

# **NINETEENTH ANNUAL REPORT**

## **2003-2004**



**PARAMOUNT**  
**COSMETICS (INDIA) LTD.**

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# PARAMOUNT COSMETICS (INDIA) LIMITED

## NINETEENTH ANNUAL REPORT 2003-2004

On Thursday, 30th September 2004  
at 11.a.m. at A-1/2211, IIIrd Phase, GIDC, Vapi - 396195, Dist. Bulsar, Gujarat.

**BOARD OF DIRECTORS**

Mr. B.D. Topiwala  
Mr. Hemant B. Topiwala  
Mr. Hitesh B. Topiwala  
Mr. Shishir B. Desai

*Chairman*  
*Director*  
*Director*  
*Additional Director*

Mr. R. H. Bhatia

*Finance Manager &  
Company Secretary*

**REGISTERED OFFICE**

A-1/2211, G.I.D.C. Vapi - 396 195  
Dist. Bulsar, Gujarat

**HEAD OFFICE**

"Kalptaru"  
71, Nutan Laxmi Society,  
N. S. Road No. 9, Juhu Scheme,  
Mumbai - 400 049.

**AUDITORS**

R. U. Jain & Co.  
Chartered Accountants

**REGISTRARS & SHARE TRANSFER AGENTS**

I.I.T. Corporate Services Ltd.  
"Protoprima Chambers", IIInd Floor,  
Suren Road, Nr. Cinemagic Theatre,  
Andheri (East), Mumbai - 400 093.  
(with effect from 1.10.2004  
MCS Limited, Sri Venkatesh Bhavan,  
Plot No. 27, Road No. 11, M.I.D.C.,  
Andheri (E), Mumbai - 400 093, will be  
the Share Transfer Agents)

**BANKERS**

State Bank of Indore  
Fort, Mumbai - 400 001

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



## PARAMOUNT COSMETICS (INDIA) LIMITED

### NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of PARAMOUNT COSMETICS (INDIA) LIMITED will be held at the Registered Office of the Company at A-1/2211, IIIrd Phase, G.I.D.C., VAPI - 396 195, Dist. Bulsar, Gujarat on Thursday, September 30, 2004, 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 twelve months period ended on March 31, 2004 and the Balance Sheet as at that date and Report of the Directors and Auditors thereon.
2. Mr. Hemant B. Topiwala retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment
3. 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.
2. The register of Members and Share Transfer Books of the Company will remain closed from Monday, September 20, 2004 to Thursday, September 30, 2004, (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 Registered Office or Registrars and Share Transfer Agents, MCS Ltd., Venkatesh Bhavan, Plot No. 27, Road No.11, MIDC Area, Andheri (East), Mumbai 400 093.
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.

#### 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.

For and on behalf of the Board

Mumbai  
August 10, 2004

**B. D. Topiwala**  
Chairman

Registered Office:  
A-1/2211, IIIrd Phase,  
G.I.D.C., Vapi - 396 195,  
Dist. Bulsar, Gujarat



# NINETEENTH ANNUAL REPORT 2003-2004

## DIRECTORS' REPORT

TO THE MEMBERS OF  
PARAMOUNT COSMETICS (INDIA) LTD.

Your Directors hereby present their Nineteenth Annual Report together with the Audited Accounts of the Company for the period ended March 31, 2004.

### FINANCIAL RESULTS:

	Period Ended 31.03.2004 (Rs. in lacs)	Period Ended 31.03.2003 (Rs. in lacs)
Turnover	2447.84	2160.82
Gross Profit	786.29	792.17
Less:		
Depreciation	26.09	26.64
Income Tax	Nil	Nil
Advertisement		
Expenditure written off	206.39	198.72
Net Profit / (Loss)	(153.52)	(118.81)
Add:		
Profit / (Loss) from previous year brought forward	(1021.92)	(891.73)
Prior Period Expenditure	10.32	(11.38)
Surplus / (deficit)	(1165.12)	(1021.93)
<b>Appropriations</b>		
Transfer to General Reserve	Nil	Nil
Provision for Dividend	Nil	Nil
Balance to be carried forward to the Balance Sheet	(1165.12)	(1021.93)

### 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. 24.48 crores and has made a net loss of Rs 1.53 crores, as compared to net loss of Rs.1.18 crores during the previous year. During the period, your Company has written off an amount of Rs. 2.06 crores towards deferred Advertisement expenditure. The performance of the company has improved over the previous year due to re-focus on fast moving products, re-structuring of the organization and stringent cost control measures undertaken by the Company.

### DIVIDEND:

In view of the carry forward losses, your Directors are unable to recommend any dividend this year.

### DIRECTORS:

Mr. Hemant B. Topiwala retires by rotation and being eligible offers himself for re-appointment.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, including the Management Discussion and Analysis, Shareholders Information and Auditors' Certificate on its compliance, form part of this Annual Report.

## ADEQUACY OF INTERNAL CONTROLS

Your Company has a System of Internal Controls to ensure that all assets are safeguarded and protected against loss due to unauthorized use or disposal and that all the transactions are duly authorized, properly recorded and correctly reported.

Your Company's Internal Control Systems are supplemented by Internal Audit by the Inhouse Internal Audit Department, regular review by the Management and documented policies and procedures, which ensure reliability of the financial statements and other operational data.

## AUDITOR'S QUALIFICATION ON ACCOUNTS

Notes to the accounts as referred in the Auditor's Report are self-explanatory and therefore, do not call for any further comments and explanations.

## INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

### A. 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.

### B. 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.

### C. 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



## PARAMOUNT COSMETICS (INDIA) LIMITED

employees is not attached as it is not applicable, since no employee is in receipt of remuneration in excess of limit prescribed.

### D. SUBSIDIARY COMPANIES:

During the year, the Company disinvested its 100% shareholding in its subsidiary Company, Premier Cosmetics Limited. Hence, 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 Limited* and Auditors' Report thereon for the year ended 31st March, 2004 are not annexed to the Profit & Loss Account and Balance Sheet.

### DIRECTORS RESPONSIBILITY STATEMENT:

STATEMENTS UNDER SUB-SECTION 2AA OF SECTION 217 OF THE COMPANIES ACT, 1956

Your Directors confirm that:

- In the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material facts has been given.
- The Directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

### LISTING:

Your Company's Shares are listed on the Stock Exchange, Mumbai and Vadodara and the listing fees of the Mumbai Stock Exchange and Vadodara Stock Exchange upto the year 2004-05 have been paid by the Company.

### AUDITORS:

The Members are requested to appoint Statutory Auditors, M/s. R. U. Jain & Company for the financial year 2004-2005. 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.

### HUMAN RESOURCES:

Your Company realizes the value of Human Resources and in order to motivate and realize Corporate objectives has revised the Salary Structure of the Management category Staff/Executives with additional responsibilities and higher goals.

The Board wishes to place on record its appreciation of the dedication and commitment of the employees of your Company, at all levels.

### 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  
August 10, 2004

**B.D. Topiwala**  
Chairman



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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     | N.A. |
| 2. | Benefits derived as a result of the above R & D              | N.A. |
| 3. | Future plan of action  | N.A. |
| 4. | Expenditure on R & D :                                       |      |
|    | a) Capital   | NIL  |
|    | b) Recurring   | NIL  |
|    | c) Total   | NIL  |
|    | d) Total R & D expenditure as a percentage of total turnover | 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 therefore and future plan of action.   |   |

For and on behalf of the Board

Mumbai  
August 10, 2004

**B.D. Topiwala**  
Chairman



# PARAMOUNT COSMETICS (INDIA) LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

During the financial year 2003-2004, the Company achieved a sales turnover of Rs. 24.48 Crores as against a sales turn over of Rs.21.61 Crores in the previous year. Profit before depreciation, tax and extraordinary items aggregated Rs. 78.96 lacs during 2003-2004, compared to profit of Rs. 106.55 lacs during 2002-2003. Net Loss after tax stood at Rs. 153.52 lacs compared to Rs.118.81 lacs in the previous year.

### BUSINESS ANALYSIS

#### Industry Structure and Developments

The industrial sector in general and the cosmetics industry in particular, is poised for increased growth after a period of depressed market conditions. The likely improvement in consumer demand and strengthening of rural sector is likely to drive the recovery process.

#### Paramount Cosmetics

For the year 2003-2004, the Company achieved a turnover of Rs. 24.48 crores as against Rs.21.61 crores during the year ended 31<sup>st</sup> March 2003 registering an increase of 13.28%. The Company had test marketed its new range in Colour Cosmetics products in 2002-2003 which had received very good response. The Company is in the midst of launching its new product range of Colour Cosmetics on all India level. Though the Company in relation to Western Cosmetics is relatively small compared to other International majors, it has a strong presence in the Southern and Northern market. The Company has strong presence in the Traditional Cosmetics and is the only National Level Company in India.

### DOMESTIC SCENARIO

With the opening of the Economy, and the exposure to the western culture, the Cosmetics Industries is expected to grow @ 15% p.a. The Company also is gearing up to meet the challenge and take advantage of the increased demand.

### FINANCIAL ANALYSIS

	Rs. in Lacs	
Highlights		
Particulars	2003-2004	2002-2003
Sales	2447.84	2160.82
Operating Expenses	2494.22	2142.08
PBDIT	(46.38)	18.74
PAT	(153.52)	(118.81)

### Capital Structure

There was no change in the capital structure of the Company. The issued and paid up share capital of the company as at 31<sup>st</sup> March 2004 remains same comprising of 4856650 equity shares of Rs.10 each, aggregating to Rs.485.67 lacs

### Reserves and Surplus

As at 31<sup>st</sup> March 2004, Reserves and Surplus of the Company, aggregated Rs. 1132.78 lacs as against Rs.1132.78 lacs as on 31<sup>st</sup> March 2003.

### Gross Block

During the year, the gross block of the Company has increased to Rs.346.40 lacs as against Rs.313.99 lacs as at previous year-end. The net block as at 31<sup>st</sup> March 2004 was Rs. 104.99 lacs compared to Rs.93.83 lacs as at previous year-end.

### Investments

Investments of the Company has reduced to Rs.23,500/- as against Rs.10,23,500/- as at previous year end.

### Working Capital

The net working capital of the Company has increased to Rs. 860.09 lacs compared to Rs.854.75 lacs in the previous year.

### Revenue

Sales revenue for the year ended 31<sup>st</sup> March 2004 increased by Rs.287.02 lacs, as compared to the previous year. Other income increased by Rs. 4.41 lacs for the year, as compared to the previous year.

### EXPENDITURE

#### Raw Materials/Packing Material

There is an increase in the Packing Material cost mainly due to increase in the procurement cost during the year.

#### Interest Outflow

The Company was benefited with falling interest rates. This has led to the reduction interest costs for the year ended 31<sup>st</sup> March 2004.





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### Depreciation

Depreciation for the year ended 31<sup>st</sup> March 2004 was Rs. 26.09 lacs compared to Rs.26.64 lacs for the previous year.

### Net Loss

The net loss increased to Rs. 153.52 lacs during 2003-2004, compared to Rs.118.81 lacs during the previous year.

### Dividend

The Board of Directors have not recommended any dividend due to losses.

### INTERNAL CONTROL SYSTEMS

The Company has set up a separate Internal Audit Department to carry out internal audit within the framework provided by the Board of Directors. The Internal Auditors conduct pre and post transaction audit checks and monthly reviews are carried out to ensure follow up on the observations made. The Audit Committee of the Board of Directors reviews the Internal Audit Reports and the progress in implementation of audit observations. The

Audit Committee also issue directives and/or recommendations for enhancement in scope and coverage of specific areas, wherever felt necessary.

### HUMAN RESOURCES

Human resources are the most valuable assets of the Company and the Company has put in place various systems to reward and recognize employee contribution towards the growth of the Company by instituting production linked and performance based incentives for the employees of the Company.

### CAUTIONARY STATEMENT

Statements in the Management Discussions and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax-laws, other statutes and incidental factors.

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## PARAMOUNT COSMETICS (INDIA) LIMITED

### CORPORATE GOVERNANCE REPORT

#### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of corporate governance stems from its belief that all action and strategic plans should be consistent with the welfare of all stakeholders, including shareholders. The Company views Corporate Governance, in its widest sense, almost like a trusteeship. The aim of the Corporate Governance is not merely a matter of creating checks and balances, but it is about creating an outperforming organization.

A good governance process aims to achieve this by providing long term visibility of its business ensuring effective relationship with stakeholders, establishing systems that help the Company in understanding risk appetite and monitoring risk at every stage of the Corporate's evolution process. The Company has followed principles of good corporate governance through accountability, transparency and dissemination of appropriate information to stakeholders. The Company's mission is to constantly review its systems and procedures to achieve the highest level of corporate governance.

#### BOARD OF DIRECTORS - COMPOSITION

The Board of Directors of the Company consists of 4 members comprising 2 Executive Directors and 2 Non-Executive Directors of which 1 is Independent Director.

Name	Executive / Non-executive/Independent
Mr. B.D. Topiwala	Chairman/Non Executive Director
Mr. Hemant B. Topiwala	Executive Director
Mr. Hitesh B. Topiwala	Executive Director
Mr. Shishir B. Desai	Independent / Non Executive Director
Mr. Apoorva Desai (resigned w.e.f. 5 <sup>th</sup> April 2004)	Independent / Non Executive Director.

#### BOARD MEETINGS HELD DURING THE YEAR

During the year 2003-2004, Board Meetings were held on 22.4.2003, 22.7.2003, 10.8.2003, 30.10.2003, 30.1.2004 and 12.3.2004.

#### ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

Name	Number of Board Meetings attended	Attendance at the last Annual General Meeting
Mr. B.D. Topiwala	5	No
Mr. Hemant B. Topiwala	7	Yes
Mr. Hitesh B. Topiwala	3	No
Mr. Shishir B. Desai	3	No
Mr Apoorva Shah	2	No

#### AUDIT COMMITTEE

The Audit Committee was re-constituted on 1.4.2003, comprising 3 Directors (Mr.B.D.Topiwala, Mr. Apoorva Shah and Mr. Shishir B. Desai). The composition, powers, terms of reference and the role of the Audit Committee are in line with the requirements of Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. All the members of committee have wide range of experience across a wide spectrum of functional areas such as finance and corporate strategy. The Company Secretary, Mr. R. H. Bhatia acts as Secretary to the Audit Committee.



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The Audit Committee met on 20.6.2003, 29.8.2003 and 3.2.2004. Details of the attendance at the meetings of the Audit Committee held are as follows:

Name	Position	Meetings held	Meetings Attended
Mr. B.D.Topiwala	Chairman	3	Yes
Mr. Apoorva Shah	Member	3	Yes
Mr. Shishir B.Desai	Member	3	Yes

### REMUNERATION COMMITTEE

The Company has not constituted a remuneration committee.

Details of Remuneration paid to the Directors (excluding contribution to funds etc) during the year ended 31<sup>st</sup> March 2004 are as follows:

Amount in Rs.

Name	Salary	Commission	Perquisites	Sitting Fees	Total
Mr. B.D.Topiwala	—	—	—	25000	25000
Mr. Hemant Topiwala	—	—	—	35000	35000
Mr. Hitesh Topiwala	—	—	—	15000	15000
Mr. Shishir B. Desai	—	—	—	15000	15000
Mr. Apoorva Shah	—	—	—	10000	10000
Total				100000	100000

The remuneration paid to the Directors is within the ceiling prescribed under the applicable provisions of the Companies Act, 1956 and as approved by Shareholders.

### SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Company has re-constituted Shareholders / Investors Grievance Committee on 1.4.2003 to look into and redress shareholders and investors complaints, with Mr. B.D. Topiwala, Mr. Hemant B. Topiwala and Mr. Shishir B. Desai. Among the other functions this Committee looks into shareholders complaints like transfer of shares, non-receipt of Balance Sheet and non-receipt of declared dividends, as required by clause 49 of listing agreements.

The Committee met on 20.6.2003, 29.8.2003 and 3.2.2004. Details of the attendance at the meetings of the Committee held are as follows:

Name	Position	Meetings held	Meetings Attended
Mr. B.D.Topiwala	Chairman	3	Yes
Mr. Hemant B. Topiwala	Member	3	Yes
Mr. Shishir B.Desai	Member	3	Yes

### STATUS OF COMPLAINTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

1.	Number of complaints received from the investors comprising of non-receipt of Dividend/interest warrants, non receipt of securities sent for transfer and transmission, complaints received from SEBI, etc.	7
2.	Number of complaints resolved	7
3.	Number of complaints not resolved to the satisfaction of the investors as at 31 <sup>st</sup> March 2004	Nil
4.	Complaints pending as at 31 <sup>st</sup> March 2004	Nil
5.	Number of share transfers pending for approval as at 31 <sup>st</sup> March 2004	2