



PARAMOUNT

Rising beyond imagination

PARAMOUNT COSMETICS INDIA LIMITED

TWENTY SEVENTH ANNUAL REPORT

2011-2012

PARAMOUNT COSMETICS INDIA LIMITED

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

BOARD OF DIRECTORS

Mr. Hiitesh Topiwaalla,
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
Website: www.parammount.com

HEAD OFFICE

902-904, 9th 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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As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies at the Annual General Meeting.

NOTICE

Notice is hereby given that the **Twenty Seventh** Annual General Meeting of the Members of Paramount Cosmetics India Limited will be held on Saturday, the 29th day of September, 2012 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 as on March 31, 2012, the Profit & Loss Account for the financial year ended on that date together 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 2011-12.
3. To appoint a Director in place of Mr. Shishir B. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint 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 to fix their remuneration.

“RESOLVED THAT M/s. R U Jain & Co., Chartered Accountants, be and are hereby appointed as Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company.

RESOLVED FURTHER THAT the Board of Directors or a Committee thereof be and are hereby authorized to determine the remuneration of the Auditors and the manner of its payment.”

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 Saturday 22, 2012 to Saturday, September 29, 2012 (both days inclusive), in terms of Section 154 of the Companies Act, 1956 and the Listing Agreement with the Bombay 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 21, 2012. 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 Company's Registrar - **BgSE Financials Limited**, Stock Exchange Towers, No. 51, 1st Cross, J. C. Road, Bangalore – 560027. Ph. No. 080 41329661. E-mail: rta_admin@bfsi.co.in or 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 the Bombay Stock Exchange Limited, Mumbai. The Company has paid Annual Listing fee to the Stock Exchange for the Financial Year 2012-13.

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

Place: Bangalore
Date: 29th August, 2012

Sarika S Gandhi
Company Secretary

**Details of Directors seeking appointment / re-appointment at the Annual General Meeting to be held on September 29, 2012.
(Additional information pursuant to Clause 49 of the Listing Agreement)**

Particulars	Details
Name of the Director	Mr. Shishir B. Desai
Date of Birth	30.09.1953
Date of Appointment	15.12.2006
Brief Profile & Experience in specific functional areas	Rich and vast experience as a Solicitor and Advocate.
Qualification	LL.B, ACS, Solicitor- Supreme Court of England, Non Practising
Shareholding in the Company	NIL
List of other Indian Companies in which Directorships held as on March 31, 2012	Kokuyo Camlin Limited
List of Chairmanship/ Membership of the Committees of Board of Public Companies as on March 31, 2012	Paramount Cosmetics India Limited: Audit Committee - Member Remuneration Committee - Member Shareholder's Grievance Committee - Member

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 27th Annual Report of your Company, together with the business operations for the year ended **31st March, 2012**.

FINANCIAL RESULTS

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

(Figures in Rs. lakh)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011*
Sales and other income	4,478.25	4,321.58
Profit before Depreciation and Tax	466.94	361.36
Depreciation	72.92	40.40
Interest and Finance Charges	200.21	172.14
Profit before Tax	193.81	148.82
Net Profit	136.49	144.06
Surplus year to date	471.96	363.78
Appropriations	28.21	28.31
Balance carried forward to the Balance Sheet	443.75	335.47

* Previous year's figures have been regrouped / reclassified, wherever necessary to confirm to the current year presentation.

PERFORMANCE DURING THE YEAR

Sales and other Income of the Company for the year is Rs. 4478.25 lakhs as compared to Rs. 4,321.58 lakhs in the previous year, showing an increase of 4%. Profit before Interest and Depreciation for the current year is Rs. 466.94 lakhs which is 29% higher than the preceding year which was Rs. 361.36 lakhs. Profit after tax is Rs. 136.49 lakhs which is 5% lower than the preceding year which stood at Rs. 144.06 lakhs due to tax liability.

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. Shishir B. Desai, Independent Director, retires by rotation and being eligible offers himself for re-appointment.

BOARD COMMITTEES

The details of various committees of the Board are provided in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Your Company is committed to good Corporate Governance practices and upholds the highest standards of Corporate Governance.

A detailed report on Corporate Governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of this 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 Clause 49 is provided in another part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion & Analysis Report is included in another part of this Annual Report.

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors Responsibility Statement specified under Section 217 (2AA) of the Companies Act, 1956 in respect of the financial statements is annexed to this Report.

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 to 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 re-appointment and confirm that their re-appointment, if made, would be within the 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.

PARTICULARS OF EMPLOYEES AND DISCLOSURE OF INFORMATION

No employees come under the category of being reported under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Amendment) Rules, 2011 as amended by the Ministry of Corporate Affairs vide notification dated March 31, 2011.

ACKNOWLEDGEMENTS

Your Directors wish to take this opportunity to express their appreciation and gratitude for the continued support extended by its customers, investors, partners, vendors, Financial Institutions, Bankers, Suppliers and various Government and Statutory Authorities for the Company's growth.

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: 29th August, 2012
Place: Bangalore**

**Hiitesh Topiiwaalla
Managing Director**

ANNEXURES TO DIRECTORS' REPORT:

A. 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, 2012 and of the profit of the Company for the year ended March 31, 2012;
- 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.

B. 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 31ST MARCH, 2012:

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 various initiatives have been taken by the Company to ensure that consumption of energy is at minimal levels in our operations, wherever feasible.
- b) **Additional Investment and proposal, if any, being implemented for reduction of Energy** - No Investment was made during the year under review under the above Head.
- 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 during the year | 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	Travel, purchase and sales
	Initiative taken to increase Exports, development of new Markets for products and Services and export plan.	Not Applicable
(b)	Total Foreign Exchange Used and earned:	
	Foreign Exchange used:	Rs.1,04,51,811
	Foreign Exchange earned:	Rs. 37,82,208

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

**Dated: 29th August, 2012
Place: Bangalore**

**Hiitesh Topiiwaalla
Managing Director**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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. Some important factors that could influence the Company's operations include the effects of demand & supply conditions affecting the selling prices of our products, raw material availability and prices, future changes in government policies & regulations, tax laws, economic conditions within the country and various other factors.

INDUSTRY OUTLOOK

According to the projections of Associated Chambers of Commerce and Industry of India (ASSOCHAM) the market size of cosmetics industry which is currently estimated at Rs.10,000 Crores will double to be worth Rs. 20,000 Crores by 2014. The Indian Cosmetics Industry is expected to witness impressive growth rate in the near future. Clothes, perfumes, cosmetics, hair care are expected to strengthen their hold in the Tier I and Tier II cities.

The Indian cosmetics market which is unstructured and still in its stage of infancy, is said to offer an immense opportunity for cosmetic companies in the coming years. The increasing buying power, better availability, powerful advertising, high degree of product acceptability and rising fashion consciousness are seen as the main reasons for the estimation that the Indian cosmetic industry is set to grow at a phenomenal rate.

DEVELOPMENTS IN THE COMPANY DURING THE CURRENT YEAR

The year 2011-12 was marked by an overall rise in inflation. However, the Company by employing suitable controls, ensured its operational effectiveness by full utilization of in house manufacturing and stopped buying finished goods from external sources. In addition, the Company has employed key management personnel to ensure its planned growth potential, new product launches, creation of a strong foundation in Sales and Distribution for ensuring growth with leaps and bounds in the coming years.

The Company now aims to maximize its customer base, increase revenues and in the process increase stake holder value. Certain trends act as positive indicators for our Company, for instance, long term standing of our products in the market, increasing usage of cosmetics by both the sexes, greater awareness of our brands, easy availability and penetration of our products in the rural areas. In the coming years, the Company looks forward to stabilizing its products in the markets and spread its distribution channels.

The pristine Green field project as announced is also underway and construction has started. The whole project stems out from the long term vision of the Management in setting up an ultra modern state-of-the-art-facility with the objective of building core competence over the competitors and be instrumental in satisfying the customers and accomplish goals at a faster pace. The project will enable the Company with increased production capacity, cost efficiency, and better working capital management.

FINANCIAL PERFORMANCE

a. Sales and other income

The Sales and other income of your Company for the year was Rs. 4,478.25 lakhs as against Rs.4,321.58 lakhs in the previous year, showing a growth of 4% over the previous year.

b. Material Costs

The material costs for the year were Rs.3,040.69 lakhs as against Rs. 3,165.05 lakhs in the previous year. The material costs have decreased by 5 % on account of initiation of in house manufacturing.

c. Employment Costs

The expenses pertaining to employment costs have increased from Rs. 350.30 lakhs in the previous year to Rs. 394.52 lakhs showing an increase of 11% on account of gearing up the core team for taking the Company to the next level.

d. Operational and other expenses

During the year under review, the operational and other expenses, as compared to the previous year, have increased by 8% from Rs. 536.75 lakhs to Rs.579.72 lakhs.

e. Finance Costs

The interest paid has increased from Rs. 172.14 lakhs in the previous year to Rs. 200.21 lakhs in the current year showing an increase of 16% 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. 72.92 lakhs as against Rs. 40.39 lakhs in the previous year showing an increase of 80.54 % due to addition to fixed assets.

g. Profit Before tax

Profit before tax (PBT) stood at Rs. 193.81 lakhs as against Rs. 148.82 lakhs in the previous year, showing an increase of 30%. The increase in the PBT was mainly due to a decrease in the cost of material on account of in house manufacturing.

h. Profit after tax

Profit after tax (PAT) stood at Rs. 136.49 lakhs as against Rs. 144.06 lakhs in the previous year, showing decrease 5.25% due to tax liability.

OPPORTUNITIES

The Company's Brands have evolved over the years, carry a strong market presence and have visibility in the market. The Company has been able to launch various products targeting both Female as well as Male. Thus, the products do not cater to the needs of the Female crowd alone. The Company has plans to penetrate into this segment and launch new products. This will result in increase in our consumer base and further generation of revenue. The Company is aggressively targeting the budget consumer audience through active Sales promotions and Discounts campaigns. Considering that India is a very price sensitive market, the pricing of our products is from low to mid price range, and therefore the growth prospects are higher. Our products are reasonably priced and easily available and thus give us an advantage over other competitors in the same category. Through further investment in our Brand promotions we will be in a position to reach to a larger customer base.

Constant research & innovation in our products, new & attractive packaging, design and pricing has also helped us establish our Brands. Lastly, the Company has the advantage of an aggressive and strong distribution network which is spread over the major cities.

THREATS

Although the Company has a long history of achievements and existence to its credit, the main threat to our Brands of traditional cosmetics is from the spurious products dumped in the market by the unorganized sector. This could result in fake and low quality products being available in the market, thus hampering our Sales. Another constant threat to our Brands can be due to the ever changing consumer behavior.

In the Indian cosmetics market there is presence of a growing number of cosmetic companies competing with each other. There is additional threat from market leaders who dominate the cosmetic industry. Then there is the added threat from foreign competitors who are dumping their products in the Indian market. The smaller companies face a stiff and intense competition as a result of the increased preference of consumers towards the international products.

OUTLOOK

The current per capita consumption of cosmetics in India is still lower as compared to other emerging economies like China, Indonesia, Thailand, etc. This implies the growth of the untapped markets and thus shows that the Cosmetic industry has immense potential to grow. In the coming years, it is estimated that India's GDP will continue to grow. As the per capita income in the country rises, it will also provide the consumers with various new avenues in terms of brand experiences. Your Company will continue to concentrate on both product development and broadening of consumer base. It will enable the Company to increase stakeholder value to secure further competitive growth. The above objectives can be achieved through growth in volumes as well as by managing margins through competitive pricing. Continued cost efficiency and cost savings coupled with infrastructure development will be the focus for the coming years.

RISKS & CONCERNS

The Company believes that an organization cannot be risk averse but has to persistently foresee and implement ways of mitigating these risks. The Company occasionally faces the risk of an economic downturn but looking at the growth prospects for the Cosmetics Industry, this risk can be controlled, if not mitigated. In order to ensure long term corporate sustainability and success it is essential that the Company accept these risks, place proper mechanisms and find solutions to reduce as well as mitigate these risks. Thus, 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 systems were designed foreseeing the nature of activities carried out at various locations and the various business operations. These control systems 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.

**For and on Behalf of the Board of Directors of
Paramount Cosmetics India Limited**

**Hiitesh Topiwaalla
Managing Director**