

TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information regarding Technology Absorption and Foreign Exchange Earning and Outgo, required under 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, is not submitted as it is not applicable to the Company.

COMPANIES (PARTICULARS OF EMPLOYEES) RULES - 1975:

A statement giving Particulars of Employees, as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is not attached as it is not applicable, since no employee is in receipt of remuneration in excess of limit prescribed.

SUBSIDIARY COMPANIES:

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts along with the report of the Board of Directors of Premier Cosmetics



PARAMOUNT COSMETICS (INDIA) LIMITED

Limited and Auditors' Report thereon for the year ended 31st March, 2000 are annexed to the Profit & Loss Account and Balance Sheet.

FIXED DEPOSITS:

An amount of Rs.24,000/- as on June 30, 2000 is due and payable by the Company. However, the same is not claimed by the depositors.

DIRECTORS:

Mr. B.D.Topiwala and Mr. Hemant B. Topiwala retire by rotation from the Board and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

AUDITORS:

The Members are requested to appoint Statutory Auditors M/s. R. U. Jain & Company for the financial year 2000-2001. The Company has received letter from M/s R.U. Jain & Company u/s 224(1 B) of the Companies Act, 1956 to the effect that the appointment, if made, would be within the prescribed limit. The notes to the accounts are self-explanatory and, therefore do not call for any further comments.

PERSONNEL:

The Board wishes to place on record its appreciation of the dedication and commitment of the employees of your Company, at all levels. This has contributed immensely to your Company's growth.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation for support received from the Investors, Bankers, Creditors and various Statutory Authorities throughout the year.

For and on behalf of the Board

Mumbai
December 1, 2000

B.D. Topiwala
Chairman & Managing Director





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FORM - B (See Rule 2)

Form for disclosure of particulars with respect to Absorption

Research and development (R & D)

- | | |
|--|---|
| 1. Specific areas in which R & D carried out by the Company | The Company being in the field of cosmetics has been constantly conducting research for the improvement of Quality, Shades, Colours and for marketing new range of products. |
| 2. Benefits derived as a result of the above R & D | This has resulted in acceptance of products by the consumers. To ensure the marketing of quality products and to meet the changing needs of consumers, continuous R & D is being carried out. |
| 3. Future plan of action | |
| 4. Expenditure on R & D: | |
| a) Capital | Rs. Nil |
| b) Recurring | Rs. Nil |
| c) Total | Rs. Nil |
| d) Total R & D expenditure as a percentage of total turnover | Rs. Nil |

Technology absorption, adaptation and innovation

- | | |
|---|---|
| 1. Efforts in brief, made towards technology absorption, adaptation and innovation | The Company's manufacturing process is based on indigenous technology which has been successfully absorbed. |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. | Product improvement |
| 3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: | N.A. |
| a) Technology imported | |
| b) Year of import | |
| c) Has technology been fully absorbed? | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action. | |

For and on behalf of the Board

Mumbai
December 1, 2000

B.D. Topiwala
Chairman & Managing Director



PARAMOUNT COSMETICS (INDIA) LIMITED

AUDITORS' REPORT

To The Members

PARAMOUNT COSMETICS (INDIA) LIMITED

We have audited the attached Balance Sheet of PARAMOUNT COSMETICS (INDIA) LIMITED as at 30th June, 2000 and also the annexed Profit and Loss Account for the year ended on that date, and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts, as required by law, have been kept by the Company, so far as appears from our examination of such books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Accounts.
4. In our opinion the Balance Sheet and the Profit and Loss Account complies with the Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view subject to :
 - i) Reimbursement of expenses during the year ended 31st March 1992, to Authorised representative of Rs. 37,50,045/-, is subject to the approval from Central Government (Note-3 Schedule 17).
 - ii) The provision for gratuity is made on estimated basis (Note 6 Schedule 17).
 - iii) The change in the method of accounting for sales promotion expenses and advertisement expenses etc. whichever to be written off during the year are amortised for a period of 5 years effective from 1.4.1999 (Note - Schedule 17).
 - iv) No provision is made for doubtful debts for Rs. 3,46,580/- (Schedule 8) of the said report, gives the information required by The Companies Act, 1956, in the manner so required and give a true and fair view.
 - a. In the case of the Balance Sheet, of the state of affairs of the company as at 30th June 2000, and
 - b. In the case of Profit & Loss Account, of the profit for the period ended on that date.
6. As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Company

Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and as per the information and explanation given to us during the course of audit, we further state that :

- i) The company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets have been physically verified by the management during the year we are informed that no serious discrepancies were noticed by the management on such verification as compared with the records of Fixed Assets.
- ii) None of the Fixed Assets of the Company have been revalued during the period.
- iii) The stock of finished goods, have been physically verified by the management during the period. In our opinion the frequency of the verification needs to be increased.
- iv) In our opinion and according to the information and explanation given to us, the procedure of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- v) The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of accounts.
- vi) In our opinion and on basis of our examination, the valuation of stock is fair and is in the accordance with normally accepted accounting principles. The valuation of stock is on the same basis as in the preceding year.
- vii) The Company has not granted loan, secured or unsecured from Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are Companies under the same management u/s 370 (1B) of the Companies Act, 1956.
- viii) The Company has given Interest Free Loans and Advances in the nature of loans to its employees who are repaying the principle amount as stipulated.
- ix) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under Section 301 and 370 (1-B) of the Companies Act, 1956 are prima facie, prejudicial to the interest of the Company.



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- x) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw material including components, plant & machinery, equipments and other assets and with regard to the sale of goods.
- xi) According to the information and explanations given to us, the transactions of purchase of goods and materials and sales of goods, material and services, made in pursuance of contracts or arrangement entered in the registers maintained under Section 301 of the Companies Act, 1956 and aggregating during the current year to Rs.50,000/- or more in respect of each party, have been made at prices which in our opinion are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which similar transactions have been made with other parties as case may be, except for items of specialised nature where the question of comparison does not arise.
- xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- xiii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58(A) of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public.
- xiv) We are informed that the Company has no significant realisable scrap and by products.
- xv) In our opinion, the Company's present internal audit system needs to be strengthened having regard to the nature and size of its business.
- xvi) We have broadly reviewed the Books of Accounts and other records maintained by the Company in respect of Sticker Kum Kum/Bulk Kum Kum pursuant to the Rule made by the Central Government, the maintenance of Cost records have been prescribed under section 209(1(d) of the Companies Act 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- xvii) According to the information & explanations given to us there are no undisputed amount payable in respect of wealth tax, sales tax, custom duty, excise duty except Income Tax Rs. 11,23,773/- outstanding for a period of more than six months as at March 31, 1999 from the date they became payable.
- xviii) According to the information & explanations given to us and the records of the company examined by us, no personal expenses of the employees or directors have been charged to revenue account other than those under contractual obligations or in accordance with the generally accepted business practice.
- xix) The Company is not a Sick Industrial Company within the meaning of clause (0) of sub-section (1) of Section (3) of the Sick Industrial Companies (Special Provisions) Act 1985.
- xx) In relation to its trading items, the Company has determined damaged goods at regular intervals and adequate provision for the loss in respect thereof has been made in the accounts.

For R. U. JAIN & CO.
Chartered Accountants

R. U. JAIN
Proprietor

Mumbai,
Dated: 1st December, 2000



PARAMOUNT COSMETICS (INDIA) LIMITED

BALANCE SHEET AS AT 30TH JUNE, 2000

	Schedule No.	As at 30.06.2000 Rs.	As at 31.03.1999 Rs.
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	4,84,76,190	1,84,76,190
Reserves & Surplus	2	11,32,77,740	2,36,63,959
		<u>16,17,53,930</u>	<u>4,21,40,149</u>
LOAN FUNDS			
Secured Loans	3	3,58,28,586	4,54,66,054
Unsecured Loans	4	51,45,552	6,61,00,398
		<u>4,09,74,138</u>	<u>11,15,66,452</u>
Total Funds Employed		<u>20,27,28,068</u>	<u>15,37,06,601</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	2,44,19,282	2,38,41,239
Less: Depreciation		<u>1,64,82,890</u>	<u>1,39,72,079</u>
Net Block		79,36,392	98,69,160
INVESTMENTS	6	10,23,500	10,23,500
Current Assets, Loans & Advances			
Inventories	7	8,25,77,360	10,41,28,592
Sundry Debtors	8	7,39,57,351	7,23,84,490
Cash & Bank Balances	9	39,58,674	34,77,535
Loans & Advances	10	1,37,67,947	73,85,519
		<u>17,42,61,332</u>	<u>18,73,76,136</u>
Less: Current Liabilities & Provisions			
Liabilities	11	5,34,07,057	12,23,61,755
Provisions		<u>30,15,000</u>	<u>30,15,000</u>
		<u>5,64,22,057</u>	<u>12,53,76,755</u>
Net Current Assets		<u>11,78,39,275</u>	<u>6,19,99,381</u>
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Preliminary Expenses		6,30,079	7,44,754
Deferred Revenue Expenditure		6,00,52,355	8,00,69,806
Profit & Loss		<u>1,52,46,467</u>	<u>-</u>
Total Fund Utilised		<u>20,27,28,068</u>	<u>15,37,06,601</u>
NOTES ON ACCOUNTS	17		

SIGNATORIES TO BALANCE SHEET AND SCHEDULES FORMING PART OF ACCOUNTS
FOR THE PERIOD ENDED 30TH JUNE, 2000.

As per our Report Attached

R.U. JAIN & CO.
Chartered Accountants

R.U. JAIN
Proprietor

Mumbai,
Dated: 1st December, 2000

For and on behalf of Board

HEMANT B. TOPIWALA Director
HITESH TOPIWALA Director

RAVINDRA JOSHI
G.M. (Legal & Company Secretary)

Mumbai,
Dated: 1st December, 2000