

PARAMOUNT COSMETICS (INDIA) LIMITED



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PARAMOUNT

TWENTY THIRD
ANNUAL REPORT 2007-2008

PARAMOUNT COSMETICS (INDIA) LIMITED**TWENTY THIRD ANNUAL REPORT 2007-2008**

On Tuesday, 30th September 2008, at 11.a.m. at -A1/2211, Illrd Phase, GIDC,
Vapi - 396195, Dist. Bulsar, Gujarat.

BOARD OF DIRECTORS

Mr. B.D. Topiwala	Chairman
Mr. Hitesh B.Topiwala	Managing Director
Mr. Hemant B. Topiwala	Director
Mr. Shishir B. Desai	Director
Mr. Atul Mehta	Director
Mr. Navinchandra Bhuta	Director

ISIN : INE143I01013

AUDITORS

R.U. Jain & Co.
Chartered Accountants

BANKERS

State Bank of Indore
Fort, Mumbai-400 001

State Bank of Indore
J.C.Road, Bangalore - 560 002.

REGISTERED OFFICE

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

HEAD OFFICE

902, Prestige Meridian-1,
29, M. G. Road
Banglore - 560 001

REGISTERED & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13,Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup(W),
Mumbai - 400 078

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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.



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NOTICE

Notice is hereby given that the Twenty Third Annual general meeting of the Members of PARAMOUNT COSMETICS (INDIA) LIMITED will be held on Tuesday 30th September 2008 at 11:00 AM at the registered office of the Company at A-1/2211, III rd Phase, G.I.D.C Vapi – 396 195, Dist Bulsar, Gujarat to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Director's Report, Audited Profit and Loss Account for the financial year ended at 31st March 2008 and the Balance Sheet as at 31st March 2008 and Report of Auditor's thereon.
2. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.
3. To appoint a director in place of Mr. N.K. Bhuta who retired by rotation at the ensuing Annual General Meeting being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. 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 other applicable provisions if any of the Companies Act, 1956 and subject to any permissions as may be required, the Articles of Association of the Company be altered in the following manner:

The present Article No. 110(b) be deleted and the following be substituted in its place:

"All Directors except the Managing Director, as provided in Article 138 of the Articles of Association of the Company, shall be liable to retire by rotation at every Annual General Meeting and the number of Directors who will retire by rotation will be decided as per the provisions of Section 256 of the Act."

By order of the Board of Directors
For Paramount Cosmetics (India) Limited

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman

NOTES:

- | | |
|---|---|
| <ol style="list-style-type: none"> a. 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 OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. b. Members requiring information on the account are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to furnish information. c. Members are requested to notify immediately of any change in their address to the Company. Members holding shares in electronic form are advised to notify any change in their address to the concerned depository participant. | <ol style="list-style-type: none"> d. The share transfer books and Register of Members of the Company will remain closed from 26th September 2008 to 30th September 2008. e. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business for item no. 4 is annexed hereto f. The Company's securities are listed at the Bombay Stock Exchange, Mumbai. The Company has paid Annual Listing fee to the Stock Exchange for the Financial Year 2008-09 |
|---|---|

By order of the Board of Directors
For Paramount Cosmetics (India) Limited

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman



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EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 4:**

According to the present Article 110(b), Mr. B.D. Topiwala and Mr. Hemant Topiwala are not liable to retire by rotation at every Annual General Meeting.

However, keeping in view some proposed restructuring on the Board of your Company, it is recommended that all Directors except the Managing Director as provided in Article 138 of the Articles of Association of the Company shall be liable to retire by rotation at every Annual General Meeting and the number of Directors who will retire by rotation will be decided as per the provisions of Section 256 of the Act.

No other director except Mr. B.D. Topiwala, Mr. Hemant Topiwala and Mr. Hitesh Topiwala is interested in this resolution.

By order of the Board of Directors
For Paramount Cosmetics (India) Limited

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman

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PARAMOUNT COSMETICS (INDIA) LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
PARAMOUNT COSMETICS (INDIA) LTD.

Your Directors have pleasure in presenting their Twenty Third Annual Report together with the Audited Accounts of the Company for the period ended March 31, 2008.

FINANCIAL RESULTS:

	Period Ended 31.03.2008 (Rs. in lacs)	Period Ended 31.03.2007 (Rs. in lacs)
Turnover	1969.55	1794.93
Gross Profit	801.07	682.65
Less:		
Depreciation	22.57	22.40
Income Tax	10.11	6.84
Advertisement Expenditure written off	26.96	34.12
Net Profit / (Loss)	55.23	40.99
Add:		
Profit / (Loss) from previous year brought forward	—	(192.36)
Prior Period Expenditure (Net)	(7.54)	(4.67)
Surplus / (deficit)	47.68	153.55
Appropriations		
Debit Balance in P&L Account set off against Revaluation Reserve	—	153.55
Balance to be carried forward to the Balance Sheet	47.68	—

OPERATIONS AND PERFORMANCE DURING THE YEAR:

During the period your Company has achieved the turnover of Rs. 19.70 crores and has made a net profit before Tax of Rs. 65.34, as compared to net profit of Rs. 40.99 lacs during the previous year. During the period, your Company has written off an amount of Rs. 22.57 lacs towards Deferred Advertisement Expenditure. All Manufacturing Units are functioning well and our products have pan India presence.

DIVIDEND:

The cash accruals are being ploughed back for augmenting working capital which will enhance the business operations of the Company, therefore your directors have decided not to recommend any dividend for the Financial Year 2007-08.

DIRECTORS:

Mr. N K Bhuta retires by rotation and being eligible offers himself for re-appointment.

CORPORATE GOVERNANCE:

The Audit Committee constituted by the Board has been functioning well. The Committee renders valuable advice to the Board on several issues particularly on Internal Controls, Accounting Policies and Corporate Governance norms.

Similarly, the Shareholders/Investors Grievances Committee met regularly throughout the year and overruled the operations of the Share Transfer Registrar, Response to Investors Grievances, Progress of dematerialisation and other matters.

The Company has complied with clause 49 of the Listing Agreement pursuant to SEBI Guidelines. Accordingly, reports on Corporate Governance and Management Discussion and Analysis are enclosed and form part of this 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, regular review by the Management and documented policies and procedures.

AUDITOR'S REPORT:

Auditor's Report is self-explanatory and therefore, it does not call for any further comments and explanations.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:**A. ENERGY CONSERVATION:**

Your Company continuously takes measure to conserve energy. Manufacturing process adopted by the company is not electricity oriented, therefore, electricity generation and consumption details are not given.

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 attached as annexure 1 and 2 of this report.



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C. PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company receive remuneration in excess of limits prescribed under 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).

DIRECTORS RESPONSIBILITY STATEMENT:

STATEMENTS UNDER SUB-SECTION 2AA OF SECTION 217 OF THE COMPANIES ACT, 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 Bombay Stock Exchange, Mumbai. The listing fees of the Bombay Stock Exchange upto the year 2008-09 have been paid by the Company.

AUDITORS:

M/s. R.U. Jain & Company, the statutory auditors of the Company will retire at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for reappointment.

Your Directors request the shareholders to appoint Statutory Auditors for the Current Financial Year.

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

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman



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Annexure 1

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 import | |
| 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

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman

Annexure 2

Total Foreign Exchange Earning and Expenditure (Rs in Lacs):

- | | |
|-------------------------------------|--------|
| i. CIF value of Imports | 271.93 |
| ii. Expenditure in Foreign Currency | 0.30 |

For and on behalf of the Board

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman



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Declaration regarding compliance with the code of conduct and ethics policy of the Company By Board Members and Senior Management Personnel

This is to confirm that the Company has adopted Code of Conduct and Ethics Policy for the Board of Directors and Associates of the Company.

I declare that the Board of Directors and Senior Management Personnel have affirmed compliance with the code of Conduct and Ethics Policy of the Company.

Place : Bangalore
Date : 28th August 2008

B D Topiwala
Chairman

Chief Executive Officer Certification

To
The Board of Directors
Paramount Cosmetics (India) Limited

I, the undersigned, in my capacity as Chief Executive Officer of Paramount Cosmetics (India) Limited ("the Company") to the best of my knowledge and belief certify that:

- (a) I have reviewed financial statement and the cash flow statement for the year ended 31st March 2008 and to the best of knowledge and belief state that :
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that are misleading.
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) I further state that, to the best of my knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct as adopted by the Company.
- (c) I am responsible for establishment and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- (d) I have indicated, based on my most recent evaluation, wherever applicable, to the Auditors and the Audit Committee
 - (i) Significant changes, if any, in the internal control over financial reporting during the year.
 - (ii) Significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statement; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control systems over financial reporting.

Place : Bangalore
Date : 28th August 2008

Hitesh Topiwala
Managing Director



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PARAMOUNT COSMETICS (INDIA) LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the financial year 2007-2008, the Company achieved a sales turnover of Rs. 19.70 Crores as against a sales turnover of Rs. 17.94 Crores in the previous year. Net Profit after tax stood at Rs. 55.23 lacs compared to Net Profit of Rs.34.14 lacs in the previous year.

BUSINESS ANALYSIS

Industry Structure and Developments

Your company primarily operates under traditional cosmetics and Personal Care for Men and Women Segment, the industry in this segment is growing at 10% p a, your directors endeavor to achieve sales growth which is more than the industry growth. Although the competition is heating up yet Your Company is gearing up to face the new age challenges head on and is confident of better bottom line in the years to come.

FINANCIAL ANALYSIS

Highlights	Rs. In Lacs	Rs. In Lacs
Particulars	2007-2008	2006-2007
Sales	1969.55	1794.93
Operating Expenses	1791.80	1640.61
PAT	55.23	34.19

Capital Structure

The issued and paid up share capital of the company as at 31st March 2008 stands at 48,55,000 equity shares of Rs.10 each, aggregating to Rs. 485.50 lacs.

Reserves and Surplus

As at 31st March 2008, Reserves and Surplus of the Company, aggregated Rs. 1155.73 lacs as against Rs. 1120.80 lacs as on 31st March 2007.

Gross Block

During the year, the gross block of the Company has increased by Rs.54.74 Lacs. During the year the company has purchased the land on which it had been running a factory on rental basis.

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 increased to Rs. 811.56 lacs compared to Rs. 794.31 lacs in the previous year.

Revenue

Sales revenue for the year ended 31st March 2008 increased by Rs. 174.61 lacs, as compared to the previous year. Other income decreased by Rs. 5.37 lacs compared to last year.

EXPENDITURE

Raw Materials/Packing Material

There is an increase in the Raw Material and Packing Material cost mainly due to commencement of in-house manufacturing activities during the year.

Interest Outflow

The interest cost for the year ended 31st March, 2008 has remain almost stagnant due to continuous better utilization of working capital finance.

Depreciation

Depreciation for the year ended 31st March 2008 was Rs. 22.57 lacs compared to Rs. 22.40 lacs for the previous year.



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Net Profit

The net profit after tax stood at Rs. 55.22 Lacs during 2007- 2008, compared to profit of Rs. 34.14 lacs during the previous year.

Dividend

The cash accruals are being ploughed back for augmenting working capital which will enhance the activities of the Company.

INTERNAL CONTROL SYSTEMS

The Company has appointed a firm of Chartered Accountants 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, where 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 6 members comprising 2 Executive Directors and 4 Non-Executive Directors of which 3 are Independent Directors.

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
Mr. Atul Mehta	Independent/Non Executive Director
Mr. Navinchandra Bhuta	Independent/Non Executive Director

BOARD MEETINGS HELD DURING THE YEAR

During the year 2006-2007, Board Meetings were held on 30-4-2007, 31-7-2007, 4-09-2007, 31-10-2007 and 30-01-2008