



PARAMOUNT

Rising beyond imagination

**PARAMOUNT COSMETICS (INDIA) LIMITED**

**TWENTY SIXTH ANNUAL REPORT**

**2010-2011**

# PARAMOUNT COSMETICS (INDIA) LIMITED

2211, A-1, III Phase, G.I.D.C. Vapi - 396 195 Dist. -Valsad, Gujarat

## BOARD OF DIRECTORS

Mr. HitteshBT, Managing Director  
Mr. Shishir B. Desai, Director  
Mr. V.N.Mehta, Director  
Ms. Aartii Topiwaala, Director

**ISIN : INE143I01013**

## AUDITORS

R.U. Jain & Co.  
Chartered Accountants,  
Mumbai

## BANKERS

IDBI Bank Ltd.

## REGISTERED OFFICE

2211, A-1, III Phase, G.I.D.C. Vapi - 396 195  
Dist. -Valsad, Gujarat  
Email: compliance.officer@parammount.com

## HEAD OFFICE

902-904, 9<sup>th</sup> Floor,  
Prestige Meridian-1,  
29, M. G. Road,  
Bangalore - 560 001  
Ph: +91 80 25320870/71  
Fax: +91 80 25599065  
Email: compliance.officer@parammount.com

## REGISTRAR & SHARE TRANSFER AGENT

**BgSE Financials Limited**  
Stock Exchange Towers, No. 51, 1st Cross, J.C Road,  
Bangalore- 560 027  
Ph: 080 4132 9661  
Email: rta\_admin@bfsi.co.in

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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.**

## NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of Paramount Cosmetics (India) Limited will be held on Friday, the 30<sup>th</sup> day of September 2011 at 11:00 a.m. at the Registered Office of the Company at 2211, A-1, III Phase, G.I.D.C Vapi – 396 195, District - Valsad, Gujarat, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company for the year ended 31<sup>st</sup> March 2011, the Profit & Loss Account for the year ended as on that date along with the Cash Flow Statement for the year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the Financial Year 2010-11.
3. To appoint a Director in place of Mr. V.N Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. R.U. Jain & Co., Chartered Accountants, as Statutory Auditors of the Company, 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/Audit Committee to fix their remuneration.

### SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:  
**"RESOLVED THAT** Mrs. Aartii Topiwaala, whose term of office as an Additional Director of the Company expires at this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution:  
**"RESOLVED THAT** pursuant to the provisions of section 310 and other applicable provisions, if any, of the Companies Act, 1956, and the laws prevailing for the time being and subject to the approval of the Central Government, as may be required and such alterations and modifications, if any, that may be effected by the Central Government in granting such approvals pursuant to any change in policies or laws, guidelines, rules and regulations relating to managerial remuneration or in response to any applications for review and reconsideration submitted by the Company in that behalf which the Board of Directors be and is hereby authorized to agree to, consent of the Company be and is hereby accorded to the payment of enhanced remuneration, perquisites and commission to Mr. HitteshBT, Managing Director as per the terms and conditions set out in the agreement proposed to be entered into by the Company, with effect from 1<sup>st</sup> of April 2011 till the expiry of his present term of office.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to alter and vary such terms and conditions in accordance with the laws from time to time in force as may be agreed to by the Directors and acceptable to Mr. HitteshBT, Managing Director provided that such alterations are not less beneficial to the Company.

**RESOLVED FURTHER THAT** subject to the provisions of section 198 and other applicable provisions, if any, of the Companies Act, 1956, the same remuneration and perquisites as set out in the draft agreement proposed to be entered into between the Company and Mr. HitteshBT be paid and granted to Mr. HitteshBT as minimum remuneration, notwithstanding that in any financial year of the Company during the remaining term of his office as the Managing Director, the Company has made no profits or the profits made are inadequate.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps and to do such acts and deeds as may be necessary and desirable to give effect to this resolution"

### NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE/ CORPORATE OFFICE OF THE COMPANY, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY MAY NOT VOTE EXCEPT ON A POLL. **A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.**
- b. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 29, 2011 to Friday, September 30, 2011 (both days inclusive), in terms of the provisions of the Companies Act, 1956 and the Listing Agreement with the Stock Exchange where the Shares of the Company are listed.
- c. The Dividend on Equity Shares as recommended by the Directors, if declared at the Meeting, will be paid within the statutory period of 30 days to those Members whose names shall appear on the Company's Register of Members on September 28, 2011. In respect of the Shares held in dematerialized form, the dividend will be paid to Members

whose names shall be furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services India Ltd. (CDSL) as beneficial owners as on that date.

- d. Members requiring information on the account /notice are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to furnish information.
- e. Members are requested to notify immediately of any change in their address to the Company's Registrar and Share Transfer Agent. Members holding shares in electronic form are advised to notify any change in their address to the concerned depository participant.
- f. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of Shares or any other Share related matters and/or change in address, furnishing of details of their bank accounts or updation thereof, to the Company's Registrar - **BgSE Financials Limited**, Stock Exchange Towers, No. 51, 1<sup>st</sup> Cross, J. C. Road, Bangalore – 560027. Ph. No. 080 41329661. E-mail: [rta\\_admin@bfsi.co.in](mailto:rta_admin@bfsi.co.in) or [manager\\_rta@bfsi.co.in](mailto:manager_rta@bfsi.co.in)
- g. As per the provisions of the Companies Act, 1956, facility for making nominations is available for Shareholders, in respect of shares held by them. Nomination forms can be obtained from the Registrar and Share Transfer Agent of the Company.
- h. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding Shares in electronic form are therefore requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding Shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agent of the Company.
- i. Corporate members are requested to send, a duly certified copy of the board resolution/power of attorney authorizing their representative to attend and vote at the Annual General Meeting.
- j. Members/Proxies are requested to bring duly filled admission/attendance slips sent herewith along with the copies of Annual Reports at the Meeting.
- k. The Company's Securities are listed at Bombay Stock Exchange Limited, Mumbai. The Company has paid Annual Listing fee to the Stock Exchange for the Financial Year 2011-12.
- l. An explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of special business under item no. 5 & 6 is annexed hereto.

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

Place: Bangalore  
Date: 31<sup>st</sup> August 2011

**Pooja Agrawal**  
**CS & Manager- Legal & Compliance**

## EXPLANATORY STATEMENT

The following explanatory statement, as required under Section 173 of the Companies Act, 1956 sets out all material facts relating to the items of special business mentioned in the accompanying notice dated 31<sup>st</sup> August 2011

### Item No. 5

Mrs. Aartii Topiwaala was appointed as an Additional Director of the Company on 31<sup>st</sup> day of March, 2011 by the Board of Directors of the Company. According to the provisions of section 260 of the Companies Act, 1956 she holds office only upto the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a Member signifying his intention to propose her appointment as a Director along with a deposit of Rupees Five Hundred. The Board considers it desirable that the Company should continue to avail her services.

None of the Directors except Mr. HitteshBT may be deemed to be concerned or interested in the above resolution.

### Item No. 6

Mr. HitteshBT has been in the cosmetics industry for past 19 years. He was appointed as the Managing Director of the Company on 1<sup>st</sup> August 2005. He has contributed massively in elevating the Company to its current level. Keeping in mind his outstanding work and his role in increasing the profitability and improvement of the overall performance of the Company, the

Board of Directors are considering increase in his salary from 1<sup>st</sup> April 2011, subject to the approval of the Shareholders of the Company and the Central Government in terms of Section 310 of the Companies Act, 1956 read with Schedule XIII. The Board of Directors has passed a resolution for increase in his remuneration on 10<sup>th</sup> August 2011 and has approved following increment subject to approval of Members and Central Government as required:

**Proposed Remuneration:**

- A) Salary: Rs. 72,00,000/- per annum
- B) Perquisites (Including allowances) – Rs. 28,00,000 per annum
- C) Commission @ 5% of the net profit of the Company

The above recommendation has been approved by the Remuneration Committee at its meeting held on 10<sup>th</sup> August 2011.

The above variation in the terms of remuneration of Mr. HitteshBT as mentioned in Item No. 6 of the Notice will be treated as an abstract under Section 302 of the Companies Act, 1956.

The Members are requested to consider and approve the above proposal for increase in the remuneration of Mr.HitteshBT. None of the Directors except Mr. HitteshBT and Ms. Aartii Topiwaala are concerned or interested in the said resolution.

<b>Details of Directors seeking appointment / re- appointment (Additional information pursuant to Clause 49 of the Listing Agreement)</b>		
Name of the Director	<b>Mr. V.N. Mehta</b>	<b>Ms. Aartii Topiwaala</b>
Date of Birth	23.01.1956	18.07.1972
Date of Appointment	31.07.2009	31.03.2011
Experience in specific functional areas	Rich and vast experience of more than 29 years in supply chain management, channel partner network management, operations, logistics management and commercial aspects of FMCG industry	Rich experience of more than 16 years in the fashion industry
Qualification	Bachelor of Commerce	Bachelor of Commerce
Shareholding	200 Shares	2600 Shares
List of Public Companies in which outside Directorships held as on March 31, 2011	NIL	NIL
List of Chairmanship / Membership of the Committees of Board of other Public Companies as on March 31, 2011	Nil	Nil

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 26<sup>th</sup> Annual Report of your Company, together with the Audited Statement of Accounts for the year ended **31<sup>st</sup> March, 2011**.

### FINANCIAL RESULTS

Your Company's performance during the year as compared with that during the previous year is summarized below:

(Figures in Rs. lakh)

	Year ended 31.03.2011	Year ended 31.03.2010
Sales and other income	4406.06	2894.98
Profit before Depreciation and Tax	362.39	255.42
Depreciation	40.40	35.92
Interest and Finance Charges	171.09	106.07
Profit before Tax	150.90	113.43
Income Tax	34.11	20.91
Prior Year Exp	2.08	3.18
MAT Credit Entitlement	29.36	21.06
Net Profit / (Loss)	144.07	110.40
Add: Profit / (Loss) for previous year brought forward	219.71	109.32
Surplus / (Deficit)	363.78	198.69
Appropriations:	28.31	-
Balance carried forward to the Balance Sheet	335.47	219.71

### PERFORMANCE DURING THE YEAR

Sales and other Income of the Company for the year is Rs. 4406.06 lakh as compared to Rs. 2894.98 lakh in the previous year, showing an increase of 52%. Profit before Interest and Depreciation for the current year is Rs. 362.39 lakh which is 42% higher than the preceding year which was Rs. 255.42 lakh. Profit after tax is Rs. 144.07 lakh which is 30% higher than the preceding year which stood at Rs. 110.40 lakh.

### DIVIDEND

The Board of Directors are pleased to recommend payment of dividend on equity shares at Rs. 0.50/- per equity share (i.e. at the rate of 5 %), subject to approval by the Shareholders at the Annual General Meeting.

### DIRECTORS

During the year under review, Mr. B. D. Topiwala resigned from the directorship of the Company. The Board appreciated the valuable contribution done by the Director. Ms. Aartii Topiwaala was appointed as Additional Director on 31<sup>st</sup> March 2011 to hold office till the ensuing Annual General Meeting.

### FIXED DEPOSITS

The Company has not accepted any Fixed Deposits from the Public, during the current year under review.

### PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed herewith as Annexure – A and forms part of this report.

### AUDITORS

The Statutory Auditors of the Company, M/s R.U. Jain & Co., Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment and confirm that their re-appointment, if made, would be within limits under Section 224(1B) of the Companies Act, 1956.

### AUDITORS' REPORT

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

Explanation on Auditors' Remarks in the Audit Report

1. In respect of non provision for doubtful debts, the Company is in process to recover the amount of Rs. 3,69,092 and hence the same has not been provided in the books.
2. In respect of deferred assets of Rs. 9,93,090, the same has not been accounted considering the prudence and also it is not certain that sufficient future taxable income will be available against which such deferred assets can be realised.
3. In respect of gratuity, the Company pays the gratuity as per Gratuity Act, to only those employees, who have completed five years of service in the Company.

#### **PARTICULARS OF EMPLOYEES AND DISCLOSURE OF INFORMATION**

There was no employee in the Company employed throughout the financial year 2010-11 or part thereof, who was in receipt of remuneration in the year which, in the aggregate, or as the case may be was at a rate which in aggregate, was more than the revised limits prescribed under Section 217 (2A) of the Companies Act, 1956 and hence disclosure of the particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not required.

#### **CORPORATE GOVERNANCE**

The Company is committed to uphold the highest standards of corporate governance and adhere to the requirements set out by the Securities and Exchange Board of India.

A detailed report on Corporate Governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the Statutory Auditors of the Company, M/s. R.U. Jain & Co., Chartered Accountants, confirming compliance of conditions of corporate governance as stipulated under the aforesaid Clause 49 is provided in this report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state and confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2011 and of the profit of the Company for the year ended March 31, 2011;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

#### **ACKNOWLEDGEMENTS**

Your Directors wish to take this opportunity to express their appreciation and gratitude for the continued support from its Financial Institutions, Bankers, Suppliers and various Government Agencies.

Your Directors also express sincere appreciation for the commitment and dedicated services rendered by each employee of the Company at all levels.

**For and on behalf of the Board of Directors  
of Paramount Cosmetics (India) Limited**

**Dated: 31 August 2011  
Place: Bangalore**

**HitteshBT  
Managing Director**

## ANNEXURE TO THE DIRECTORS' REPORT

### ANNEXURE A

Information as per Section 217 (1) (e) read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011 :

#### I. CONSERVATION OF ENERGY

- a) *Energy Conservation measures taken*** - As the Company is not engaged in major manufacturing activities, it has very limited scope for energy conservation. However, the Company is conscious of energy saving and continues to take appropriate steps, wherever feasible.
- b) *Additional Investment and proposal, if any, being implemented for reduction of Energy*** - No Investment was made during the year under review.
- c) *Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the production of goods*** - Not Applicable.
- d) *Total consumption and energy consumption per unit of production as per form "A" of the Annexure to the rules in respect of Industries specified in the Schedule thereto*** - Not Applicable.

#### 2. (A) TECHNOLOGY ABSORPTION

##### RESEARCH & DEVELOPMENT (R&D)

- |     |  |                |
|-----|--|----------------|
| (a) | Specified area in which R & D carried out by the Company | Not Applicable |
| (b) | Benefits derived as a result of R & D                    | Not Applicable |
| (c) | Future plan of action                                    | Not Applicable |
| (d) | Expenditure on R & D                                     | Nil            |

##### (B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- |    |  |                 |
|----|--|-----------------|
| a) | Efforts, in brief, made towards technology absorption, adoption and innovation | Not Applicable  |
| b) | Benefit derived as a result of above efforts.                                  | Not Applicable. |

##### (C) IN CASE OF IMPORTED TECHNOLOGY

- |     |   |   |
|-----|---|---|
| (a) | Technology imported                                     | No new technology has been imported during the year |
| (b) | Year of Import  | Not Applicable                                      |
| (c) | Has Technology been fully absorbed                      | Not Applicable                                      |
| (d) | If not fully absorbed, reasons thereof and future plan. | Not Applicable                                      |

#### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

- |     |  |  |
|-----|--|--|
| (a) | Activity relating to Exports; Initiative taken to increase export, development of new markets for products and services and export plan. | Travel, purchase and sales<br>Not Applicable |
| (b) | Total Foreign Exchange Used and earned:<br>Foreign Exchange used:<br>Foreign Exchange earned:  | <br><br>Rs. 72,07,576<br>Rs. 21,68,298       |



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Economy, Industry Structure and Development

The year 2010-11, a year after what may be defined as global economy's worst crisis, the Global production and trade bounced back and the financial markets have recovered faster than expected. The Asian market particularly India and China showed good momentum as compared to the industrialized nations which showed below average growth after the previous year's economic slump. As the world's largest democracy and rising power, India has gradually begun to play a larger role on the international stage. According to CSO (Central Statistical Organisation), India's GDP registered an increase of 8.5 percent in the year 2010-11. In case of the agriculture and allied activities sector, the growth in 2010-11 was 6.6 percent, which is much higher than what was anticipated.

As far as the Indian cosmetics industry is concerned, in 2009, it has registered sales of INR 356.6 Billion (US\$ 7.1 Billion) despite the global economic recession. It has witnessed strong growth during past few years and has emerged as one of the industry holding immense future growth potential. The cosmetics industry registered impressive sales worth Rs. 422.3 billion (US\$ 9.3 billion) in 2010. Considering the improved purchasing power and rising fashion consciousness in Indian Population more brands are being launched and industry players are spending readily on the promotional activities to increase consumer awareness. With increased awakening about cosmetics brands, which is evident even in rural India, the industry size will grow significantly and in coming years it is expected to grow by more than 20%.

According to the industry's estimate, the Indian cosmetics sector is expected to witness impressive growth rate in the near future owing to rising beauty concern of both men and women. The industry holds promising growth prospects for both existing and new players. Improvement and strengthening of the Indian economy from 2010 will also pave the way for the growth of consumer demand in Indian cosmetics market in the coming years.

### Developments in the Company during the year:

Domestic cosmetics and toiletries industry has been growing at more than 20 per cent over the last few years, but India is a price sensitive market. Companies need to work out innovative strategies to establish a foothold here. Market for Indian traditional cosmetic products like bindis, kumkum and kajal is very large and scattered among the unbranded products from unorganized sectors. In the organized sector, "Shilpa" is one of the leading brands and commands immense brand equity among the consumers.

The Company has started the process to re-launch the existing products with attractive packaging and extensive marketing. In addition to the range of products in traditional cosmetic category for women, the Company has launched products in modern cosmetics for personal care, hair care and skin care for men and women. To broaden the consumer base during the year the Company has taken a major step of tying up with various Modern Trade and Premium outlets.

Encouraged by the initial response of the consumers for the new products in the men and women personal care range and cosmetic range, the Company is planning to come out with further new products in various categories of cosmetics in the year 2011-12. Post this product launch the Company is looking forward to a noteworthy growth in business volume from 2012-13 onwards, as the year 2011-12 will be that of stabilising the positioning of the products launched by the Company after initial push in the year under review.

The Company has already started to work towards setting a state of the art manufacturing facility for traditional and modern cosmetic products for men and women. On completion of this green field project, the Company will have its own manufacturing set up of international standards to manufacture various cosmetics in different categories. This will result in, reduced dependency on third party manufacturers and further cost savings.

### Financial Analysis

#### a. Sales and other income

The Sales and other income of your Company for the year was Rs. 4406.06 lakh as against Rs. 2894.98 lakh in the previous year, showing an outstanding growth of 52% over the previous year.

#### b. Material Costs

The material costs for the year were Rs. 3229.57 lakh as against Rs. 1898.42 lakh in the previous year. The material costs have increased by 70% due to increase in the costs of various basic materials and procurement of semi finished products to support the increase in the sales volumes.

#### c. Employment Costs

The expenses pertaining to employment cost has decreased from Rs. 349.17 lakh in the previous year to Rs. 320.89 lakh showing decrease of 8%. The main reason attributing to the same is proper synchronisation of manpower in the organisation.

#### d. Operational and other expenses

During the year under review, the operational and other expenses, as compared to the previous year, have increased by 10 % from Rs. 408.85 lakh to Rs. 449.22 lakh in 2010-11. The main reason attributing to the same is the increase in overall cost of operation.

#### e. Interest

The interest paid has increased from Rs. 106.07 lakh in the previous year to Rs. 171.09 lakh in the current year showing an increase of 61 % over the last year. The interest cost has gone up due to upward growth of interest rates and increased utilization of working capital facilities by the Company.

**f. Depreciation**

The depreciation for the year was Rs. 40.39 lakh as against Rs. 35.92 lakh in the previous year showing an increase of 12 % due to addition of fixed assets.

**g. Profit Before Tax**

Profit before tax (PBT) stood at Rs. 150.90 lakh as against Rs. 113.43 lakh in the previous year, showing an increase of Rs. 37.47 lakh i.e., 33 %. The increase in the PBT was mainly due to an increase in the sales turnover and increase in other income.

**h. Profit After tax**

Profit after tax (PAT) stood at Rs. 144.07 lakh as against Rs. 110.40 lakh in the previous year, showing an increase of Rs. 33.67 lakh i.e., 30 %. (Profit after tax taken after deducting of prior period expenses in the current year and previous year also).

**OPPORTUNITIES AND THREATS****Opportunities**

The Company's brand is mainly known for bindi and other traditional cosmetic products. However the launch of modern cosmetic products for women under the Company's brand has resulted into higher recognition and acceptance of the product by the user. The Company plans to launch many more modern cosmetics products under the various brands in the coming years.

The cosmetics industry, traditionally believed to target women, has a new target segment: Men. No longer do cosmetics represent a 'women only' market. Many players are coming up with personal care and skin care products for men also. The products under 'Instinct' brand for men in personal care, hair care and skin care category is having tremendous potential. The Company has launched the products in these categories for men and will be coming out with more new products.

The personal care and skin care products which were considered to be for the upper class of the society have now become common for the middle class and even in rural markets. This is mainly due to an increase in the purchasing power. Also, the awareness for skin care and personal care has increased in the consumer's mind.

The overall cosmetics and toiletries industry is having a very huge potential. The Company has planned to launch further personal care products and penetrate into this market.

**Threats**

The main threat to our brands of traditional cosmetics is from the spurious products dumped in the market by the unorganized sector using our brand names, especially 'Shilpa'. Another threat to 'Shilpa' can be due to the change in consumer behaviour. Even with the apparent growth of the cosmetic industry during the past four decades, there are currently many growing cosmetic companies competing in the market. Additionally, there are also market leaders that dominate the cosmetic industry and also there are many international companies dumping their products in the Indian market. The increased inclination of consumer towards the international products creates stiff and intensifying competition especially to smaller companies.

**Outlook**

It is believed that India's GDP will continue to grow robustly in coming years. FMCG categories have very good potential to grow, as the current per capita consumption levels are still low, compared even to some other Developing and Emerging economies like China, Indonesia, Thailand, etc. Increased per capita income will also provide opportunities to consumers for brand experiences. Significant upward trends due to global triggers could cause unit prices of products to rise and consequently slow down market growth. Your Company will continue to focus on both development and expansion of markets and share gains as appropriate to secure competitive growth. Underlying volume growth is a key requirement to deliver this. Managing margins through judicious pricing and sustained efficiencies and cost saving will receive constant attention.

**Risks and Concerns**

Major risks identified are systematically addressed through mitigating actions on a continuing basis. Some of the risks relate to economic volatility, competitive intensity and slower market growth. In order to ensure long term corporate success, it is essential to identify, analyze and find solutions for these risks.

One of the key risks faced by the Company is an increase in the imitation / fake products and brands which can hamper our growth. However, the Company is well aware of these risks and challenges and has put in place mechanisms to mitigate the same.

**Internal Control Systems**

The Company has an Internal Audit and control system, manned and managed by qualified and experienced people. Company's internal control systems are well commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and cover all the offices, factories and key areas of business. Significant audit observations and follow up actions thereon are reported to the Audit Committee. Audit Committee reviews the adequacy and effectiveness of the Company's internal control and monitors the implementation of audit recommendations including those relating to strengthening of the Company's systems.

**Cautionary Statement**

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.