

TWENTIETH ANNUAL REPORT

2004-2005



PARAMOUNT
COSMETICS (INDIA) LTD.

PARAMOUNT COSMETICS (INDIA) LTD.

PARAMOUNT COSMETICS (INDIA) LIMITED

TWENTIETH ANNUAL REPORT 2004-2005

On Friday, 30th September 2005
at 11.a.m. at A-1/2211, IIIrd Phase, GIDC, Vapi - 396195, Dist. Bulsar, Gujarat.

BOARD OF DIRECTORS

Mr. B.D. Topiwala	<i>Chairman</i>
Mr. Hitesh B. Topiwala	<i>Managing Director</i>
Mr. Hemant B. Topiwala	<i>Director</i>
Mr. Shishir B. Desai	<i>Director</i>
Mr. R. H. Bhatia	<i>Finance Manager & Company Secretary</i>

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

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 Twentieth 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 Friday, September 30, 2005, 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, 2005 and the Balance Sheet as at that date and Report of the Directors and Auditors thereon.
2. Mr. B.D. 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.

SPECIAL BUSINESS:

4. To consider the appointment of the Managing Director with or without any modification with the consent of the members.

"RESOLVED THAT pursuant to Sec. 269 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, Mr. Hitesh Topiwala be and is hereby appointed as the Managing Director of the Company for a period of Five Years from 1st August 2005 to 31st July 2010 and shall be entitled to commission at a rate not exceeding 5% of net profits of the Company.

"RESOLVED FURTHER THAT Mr Hemant Topiwala be and is hereby authorized to do all such acts and to file documents as are necessary to give effect to this resolution."

For and on behalf of the Board

Mumbai
August 10, 2005

B. D. Topiwala
Chairman

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

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.

The register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 20, 2005 to Friday, September 30, 2005, (both days inclusive).

2. 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., Sri Venkatesh Bhavan, Plot No. 27, Road No.11, MIDC Area, Andheri (East), Mumbai - 400 093.

3. Members are requested to quote their Register Folio Number in all the correspondence with the Company to facilitate prompt action.

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
August 10, 2005

B. D. Topiwala
Chairman

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

**TWENTIETH ANNUAL REPORT 2004-2005****EXPLANATORY STATEMENT PURSUANT TO
SEC. 173 OF THE COMPANIES ACT 1956.****Job Profile and Suitability:**

Mr. Hitesh Topiwala has been appointed as the Managing Director of the Company and he will be in charge of its overall Management, subject to the direction, supervision and control of the Board of Directors of the Company. Taking into Consideration his expertise in all fields, he is suited for the responsibilities assigned to him by the Board of Directors.

Remuneration Proposed: Since the same have been already explained hereinabove, the same is not repeated.

Considering the Size of the Company, the profile of Mr. Hitesh Topiwala, the responsibilities shouldered by him and the Industry benchmarks, the remuneration

proposed to be paid to him is commensurate with the packages paid to similar appointees, in other Companies.

The Board comments the resolution at item no. 4 for your approval.

Since the resolution at item no.4 relates to payment of remuneration to Mr.Hitesh Topiwala, he is deemed to be concerned or interested in the said Resolution. None of the Other Directors of the Company are, in any way concerned or interested in the resolution.

The above explanatory statement sets out an abstract of the material terms of the Contract with the Managing Director and the same may be treated as an abstract of Memorandum of Interest in accordance with Section 302 of the Companies Act, 1956.

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PARAMOUNT COSMETICS (INDIA) LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
PARAMOUNT COSMETICS (INDIA) LTD.

Your Directors hereby present their Twentieth Annual Report together with the Audited Accounts of the Company for the period ended March 31, 2005.

FINANCIAL RESULTS:

	Period Ended 31.03.2005 (Rs. in lacs)	Period Ended 31.03.2004 (Rs. in lacs)
Turnover	2480.75	2447.84
Gross Profit	790.35	786.29
Less:		
Depreciation	28.59	26.09
Income Tax	0.50	Nil
Advertisement Expenditure written off	54.21	206.39
Net Profit / (Loss)	5.57	(153.52)
Add:		
Profit / (Loss) from previous year brought forward	(1165.12)	(1021.92)
Prior Period Expenditure	59.66	8.14
Surplus / (deficit)	(1219.71)	(1165.12)
Appropriations		
Transfer to General Reserve	Nil	Nil
Provision for Dividend	Nil	Nil
Balance to be carried forward to the Balance Sheet	(1219.71)	(1165.12)

OPERATIONS AND PERFORMANCE DURING THE YEAR:

During the period your Company has achieved the turnover of Rs. 24.81 crores and has made a net profit before Tax of Rs 5.37 lacs, as compared to net loss of Rs.1.53 crores during the previous year. During the period, your Company has written off an amount of Rs. 54 lacs towards deferred Advertisement expenditure. The performance of the company has improved over the previous year due to re-structuring of the organization and stringent cost control measures undertaken by the Company.

As a consequence of floods at the Company's administrative block at 71, Kalptaru, Nutan Lami Society, JVPD N.S Road No.9, Vile Parle (West) Mumbai 400049 on July 26th 2005 floods, whereby most of the records of the Company were destroyed. However, the financial data from the Computer Systems were retrieved.

DIVIDEND:

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

DIRECTORS:

Mr. B.D.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.

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



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

DIRECTORS RESPONSIBILITY STATEMENT:

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

Your Directors confirm that:

- a. In the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanation relating to material departures has been given.
- b. 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.
- c. 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.

- d. 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 upto the year 2005-06 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 2005-2006. 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:

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, 2005

B.D. Topiwala
Chairman



PARAMOUNT COSMETICS (INDIA) LIMITED

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, 2005

B.D. Topiwala
Chairman



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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the financial year 2004-2005, the Company achieved a sales turnover of Rs. 24.81 Crores as against a sales turn over of Rs. 24.48 Crores in the previous year. Net Profit after tax stood at Rs. 5.07 lacs compared to Net Loss of Rs.153.52 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 improvement in consumer demand and strengthening of rural sector is driving the recovery process.

Paramount Cosmetics

For the year 2004-2005, the Company achieved a turnover of Rs. 24.81 crores as against Rs. 24.48 crores during the year ended 31st March 2004 registering an increase of 1.31%. The Company has launched its new product range of Colour Cosmetics and over the period of last year has increased the reach of the products to all states of India. The Company has also launched its Men's Toiletries range in last year and has met with resounding success in the launch phase of the product. The Company is presently in the midst of launching the product on all India level. The Company has also re-launched its Sticker Kumkum Brand nationally to provide new designs & improved quality. The Company has started fixing hologram on its products which will now result in better sales and counter the spurious and duplicate products available in the market. These launches will also ensure that the Company consolidates its position in the market and sets the platform for new launches in various high end product categories. Within the next 2 years, the Company is planning to maximize its consumer reach and ensure availability of its products at all India level.

DOMESTIC SCENARIO

With the opening of the Economy, and the exposure to the western culture, the Cosmetics Industries is expected to grow @ 10% p.a. The Company also is gearing up to meet the challenge and take advantage of the increased demand.

FINANCIAL ANALYSIS

Highlights	Rs. in Lacs	
	2004-2005	2003-2004
Sales	2480.76	2447.84
Operating Expenses	2346.76	2494.22
PBDIT	134.00	(46.38)
PAT	5.07	(153.52)

Capital Structure

The Company has cancelled 1650 forfeited Shares and the issued and paid up share capital of the company as at 31st March 2005 stands at 48,55,000 equity shares of Rs.10 each, aggregating to Rs.485.50 lacs

Reserves and Surplus

As at 31st March 2005, Reserves and Surplus of the Company, aggregated Rs. 1135.56 lacs as against Rs. 1132.78 lacs as on 31st March 2004.

Gross Block

During the year, the gross block of the Company has increased to Rs.377.67 lacs as against Rs. 346.40 lacs as at previous year-end. The net block as at 31st March 2005 was Rs. 116.59 lacs compared to Rs. 104.99 lacs as at previous year-end.

Investments

There is no change in the Investments of the Company which stood at Rs.23,500/-

Working Capital

The net working capital of the Company has decreased to Rs. 797.54 lacs compared to Rs. 860.09 lacs in the previous year.

Revenue

Sales revenue for the year ended 31st March 2005 increased by Rs.32.92 lacs, as compared to the previous year. Other income increased by Rs.0.16 lacs for the year, as compared to Rs.4.41 lacs in the previous year.



PARAMOUNT COSMETICS (INDIA) LIMITED

EXPENDITURE

Raw Materials/Packing Material

There is an decrease in the Raw Material and Packing Material cost mainly due to decrease in the manufacturing activity during the year.

Interest Outflow

The interest cost for the year ended 31st March, 2005 has increased due to increase in the interest rate charged by the Bank and increase in the Secured Loans.

Depreciation

Depreciation for the year ended 31st March 2005 was Rs. 28.59 lacs compared to Rs.26.09 lacs for the previous year.

Net Profit

The net profit at tax stood at Rs.5.07 lacs during 2004-2005, compared to loss of Rs.153.52 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.



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. Hitesh B. Topiwala	Managing Director
Mr. Hemant B. Topiwala	Executive Director
Mr. Shishir B. Desai	Independent / Non Executive Director

BOARD MEETINGS HELD DURING THE YEAR

During the year 2004-2005, Board Meetings were held on 30.04.2004, 31.7.2004, 10.08.2004, 29.10.2004, 28.01.2005 & 28.3.2005

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	6	No
Mr. Hemant B. Topiwala	6	Yes
Mr. Hitesh B. Topiwala	2	No
Mr. Shishir B. Desai	2	No

AUDIT COMMITTEE

The Audit Committee was re-constituted on 1.4.2004, comprising 3 Directors (Mr. Hemant Topiwala, Mr. B.D. Topiwala 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.

The Audit Committee met on 31.7.2004, 29.10.2004 and 28.1.2005. Details of the attendance at the meetings of the Audit Committee held are as follows:

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