



PARAMOUNT COSMETICS (INDIA) LIMITED

TWENTY FOURTH ANNUAL REPORT

2008-2009



PARAMOUNT COSMETICS (INDIA) LIMITED
TWENTY FOURTH ANNUAL REPORT 2008-2009

On Wednesday, 30th September 2009 at 11.a.m. at -A1/2211, IIIrd Phase, GIDC,
Vapi – 396195, Dist. Valsad, Gujarat

BOARD OF DIRECTORS

Mr. B.D. Topiwala, Non-executive Chairman
Mr. Hitesh B.Topiwala, Managing Director
Mr. Shishir B. Desai, Director
Mr. N.K. Bhuta, Director
Mr. Vishwajeet Mehta, Director

ISIN : INE143I01013

AUDITORS

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

BANKERS

State Bank of Indore

REGISTERED OFFICE

A-1/2211, G.I.D.C. Vapi - 396 195
Dist. Valsad, Gujarat
Email: compliance.officer@paramountcosmetics.com.sg

HEAD OFFICE

902, Prestige Meridian-1,
29, M. G. Road
Banglore - 560 001
Ph: +91 80 25320870/71
Fax: +91 80 25599065
Email: srishti@paramountcosmetics.com.sg

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup(W),
Mumbai – 400 078
Ph No.: 022 25946970
E-mail: rnt.helpdesk@linkintime.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.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 24th Annual Report of your Company, together with the Audited Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

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

(Figures in Rs. Lakhs)

	Year ended 31.03.2009	Year ended 31.03.2008
Sales and other income	2273.09	1978.86
Gross Profit	834.25	801.07
Less: Depreciation	27.50	22.57
Income Tax	6.43	10.12
Advertisement expenditure written- off	19.29	26.96
Net Profit / (Loss)	70.57	55.22
Add: Profit / (Loss) from previous year brought forward	47.67	-
Prior Period Expenditure (net)	(8.93)	(7.54)
Surplus / (Deficit)	109.32	47.68
Appropriations:	—	-
Balance carried forward to the Balance Sheet	109.32	47.68

PERFORMANCE DURING THE YEAR

Sales and other Income of the Company for the year is Rs.2273.08 lakhs as compared to Rs.1978.86 lakhs in the previous year, showing an increase of 15%. Profit before Interest and Depreciation for the current year is Rs.188.74 lakhs which is 18% higher than the preceding year which was Rs.160.09 lakhs. Profit after tax is Rs.70.57 lakhs which is 28% higher than the preceding year which stood at Rs.55.22 lakhs.

DIVIDEND

To conserve resources for funding business expenses and future business expansion and growth plans, your directors do not propose any dividend this year.

DIRECTORS

Mr. Vishwajeet Mehta was appointed as an additional director by the board of directors at their meeting held on 31st July 2009. A brief on Mr. Vishwajeet Mehta is given at the end of this Report as Annexure B.

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

During the year under review, Mr. Atul Mehta and Mr. Hemant Bhikubhai Topiwala resigned from the directorship of the Company. The Board appreciated the contribution done by both of these Directors.

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 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 the Company seeks a letter from the auditors to confirm that their re-appointment, if made, would be within limits under Section 224(1-B) 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

Particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. Any shareholder interested in these details may send a request in writing to the Company.

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 auditors of the Company, R.U. Jain & Co., Chartered Accountants, confirming compliance of conditions of corporate governance as stipulated under the aforesaid Clause 49 is provided and forms part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 2AA of Section 217 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 had 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, 2009 and of the profit of the Company for the year ended March 31, 2009;
- iii) The directors had 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 had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

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

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

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

Dated: 28th August 2009

Place : Bangalore

(B.D. Topiwala)
Chairman

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 31st March, 2009 :

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) & (b) above for reduction of energy consumption and consequent impact on the production of goods: N.A.
- 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 | N.A. |
| (b) Benefits derived as a result of R & D | N.A. |
| (c) Future plan of action | N.A. |
| (d) Expenditure on R & D | Nil |

(B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- | | |
|---|------|
| a) Efforts, in brief, made towards technology absorption, adoption and innovation | N.A. |
| b) Benefit derived as a result of above efforts. | N.A. |

(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 |

- (e) Has Technology 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 export, development of new markets for products and services and export plan. N.A.
- (b) Total Foreign Exchange Used and earned:
- | | |
|------------------------------|----------------|
| Value of Import on CIF basis | Rs.55,87,014/- |
| Foreign Exchange used: | Rs.99,825/- |
| Foreign Exchange earned: | Rs.45,90,750/- |

ANNEXURE B**Brief on Mr. Vishwajeet Mehta**

Mr. Vishwajeet Mehta has a vast experience of more than 28 years in the cosmetic industry in the field of supply chain management, sales and distribution, channel partner network management, operations, logistics management and commercial aspects of the cosmetic industry.

Mr. Vishwajeet Mehta is a Bachelor of Commerce.

In accordance with Section 260 of the Companies Act, 1956 read alongwith Article 113 of the Articles of Association of the Company, Mr. Vishwajeet Mehta was appointed as an Additional Director in the capacity of Non-executive Independent Director with effect from 31st July 2009. His experience in the cosmetic industry and expert knowledge will definitely provide strategic input to enhance the growth of the Company.

CERTIFICATE TO THE BOARD BY MANAGING DIRECTOR OF THE COMPANY

(in terms of Clause 49 (V) of Listing Agreement)

To,
The Board of Directors
Paramount Cosmetics (India) Limited

- a. I have reviewed financial statements and the cash flow statement of the Company for the year ended 31st March, 2009 and declare that to the best of my knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 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. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year 2008-09 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of the internal control systems of the company and I have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of 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 to the Auditors and the Audit Committee:
- significant changes in internal control during the year 2008-09;
 - significant change in accounting policies during the year 2008-09 and the same have been disclosed in the notes to the financial statements; and
 - 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 system.

(Hitesh Topiwala)
Managing Director

Place : Bangalore
Date : 28 August 2009

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

(B D Topiwala)

Chairman

Place : Bangalore
Date : 28th August 2009



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economy, Industry Structure and Development

The world economy was severely impacted by the US financial crisis. A slow down was witnessed in most sectors. This year also witnessed high volatility in prices of chemicals, packaging materials, etc.

The market for Indian traditional cosmetic products like bindis, kumkum and kajal is very large. This is largely 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 brand has high recall and there are loyal customers for the brand.

The Indian cosmetic Industry has witnessed rapid growth in the last couple of years, growing at a CAGR of around 7.5% between 2006 and 2008. With improving purchasing power and increasing fashion consciousness, the industry is expected to maintain the growth momentum (with marginal slowdown due to economic slowdown) during next coming year. It is projected to grow at a CAGR of around 7% during the forecast period of 2009 to 2012. (A recent research report by RNCOS)

Developments in the company during the year:

The Indian traditional cosmetic products of the Company are doing well in the market and the Company has plans to introduce a new range of products shortly.

During the year the Company has implemented an integrated ERP system. All the departments, operations and sales depots of the Company will be under this integrated platform. This will result in increase of effectiveness and efficiency. This will result in more effective and efficient sales and marketing management, supply chain management and right SKU placement at right place resulting in better business volume and cost reduction.

The Company has developed new products in the men and women personnel care range and cosmetic range. These products will be launched through a very strong sales and distribution network of the Company and through channel partners during the second half of 2009-10. Post this product launch the Company is looking forward to a noteworthy growth in business volume.

With the objective of cost reduction in mind, the Company has started outsourcing production of certain components of cosmetic packing. As the result of the outsourcing has been encouraging, the Company plans to outsource manufacture of its range of products to selected suppliers under product licensing arrangement so as to enable the management to focus on sales and distribution.

The manufacture of the traditional cosmetics is also going to undergo changes. The Company has planned to initiate a plan to automise the production. This will result in better quality products at lower costs. The automisation project of the Company is expected to be operational by the end of the year 2009-10.

Financial Analysis

a. Sales and other income

The Sales and other income of your Company for the year was Rs. 2273.08 lakhs as against Rs.1978.86 lakhs in the previous year, showing an outstanding growth of 15% over the previous year.

b. Material Costs

The trading and manufacturing expenses for the year were Rs. 1471.57 lakhs as against Rs.1116.61 lakhs in the previous year. The material costs have increased by 32% due to increase in the costs of various basic materials.

c. Employment Costs

The expenses pertaining to employment costs have also increased from Rs.241.87 lakhs in the previous year to Rs.283.10 lakhs showing an increase of 17%. The main reasons attributing to increase in employment costs are expansion of team and increase in salary and wages.

d. Operational and other expenses

During the year under review, the operational and other expenses, as compared to the year 2007-08, have decreased by 6% from Rs.381.46 lakhs to Rs.356.95 in 2008-09.

e. Interest

The interest paid has increased from Rs.72.18 lakhs in the previous year to Rs.84.24 lakhs in the current year showing an increase of 17% over the last year. The interest cost has gone up due to more utilization of short-term facilities.

f. Depreciation

The depreciation for the year was Rs. 27.50 lakhs as against Rs.22.57 lakhs in the previous year showing an increase of 22% due to addition of fixed assets in terms of building, ERP software and others.

g. Profit Before tax

Profit before tax (PBT) stood at Rs. 76.99 lakhs as against Rs. 65.34 lakhs in the previous year, showing an increase of Rs.11.65 lakhs i.e., 18%. . The increase in the PBT was mainly due to an increase in the sales turnover.

h. Profit After tax

Profit after tax (PAT) stood at Rs. 70.57 lakhs as against Rs. 55.22 lakhs in the previous year, showing an increase of Rs.15.36 lakhs i.e., 28%.

Opportunities and Threats**Opportunities**

'Shilpa' brand is mainly known for its plain bindis. Consumers of the Bindi category buy both design and plain bindis. For frequent and daily use, consumers prefer branded well known plain bindis while on social occasions, they go in for the designer bindis. 'Shilpa' has the brand equity to leverage and the move towards premium designer bindis which will only increase the brand's visibility and equity.

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 men's personal care segment is estimated to be worth Rs 790 crore (As reported by Hindu Business Line). Our Company is launching a new Men's range of products to tap into this market segment.

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. 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.

Of the Rs 7,000 crore cosmetics and toiletries industry, the market size of the skin-care segment alone is estimated at Rs 1,000 crore (as reported by ASSOCHAM). The Company has planned to launch several personal care products in the coming year.

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 behavior.

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. Consequently, it creates stiff and intensifying competition especially to those smaller companies as market leaders are putting pressure on these smaller cosmetic companies.

Outlook

It is believed that India's GDP will continue to grow robustly in the future, notwithstanding the current and short term blips. 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.

**Corporate Governance Report for the year 2008-09**

(as required under Clause 49 of the Listing Agreements entered into with the Bombay Stock Exchange)

1. The Company's Corporate Governance Philosophy

The Company believes in adopting the best practices in the areas of Corporate Governance. Even in a fiercely competitive business environment, the Management and Employees of the Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to the Company.

During the year, the Company has fine-tuned its corporate practices so as to bring them in line with the revised Clause 49 of the listing agreements. The Company's mission is to constantly review its systems and procedures to achieve the highest level of corporate governance. The Company has adopted the Code of Conduct for all Employees.

The Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholders' wealth and at the same time protect the interests of all its shareholders. The aim of the Corporate Governance is not merely a matter of creating checks and balances, but it is about creating an outperforming organization.

2. Board of Directors

The Company has a Non-Executive Chairman and the number of Independent Directors is half of the total number of Directors. The number of Non-Executive Directors (NEDs) is more than 50% of the total number of Directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting is given below:

Mr. Hitesh Topiwala was appointed as the Managing Director of the Company on 1st August 2005 for a tenure of 5 years. His tenure expires on 31st July 2010.

Name of the Director	Category	No. of meetings attended
Mr. Hitesh Topiwala, Managing Director	Promoter Executive	5
Mr. B.D. Topiwala, Chairman	Promoter Non-Independent	5
Mr. Hemant Topiwala (Resigned w.e.f 29 th January 2009)	Promoter Executive	4
Mr. Shishir Desai	Independent Non-executive	5
Mr. Atul Mehta (Resigned w.e.f 20 th January 2009)	Independent Non-executive	4
Mr. N.K. Bhuta	Independent Non-executive	5

The last Annual General Meeting of the Company was held on 30th September 2008. It was attended by Mr. Hitesh Topiwala and Mr. Atul Mehta.

The Board met five times during the year. The dates of the Board Meetings are as follows:

30th April 2008

31st July 2008

28th August 2008

31st October 2008

30th January 2009

3. Audit Committee

The Audit Committee was composed as follows:

Mr. Atul Mehta – Chairman

Mr. Shishir Desai

Mr. N.K. Bhuta

However, due to Mr. Atul Mehta's resignation on 20th January 2009, the Company re-constituted the Audit Committee on 30th January 2009. The scope of the activities of the Audit Committee alongwith its composition, powers, role and terms of reference are as set out in Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Composition of the Audit Committee is as follows:

Mr. N.K. Bhuta – Chairman

Mr. Shishir Desai

Mr. B.D. Topiwala

The Audit Committee met four times during the year on 30th April 2008, 31st July 2008, 31st October 2008 and 30th January 2009. All the members attended these meetings.

4. Remuneration Committee

The Company has constituted a Remuneration Committee on 30th January 2009. The scope of the activities of the Remuneration Committee alongwith its composition, powers, role and terms of reference are as set out in Clause 49 of the Listing Agreements with the Stock Exchanges read with Schedule XIII of the Companies Act, 1956.

The Composition of the Remuneration Committee is as follows:

Mr. N.K. Bhuta – Chairman

Mr. Shishir Desai

Mr. B.D. Topiwala

The Remuneration Committee has not met during this financial year.

The Directors of the Company are paid only Sitting Fees. The details of fees paid for the year ended 31st March 2009 are as follows:

Name of the Director	Sitting Fees per meeting	No. of meetings attended	Total Fees
Mr. Hitesh Topiwala, Managing Director	Rs.5,000	5	Rs. 25,000
Mr. B.D. Topiwala, Chairman	Rs.5,000	5	Rs. 25,000
Mr. Hemant Topiwala	Rs.5,000	4	Rs. 20,000
Mr. Shishir Desai	Rs.5,000	5	Rs. 25,000
Mr. Atul Mehta	Rs.5,000	4	Rs. 20,000
Mr. N.K. Bhuta	Rs.5,000	5	Rs. 25,000

5. Shareholders / Investor Grievance Committee:

The Shareholders / Investor Grievance Committee was composed as follows:

Mr. Atul Mehta – Chairman

Mr. Shishir Desai

Mr. N.K. Bhuta

However, due to Mr. Atul Mehta's resignation on 20th January 2009, the Company re-constituted the Shareholders / Investor Grievance Committee on 30th January 2009. The scope of activities of the Committee is to look into investor complaints, approve the transfer / transmission of shares, approve issue of duplicate shares, etc.

The composition of the Committee is as follows:

Mr. N.K. Bhuta – Chairman

Mr. Shishir Desai

Mr. B.D. Topiwala

The Committee met 18 times during the last financial year. The meetings were held on 31st May 2008, 30th June 2008, 15th July 2008, 30th July 2008, 14th August 2008, 30th August 2008, 15th September 2008, 25th September 2008, 15th October 2008, 15th November 2008, 29th November 2008, 15th December 2008, 31st December 2008, 15th January 2009, 31st January 2009, 28th February 2009, 16th March 2009 and 31st March 2009. All the members



attended these meetings.

The Company Secretary is the Compliance Officer of the Company.

Investor Complaints status as on 31st March 2009:

Number of complaints received during the year	35
Number of complaints pending	Nil
Number of complaints resolved	35
Number of complaints not resolved to the satisfaction of the investor	Nil

6. General Body Meetings

Details of last three Annual General Meetings of the Company are as follows:

Date	Time	Location
30 th September 2008	11 a.m.	A-1/2211, G.I.D.C. Vapi – 396195, Dist – Valsad, Gujarat
29 th September 2007	11 a.m.	A-1/2211, G.I.D.C. Vapi – 396195, Dist – Valsad, Gujarat
30 th September 2006	11 a.m.	A-1/2211, G.I.D.C. Vapi – 396195, Dist – Valsad, Gujarat

7. Disclosures:

During the year there are no materially significant related party transactions which have potential conflict with the interest of the Company at large.

The Company has complied with the requirements of the Stock Exchange, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or other statutory authorities relating to the above.

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with clause 7 of the Annexure I D to Clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns about unethical behavior. No personnel has been denied access to the Chairman of the Audit Committee.

8. Means of Communication

The Annual, Half-yearly and quarterly results as required under Clause 41 of the Listing Agreement are published in English and Gujarati in the Indian Express and the Financial Express respectively.

The Management Discussion & Analysis Report forms a part of the Directors' Report. All matters pertaining to industry structure and developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control and systems, etc. are discussed in the said report.

9. General Shareholder Information

AGM: Date, time and venue – Wednesday, 30th September 2008 at 11 a.m.

A-1/2211, G.I.D.C. Vapi – 396195,

Dist – Valsad, Gujarat

Financial Calendar – Year ending: March 31, 2009

AGM: 30th September

Date of Book Closure – September 21, 2009 to September 25, 2009

(Both days inclusive)

Listing on Stock Exchanges – Bombay Stock Exchange Limited

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai - 400 001

Stock Codes/Symbols – 507970

Registrar and Transfer Agents- Link Intime India Private Limited
 C-13, Pannalal Silk Mills Compound,
 LBS Marg,
 Mumbai-400 078
 Ph No.: 022 25946970
 E-mail: rnt.helpdesk@linkintime.co.in

Share Transfer System-

Share transfer Committee approves the physical transfers received regularly. Physical shares sent for transfer, if in order, are duly transferred within 30 days of receipt of documents. In case documents are not in order, they are sent back within 7 days.

Distribution of Shareholding as on 31st March 2009-

Share held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
01-5000	7859	97.34	1020480	21.02
5001-10000	156	1.93	113298	2.33
10001-20000	34	0.42	45845	0.94
20001-30000	6	0.07	14414	0.30
30001-40000	2	0.03	7550	0.16
40001-50000	3	0.04	13369	0.27
50001-100000	4	0.05	31300	0.65
100001 and above	10	0.12	3608744	74.33
Total	8074	100.00	4855000	100.00

Shareholding Pattern as on 31st March 2009

Category	No. Of Shares Held	Percentage of Shareholding
Promoters	3628390	74.74
Non – Resident Indians / OCBs / Foreign banks	9819	0.20
Foreign Institutional Investors	-	-
Institutional Investors		
- Mutual Funds and UTI	-	-
- Banks	1300	0.02
- Financial Institutions	-	-
- Central / State Government Institutions	22671	0.47
- Private Bodies Corporate	-	-
- Public	1192820	24.57
Others -	-	-
Total	4855000	100.00



Dematerialisation of Shares and liquidity as on 31st March 2009

The Company's shares are traded in physical and dematerialised form and are available for trading on both the Depositories in India – National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL). 33,64,476 Ordinary Shares of the Company representing 69.30% of the Company's share capital is dematerialised as on 31st March, 2009.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE 143I01013.

Plant Locations-

Pardi
Vapi
Daman

Address for Correspondence-

Paramount Cosmetics (India) Limited

902, 9th Floor

Prestige Meridian – I

29, M.G. Road

Bangalore – 560 001

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**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER
CLAUSE 49 OF THE LISTING AGREEMENTS**

1. We have examined the compliance of the conditions of Corporate Governance by Paramount Cosmetics (India) Limited for the year ended March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance.
3. Based on the aforesaid examination and according to information and explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above Listing Agreement.
4. We further state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For R.U. Jain & Co.
Chartered Accountants**

**R.U. Jain
Proprietor
Membership No: 031037**

Place : Bangalore
Date : 28, August, 2009



AUDITORS' REPORT

To The Members

PARAMOUNT COSMETICS (INDIA) LIMITED

We have audited the attached Balance sheet of PARAMOUNT COSMETICS (INDIA) LIMITED as at 31st March 2009 and the Profit and Loss Account for the year ended on that date annexed there to and Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial presentation. We believe that our audit provides reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order 2003 (as amended) issued by the Central Government of India in terms of Sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 & 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet ,Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts;
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub section (3C) of Section 211 of the Companies Act, 1956;
 - e) In our opinion, and based on information and expectations given to us, none of the Director are disqualified as on 31st March 2009 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principle generally accepted in India, subject to :
 - a) Provision for gratuity for Rs. 2,84,459/- is made for those employees who have completed five years of their service (Note 4 - Schedule 17).
 - b) Balance of Debtors and Creditors are subject to confirmation & reconciliation, any loss on account of these are undeterminable.
 - c) No provision is made for doubtful debts for Rs.13,57,582/- (Schedule 8) and Loans and Advances Rs.10,00,000/- (Note 5 Schedule 17)
 - d) Non compliance of Accounting Standard 22 for Deferred Tax, deferred tax assets are under stated by Rs.1,12,49,994/- (Note 20 Schedule 17)
 - i) In so far as related to the Balance Sheet, of the statement of affairs of the company as at 31st March 2009;
 - ii) In so far as it relates to the Profit & Loss Account, of the Profit of Company for the period ended on that date; and
 - iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For R. U. JAIN & CO.
Chartered Accountants

R. U. JAIN
Proprietor
Membership No. 031037

Place : Bangalore
Date : 28, August, 2009

Annexure to Auditors' Report

Referred to in Paragraph 2 of our report of even date

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year, in our opinion the frequency of verification needs to be increased.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. In respect of the loans, Secured or Unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 :
 - a. The Company has granted unsecured loans to one company covered in the register maintained under section 301 of the Companies Act 1956. In respect of the said loan, the maximum amount outstanding at any time during the year was Rs. 6,05,602/- and the year end balance of such loans aggregate to Rs. 6,05,602/-.
 - b. In our opinion and according to the information and explanations given to us, no interest is charged on the loan and other terms and conditions are not prima facie prejudicial to the interest of the Company.
 - c. In respect of the aforesaid loan, There is no stipulation about the repayment hence the clause iii (d) is not applicable. The said Loan is repayable on demand and there is no repayment Schedule.
 - d. In respect of the Loan given by the Company, the same is repayable on demand and therefore the question of overdue amount does not arise.
 - e. The Company has taken unsecured loans from two parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding at any time during the year and the year-end balance of such loan aggregate to Rs.64,29,372/- and Rs. 63,49,494/- respectively.
 - f. In our opinion and according to the information and explanations given to us, the rate of interest, wherever applicable and other terms and conditions are not prima facie prejudicial to the interest of the Company, there is no stipulation about the repayment of two of these loan hence clause (iii) (g) is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956.
 - a. To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been properly entered.
 - b. According to the information and explanations given to us, the transactions of purchase of goods and materials and sales of goods, material and services, made in pursuance to contracts or arrangement entered in the registers maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000/- (Rupees Five lacs only) or more in respect of each party, have been made at prices which in our opinion are reasonable having regard to prevailing market prices for such goods, materials or services or prices at which similar transactions have been made with other parties as the case may be, since the purchases/sales are for branded goods, comparative prices are not available.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act and rules framed there under.
7. In our opinion, the company's present internal audit system needs to be strengthened having regard to the nature and size of its business.
8. The Central Government has not prescribed maintenance of Cost Records under Section 209(1) (d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company.
9. In respect of statutory dues:
 - a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance dues, Income-Tax, Sales-tax, Wealth Tax, Service Tax , Customs Duty, Excise Duty, Cess, FBT and other material statutory dues have not been regularly deposited with the appropriate authorities. According to the information and explanations given to us, Rs.1,628,313/- undisputed amounts payable



in respect of the aforesaid dues were outstanding as at 31st March 2009 for a period of more than six months from the date of becoming payable, as per Annexure 1.

- b. As at March,31,2009 there have been disputed Sales Tax dues aggregating to Rs.55,67,589/-, that have not been deposited on account of matters pending before appropriate appellate are as under:

Sr. No.	Name of statute Sales Tax-	Nature of the Dues	Amount (Rs.)	Forum where dispute is pending relates	Period to which the amount
		2008-2009			
1.	Daman	Sales Tax	95,580	Commissioner (Appeals)	92-95
2.	Guwahati	"	1,23,192	Board of Revenue	99-00
3.	Guwahati	"	1,75,708	-do-	98-99
4.	Guwahati	"	2,50,797	-do-	97-98
5.	Guwahati	"	3,00,000	-do-	96-97
6.	Kolkata	"	18,04,090	Commissioner, Sales Tax (Appeals)	99-00
7.	Kolkata	"	28,18,222	-do-	01-02
	Total:	"	55,67,589		

10. The Company has not incurred cash loss during the financial year covered by our audit and the immediately preceding financial year.
11. According to the records of the Company, the Company has settled loan account with G.S.F.C., and no outstanding balance.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a niche/mutual benefit fund/ society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order 2003 as amended is not applicable to the Company.
14. The Company has not dealt in or of trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause v(xiv) of the Companies (Auditors Report) order, 2003 are not applicable to the Company.
15. The Company had given guarantees for loans taken by others from bank. The same was cancelled on 12th May, 2009.
16. The Company has not raised any new term loans during the year. The term loans outstanding at the beginning of the year were applied for the purposes for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short term basis which have been used for long term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For R.U. Jain & Co.
Chartered Accountants

R.U. Jain
Proprietor
Member Ship No 031037

Place : Bangalore
Date : 28, August, 2009

Previous Year Ended on 31.03.2009- Asst. Year 2009-2010

Annexure 1 to Auditors' Report

**Statement of undisputed amount of arrears of statutory dues
Outstanding for More than 6 Months**

Sr.	Name of The Statute	Nature of the Dues	Amount	Period to Which Amount Relates	Due Date
1	VAT	Sales Tax	1,257,720	From July,07 to Sept, 08	From Aug, 07 to Oct, 08
2	Central Sales Tax	CST	111,308	From July,07 to Sept, 08	From Aug, 07 to Oct, 08
3	Tax Deducted at Source (IT)	TDS	252,794	From April, 08 to Sept, 08	From May, 08 to Oct, 08
4	Profession Tax (Employees)	PT	6,491	From April, 08 to Sept, 08	From May, 08 to Oct, 08
	TOTAL		1,628,313		

BALANCE SHEET AS ON 31ST MARCH 2009

	Schedule No.	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	48,550,000	48,550,000
Reserves & Surplus	2	120,645,569	115,572,355
		<u>169,195,569</u>	<u>164,122,355</u>
Loan Funds			
Secured Loans	3	35,562,616	41,425,834
Unsecured Loans	4	10,489,591	10,542,734
		<u>46,052,206</u>	<u>51,968,568</u>
Total Funds Employed		<u>215,247,776</u>	<u>216,090,923</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	169,422,777	164,311,242
Less: Depreciation		37,585,822	34,727,067
Net Block		<u>131,836,955</u>	<u>129,584,175</u>
INVESTMENT	6	23,500	23,500
Current Asset, Loans & Advances			
Inventories	7	76,567,196	73,304,126
Sundry Debtors	8	85,670,691	55,554,640
Cash & Bank Balances	9	4,480,433	3,716,624
Loans & Advances	10	8,298,577	10,604,147
		<u>175,016,898</u>	<u>143,179,537</u>
Less: Current Liabilities & Provisions			
Liabilities	11	94,173,662	60,183,437
Provisions		854,992	1,840,688
		<u>95,028,654</u>	<u>62,024,125</u>
Net Current Assets		79,988,244	81,155,412
Miscellaneous Expenditure			
(To the Extent not written off or adjusted)			
Advertisement Expenses		3,399,077	5,327,836
Total Fund Utilised		<u>215,247,776</u>	<u>216,090,923</u>
NOTES ON ACCOUNTS	17		

SIGNATORIES TO BALANCE SHEET AND SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2009

As per our Report Attached
R.U.JAIN & CO.
Chartered Accountants

For and on behalf of Board
Hitesh Topiwala
Managing Director

Vishwajeet Mehta
Director

R.U. JAIN
Proprietor
M.No:031037
Bangalore
Dated : 28 August, 2009

Srishti Dileep
Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule No.	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
INCOME			
Sales (Net)	12	226,368,588	196,955,003
Other Income	13	940,375	930,774
Increase/Decrease in Stock	14	4,527,680	(5,186,446)
TOTAL INCOME		231,836,643	192,699,331
EXPENDITURE			
Trading , Manufacturing & Other Expenses	15	211,033,615	173,994,096
Interest	16	8,423,892	7,217,869
Advertisement Expenses written off		1,928,759	2,695,888
Depreciation		2,750,384	2,257,004
TOTAL EXPENDITURE		224,136,651	186,164,857
PROFIT BEFORE TAXATION		7,699,993	6,534,474
Provision for Taxation (see note 20 sch.17)		581,081	697,825
Fringe Benefit Tax		61,893	315,000
PROFIT AFTER TAXATION		7,057,019	5,521,649
Less: Prior Period Expenditure		(892,631)	(754,499)
Add:Balance brought forward from last year		4,767,150	--
BALANCE AVAILABLE FOR APPROPRIATION		10,931,537	4,767,150
BALANCE CARRIED TO RESERVE AND SURPLUS		10,931,537	4,767,150
Basic and Diluted earnings per share of Rs.10/- each(in Rupees)			
Ref.Note No. 22 of Schedule 17			
Basic Earning Per Share		1.45	1.14
NOTES ON ACCOUNTS	17		

SIGNATORIES TO PROFIT AND LOSS ACCOUNT AND SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH,2009

As per our Report Attached
R.U.JAIN & CO.
Chartered Accountants

For and on behalf of Board
Hitesh Topiwala
Managing Director

Vishwajeet Mehta
Director

R.U. JAIN
Proprietor
M.No:031037

Srishti Dileep
Company Secretary

Bangalore
Dated : 28 August, 2009

SCHEDULES FORMING PART OF BALANCE SHEET

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
50,00,000 Equity Shares of Rs.10/-each (Previous year : 50,00,000 Equity Shares of Rs. 10/- each)	<u>50,000,000</u>	<u>50,000,000</u>
Issued		
48,87,150 Equity Shares of Rs.10/-each (Previous year : 48,87,150 Equity Shares of Rs. 10/- each)	<u>48,871,500</u>	<u>48,871,500</u>
Subscribed		
48,56,650 Equity Shares of Rs.10/-each (Previous year : 48,56,650 Equity Shares of Rs. 10/- each)	<u>48,566,500</u>	<u>48,566,500</u>
Paid-Up		
48,55,000 Equity Shares of Rs.10/-each (Previous year : 48,55,000 Equity Shares of Rs. 10/- each)	<u>48,550,000</u>	<u>48,550,000</u>
TOTAL	<u>48,550,000</u>	<u>48,550,000</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
Share Premium		
As per last Balance Sheet	108,525,000	108,525,000
Capital Reserve		
As per last Balance Sheet	30,650	30,650
Revaluation Reserve	2,249,555	
Less: Transferred to Profit & Loss A/c (Note 11 Schedule 17)	<u>1,091,173</u>	2,249,555
Profit & Loss Account	10,931,537	9,534,299
TOTAL	<u>120,645,569</u>	<u>120,339,504</u>
SCHEDULE - 3		
SECURED LOANS		
Term Loan from GSFC :		
Secured by way of Mortgage of Industrial Gala of Group Corporate Companies Residential property of Director, Corporate Guarantee of Associate Concern, and personal guarantee of Directors of the company	--	5,925,066
Cash Credit		
From Banks, Secured by hypothecation of inventories, Book Debts and Equitable Mortgage on industrial gala, and gala's of associate company, hypothecation of plant and machinery and Fixed Asset and also guaranteed by two Directors , and a corporate guarantee	34,960,466	34,508,625
Hire Purchase Credit		
Hire purchase credit against hypothecation of Motor Vehicles (Repayable Within one year Rs.442917/- Previous Year : Rs. 539323/-)	602,150	992,143
TOTAL	<u>35,562,616</u>	<u>41,425,834</u>



SCHEDULES FORMING PART OF BALANCE SHEET

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE - 4		
UNSECURED LOANS		
Loan from Director	6,349,494	4,507,172
Loan from Others	4,140,097	6,035,562
(Repayable within a year Rs. 1983311/- previous year Rs. 1645465)		
TOTAL	<u>10,489,591</u>	<u>10,542,734</u>

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE - 5
FIXED ASSETS

Description of Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.2008	Additions	Deletion	As at 31-03-2009	As at 01-04-2008	for the period 01-04-2008 to 31-03-2009	Accumulated Depreciation on Sale of Assets	Up to 31-03-2009	As at 31.03.2009	As at 31.03.2008
Intellectual property	100,000,000	-	-	100,000,000	-	-	-	-	100,000,000	100,000,000
Factory Land	6,755,000	-	-	6,755,000	-	-	-	-	6,755,000	6,755,000
Factory Building	17,102,814	1,544,511	-	18,647,325	3,197,691	1,471,906	-	4,669,597	13,977,728	13,905,123
Plant Machinery	15,564,264	822,460	1,011,500	15,375,224	12,368,737	457,096	682,802	12,143,031	3,232,192	3,195,527
Technical Knowhow	500,000	-	-	500,000	500,000	-	-	500,000	-	-
Furniture & Fixture	12,647,767	312,575	-	12,960,342	9,960,366	505,269	-	10,465,635	2,494,707	2,687,401
Computer Equipments	2,819,941	3,102,448	-	5,922,389	2,513,500	691,807	-	3,205,307	2,717,082	306,441
Office Equipment	1,142,828	39,240	-	1,182,068	559,248	68,936	-	628,184	553,884	583,580
Vehicles	7,778,628	601,801	300,000	8,080,429	5,627,525	646,543	300,000	5,974,068	2,106,361	2,151,103
Total	164,311,242	6,423,035	1,311,500	169,422,777	34,727,068	3,841,557	982,802	37,585,822	131,836,954	129,584,175
Previous Period	158,837,053	5,474,189	-	164,311,242	30,928,183	3,532,042	266,842	34,727,067	129,584,175	127,908,870

SCHEDULE - 6
INVESTMENTS

At Cost Unquoted

1) Government Securities	23,500	23,500
7-year National Saving Certificate		
(Face value Rs.10,500/-)		
(Lodged with Sales Tax Authorities as Securities)		
TOTAL	<u>23,500</u>	<u>23,500</u>

SCHEDULE - 7
INVENTORIES

As valued and certified by Management

(at lower of cost or Net Realisable value unless stated other wise)

Stock In Trade (At Cost)	9,901,273	11,102,962
Stock of Raw materials	1,412,099	2,284,985
Stock of Finished goods - Manufacturing	61,362,811	55,633,442
Stock of Packaging Material	3,891,013	4,282,737
TOTAL	<u>76,567,196</u>	<u>73,304,126</u>

SCHEDULE - 8
SUNDRY DEBTORS

Unsecured Considered Good

Over six months Considered Good	1,998,889	2,087,584
Considered doubtful	1,357,582	1,022,167
Other Debts	82,314,220	52,444,889
TOTAL	<u>85,670,691</u>	<u>55,554,640</u>

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE - 9		
CASH AND BANK BALANCES		
Cash on Hand	1,245,443	790,666
With Scheduled Bank :-		
In Current Accounts	1,883,955	133,006
In Fixed Deposit Account	371,805	325,655
In Margin Account (Lien with Bank)	979,231	2,467,297
TOTAL	<u>4,480,433</u>	<u>3,716,624</u>
SCHEDULE - 10		
LOANS AND ADVANCES		
Unsecured, Considered Good		
Advances recoverable in cash or in kind or for value to be received	6,388,488	7,357,248
Advance Payment of Taxes. (Including tax deducted at source)	-	459,990
Other Deposits	1,304,487	2,237,910
Loans (to companies in which Directors are interested)	605,602	548,999
TOTAL	<u>8,298,577</u>	<u>10,604,147</u>
SCHEDULE - 11		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Trade Deposits	8,934,402	7,933,015
Sundry Creditors	57,708,334	41,031,364
Other Liabilities (including advances against sales)	27,530,925	11,219,058
TOTAL	<u>94,173,662</u>	<u>60,183,437</u>
Provision		
Provision for Taxation	854,992	1,840,688
TOTAL	<u>854,992</u>	<u>62,024,125</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE - 12		
SALES		
Sales Manufacturing	113,037,006	113,059,690
Sales Trading	113,331,582	83,895,313
TOTAL	<u>226,368,588</u>	<u>196,955,003</u>
SCHEDULE - 13		
OTHER INCOME		
Miscellaneous Income	548,886	881,255
Interest on Deposit	69,187	49,519
Profit on Sale of Asset	322,302	-
TOTAL	<u>940,375</u>	<u>930,774</u>
SCHEDULE - 14		
INCREASE IN STOCK		
Finished Goods		
Closing Stock	71,264,084	66,736,404
Opening Stock	66,736,404	71,922,850
TOTAL	<u>4,527,680</u>	<u>(5,186,446)</u>



SCHEDULES FORMING PART OF BALANCE SHEET

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE - 15		
MANUFACTURING, TRADING AND OTHER EXPENSES		
(a) Material Cost :		
Raw Material Consumed		
Opening stock	2,284,985	2,177,836
Purchases	15,462,272	12,479,680
Less : Closing Stock	<u>(1,412,099)</u>	<u>(2,284,985)</u>
Consumption Raw material	16,335,158	12,372,531
Packing Materials	27,245,286	23,817,067
Trading Goods Purchased	103,576,581	75,471,719
Labour Charges	313,658	317,078
TOTAL A	<u>147,470,684</u>	<u>111,978,395</u>
(b) Payment to and Provision for Employees:		
Salaries, Wages, Bonus	25,342,946	21,558,870
Contribution to Provident and Other Funds, Gratuity	2,145,317	1,817,922
Staff Welfare Expenses	508,172	493,084
TOTAL B	<u>27,996,435</u>	<u>23,869,876</u>
(c) Operational and Other Expenses :		
Consumable Stores and Spares	77,960	157,749
Electricity Expenses	925,585	1,001,224
Repairs & Maintenance	1,398,684	1,768,467
Rent, Rates & Taxes	1,444,884	1,372,524
Licence, Registration & Application Fees	26,337	3,249
Insurance	191,995	300,546
General Expenses	1,019,116	1,814,923
Legal & Professional Fees	730,923	304,380
Directors Sitting Fees	140,000	120,000
Conveyance & Travelling	1,178,447	1,807,873
Postage, Telephone & Telegram	2,273,299	2,342,891
Printing & Stationery	572,767	790,275
Sales Tax	-	1,600
Advertisement & Publicity	3,498,872	2,030,274
Commission	3,182,986	2,717,612
Audit Fees	319,870	325,844
Sales Promotion Expenses	12,178,038	10,392,732
Freight & Forwarding Charges	6,256,437	10,043,314
Share Issue Expenses Written Off	-	10,834
Loss on Sales of Motor Vehicle	-	60,342
R & D Expences	99,610	7,828
Royalty	-	771,344
Foreign Exchange Loss	50,686	-
TOTAL C	<u>35,566,497</u>	<u>38,145,825</u>
TOTAL (A + B + C)	<u>211,033,615</u>	<u>173,994,096</u>
SCHEDULE - 16		
INTEREST		
To Bank	6,285,911	5,937,150
To Others	2,137,981	1,280,719
TOTAL	<u>8,423,892</u>	<u>7,217,869</u>

SCHEDULE 17

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

1. ACCOUNTING POLICIES:

ACCOUNTING CONVENTION

All expenses and income to the extent considered payable and receivable respectively unless stated otherwise are accounted on accrual basis except assessment dues and items of exceptional nature which are accounted on cash basis.

Fixed Assets: All Fixed assets are stated at cost except the Land & Factory Buildings which have been valued at its current market value as on 31.3.2007.

Depreciation: Depreciation on fixed assets is provided at written down value method at the rates specified in schedule XIV of the Companies Act, 1956.

Investment: Long Term Investments are stated at cost after deducting provision, if any for decline other than temporary in value. Current investments are stated at lower of cost and market fair value.

Inventories: Trading goods are valued at cost. Raw Materials, Stores and Spares are valued at Cost and finished goods are valued at lower of Cost or Net Realizable Value.

Sales: Sales includes sales of goods and services and net of trade discount and returns.

Research & Development: Revenue expenditure on research and development is charged out in the year in which it is incurred.

Gratuity: Gratuity is charged to revenue account for those employees who have completed five years of their service.

Advertisement and Sales Promotion expenses on introduction of new products and on account of Re-Launch of Products are written off over a period of five years.

Contingent Liabilities :- Contingent Liabilities are not provided for, but are disclosed by way of notes.

2. NOTES ON ACCOUNTS

1. CONTINGENT LIABILITIES IN RESPECT OF :-

- Guarantee given to Sales Tax Department for Rs. 15 Lacs (Previous Year Rs. 15 Lacs)
- The Sales Tax demand in dispute at various depots and contested in appeal.

Year	2008-2009	2007-2008	Forum
92-95	Rs. 95,580	Rs. 95,580	Commissioner(Appeals) Daman
99-00	Rs. 1,23,192	Rs. 1,23,192	Board of Revenue, Guwahati
98-99	Rs. 1,75,708	Rs. 1,75,708	Board of Revenue, Guwahati
97-98	Rs. 2,50,797	Rs. 2,50,797	Board of Revenue, Guwahati
96-97	Rs. 3,00,000	Rs. 3,00,000	Board of Revenue, Guwahati
99-00	Rs.18,04,090	Rs.18,04,090	Commissioner (Appeals) Kolkata
01-02	Rs.28,18,222	Rs.28,18,222	Commissioner (Appeals) Kolkata
Total:	Rs.55,67,589	Rs.55,67,589	

- Claim not acknowledged as debts - Rs.17,00,000/- (Previous Year Rs.17,00,000/-)
- Balances of Debtors, Creditors, loans and advances are subject to confirmation.
- In the opinion of the Board, the current assets, loans and advances are expected to realise atleast the amount at which they are stated, if realised in the ordinary course of business, and provision for all known liabilities have been adequately made in the accounts.
- The provision for gratuity is made for those employees who have completed 5 years of their service.
- Loans and advances includes Rs.10,00,000/- due from an employee who ceased to be in employment. The Company has initiated legal proceedings for the recovery.
- Deferred Advertisement Expenditure Written off:

2008-09 2007-08

Deferred Advertisement Expenses	53,27,836	23,58,597
Add: Incurred during the year	-	56,65,127
Less: Written off during the year	19,28,759	26,95,888
Balance Deferred Advertisement Expenses	<u>33,99,077</u>	<u>53,27,836</u>
Carried Forward		

- Loans and Advances includes Advances & Deposits to Companies in which Directors are interested to the tune of Rs 6,05,602 (Previous Year Rs.5,48,999), Maximum amount outstanding during the year was Rs 6,05,602 (Previous Year Rs.5,48,999/-)
- AUDITORS' REMUNERATION :

	2008-09	2007-08
For Audit	82,725	84,270
For Tax Audit	60,665	61,798
For Other Services	1,76,480	1,79,776
	<u>3,19,870</u>	<u>3,25,844</u>



9. The future liability towards the payment of interest on Hire Purchase loans will be accounted as and when accrue.
10. The Company has valued its intellectual property at Rs. 10,00,00,000/- as at 31st March 2006 and the same was then credited to Intellectual Property Equalization Fund. The value of the intellectual property as per report of the valuer M/s Joy Dajia & Co. Dt. 07.09.2007 is Rs. 1384 Lacs. However the management has taken the value in the books at Rs. 1000 Lacs.
11. The management has revalued Office Building at Andheri and Land and Factory Buildings at Vapi and Daman by M/s Neelam Technocraft, and M/s Mahalaxmi Associates as on 31.03.2007 respectively, the difference in the market value and the book value as on 31.03.2007 amounting to Rs. 1,88,79,148 has been credited to the revaluation reserve account.

12. **LICENSED / INSTALLED CAPACITY AND PRODUCTION**

Class of Goods	Units 15's	2008-2009	2007-2008
Plastic Container Moulding			
a. Licensed Capacity	Pcs	N.A	N.A.
b. Installed Capacity	Pcs	3,27,60,000	3,27,60,000
c. Actual Production	Pcs	0	0
Kumkum			
a. Licensed Capacity	Pkts	N.A	N.A.
b. Installed Capacity	Pkts	48,00,000	48,00,000
c. Actual Production	Pkts	20,78,423	23,36,150

The Installed Capacity is as per the certificate given by the Management on which Auditors have relied.

13. **DETAILS OF SALES AND PURCHASES OF FINISHED GOODS, RAW MATERIAL AND PACKING MATERIAL :-**

	2008-2009		2007-2008	
	Qty	Amount Rs.	Qty.	Amount Rs.
a. Sales				
Trading				
Kumkum, Cosmetics & Toiletries(Pkts)				
	16,98,689	11,23,36,123	9,42,770	5,79,21,544
Beans (Ton)	121	9,95,459	1,213	2,59,73,769
Trading Packing Material (Yards)				
	NIL	NIL	NIL	NIL
Manufacturing				
Sales(kumkum,) (Pkts)	20,52,486	11,30,37,006	20,71,342	11,30,59,690
b. Purchases				
Trading				
Traditional Cosmetics/ Colour Cosmetics (Pkts)				
	17,02,095	10,73,01,089	7,30,789	5,24,08,466
Beans (Ton)	NIL	NIL	1334	2,30,63,253
PVC Flocked Sheet- (Yards)				
	75703	55,87,014	NIL	NIL
Manufacturing				
Purchases (Pkts) / (kgs)	23,08,271	3,08,50,394	20,15,140	1,24,79,680

14. **DETAILS OF OPENING AND CLOSING STOCK - TRADING**

	2008-2009		2007-2008	
	Qty.	Amount Rs.	Qty.	Amount Rs.
a. Opening Stock				
Kumkum, Cosmetics & Toiletries				
	2,09,738	82,22,701	9,21,510	3,52,99,535
Beans				
	121	28,80,261	NIL	NIL
b. Closing Stock *				
Kumkum, Cosmetics & Toiletries				
	2,13,144	99,01,273	2,09,738	82,22,701
Beans				
	NIL	NIL	121	22,80,261

*After adjusting free issues, samples and replacements.

15. DETAILS OF OPENING AND CLOSING STOCK – MANUFACTURING :

	2008-2009		2007-2008	
	Qty.	Amount Rs.	Qty.	Amount Rs.
1. RAW MATERIALS:				
Opening Stock				
Bindi (PKTS)	1,32,680	3,85,481		
PVC Roll (Yard)	14,018	14,94,340		
Raw materials (Kgs)	2,067	4,05,164	4,31,255	21,77,836
		<u>2284985</u>		<u>21,77,836</u>
Closing stock				
Bindi (PKTS)	98,239	2,55,803	1,32,680	3,85,481
PVC Roll (Yard)	8,425	8,35,668	14,018	14,94,340
Raw materials (Kgs)	2,363	3,20,628	2,067	4,05,164
		<u>14,12,099</u>		<u>22,84,985</u>
2. FINISHED GOODS:				
Opening Stock	19,68,550	5,56,33,442	15,24,961	3,65,22,652
Closing Stock	22,24,335	6,13,62,811	19,68,550	5,56,33,442

16. VALUE OF IMPORTED AND INDIGENOUS MATERIAL CONSUMED:-

	2008-2009		2007-2008	
	Amount Rs.	%	Amount Rs.	%
a. Raw Materials				
Imported	47,51,346	30.73	44,75,233	36.17
Indigenous	1,07,10,926	69.27	78,97,298	63.83
	<u>1,54,62,272</u>	<u>100</u>	<u>1,23,72,531</u>	<u>100</u>
b. Packing Materials				
Imported	Nil	Nil	Nil	Nil
Indigenous	2,68,53,562	100	2,38,17,067	100
	<u>2,68,53,562</u>	<u>100</u>	<u>2,38,17,067</u>	<u>100</u>

17. Value of Import on CIF Basis : 55,87,014 2,71,93,683

18. Expenditure in Foreign Currency

(a) Travelling 99,825 30,600

19. Earning in Foreign Currency 45,90,750 40,75,785

FOB value of export

20. Deferred Tax :- Accounting Standard No.22 "Accounting for tax on Income" issued by Institute of Chartered Accountants of India, there is a net deferred tax assets amounting to Rs.1,12,49,994/- on account of accumulated business losses and unabsorbed depreciation up to 31.3.2009 which is not accumulated for.

In compliance with provisions of Accounting Standard and based on General

Prudence, the Company has not recognized the deferred tax assets while preparing the accounts of current year, the provision for the current year has been made only for MAT liability in view of unabsorbed brought forward losses. The deferred tax on the same has not been accounted for.

21. Related Party Disclosures :

As per the Accounting Standard on Related Party Disclosures (AS 18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows :-

Other Related Parties / Associates

Shingar Limited

Paramount Products

Paramount Kumkum Private Limited

Key Management personnel and Relatives of Key Management Personnel

B.D.Topiwala - Chairman

Hitesh Topiwala – Managing Director

Hemant Topiwala - Director

Note :- Related party relationship is as identified by the Company and relied upon by the Auditors.



Related Party Transactions :-

Nature of Transaction	As at 31-3-2009	As at 31-3-2008
	Rs.	Rs.
With Shingar Limited		
Purchases of Materials	8,66,870	14,95,053
Sundry Creditors	NIL	NIL
With Paramount Products		
Purchases of Materials	2,19,28,418	4,54,44,855
Sundry Creditors	Nil	Nil
With Paramount Kumkum Private Limited		
Purchases of Materials	89,06,038	93,97,104
Sundry Creditors	61,32,023	87,78,995
For Key Management Personnel Expenses :-		
Sitting Fees	70,000	60,000
Loans accepted by Company from a key Managerial Person		
	47,62,172	45,07,172
22. Earnings per Share	2008-2009	2007-2008
Profit available to Equity Shareholders (A)		
	7,057,019	55,21,649
Number of Equity Shares outstanding (B)		
	48,55,000	48,55,000
Earnings per Share (In Rs.) (A/B)		
	1.45	1.14
Before extra ordinary items		
23.	Previous Year figures have been regrouped, reclassified and recast wherever considered necessary so as to make them comparable with current year figures.	

SIGNATORIES TO BALANCE SHEET AND SCHEDULES FORMING PART OF ACCOUNTS AS 31ST MARCH 2009.

As per our Report Attached For and on behalf of Board

R.U. JAIN & CO.

Chartered Accountants

R.U. JAIN

Proprietor

Membership No: 031037

Hitesh Topiwala
Managing Director

Vishwajeet Mehta
Director

Srishti Dileep
Company Secretary

Place : Bangalore

Dated: 28 August, 2009

PARAMOUNT COSMETICS (INDIA) LIMITED

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit after taxation, and extraordinary items	7,057,019	5,521,649
Adjustments for :		
Profit/Loss on Sale of Fixed Asset	(322,302)	60,342
Depreciation	2,750,384	2,257,004
Prior Period expenses	(892,631)	(754,499)
Deferred Revenue Expenditure written off	1,928,759	2,706,727
Interest expense	8,423,892	7,217,869
Interest income	(69,187)	(49,519)
Operating profit before working capital changes	18,875,934	16,959,573
Adjustments for :		
Decrease/(Increase) in trade and other receivables	(27,810,481)	35,712,308
Increase/Decrease in Inventories	(3,263,070)	3,685,479
Increase/(Decrease) in trade and other payable	33,004,527	(40,118,946)
Increase/(Decrease) in Deferred Advertisement expenditure	-	(5,665,127)
Cash Generated from Operations	<u>20,806,910</u>	<u>10,573,287</u>
Net Cash flow from Operating Activities	<u>20,806,910</u>	<u>10,573,287</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,423,035)	(5,474,189)
Sale of Fixed assets	651,000	206,500
Interest received	69,187	49,514
Net Cash Flow from Investing activities	<u>(5,702,848)</u>	<u>(5,218,175)</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital Calls in Arrears		
Interest paid	(8,423,892)	(7,217,869)
Proceeds from long term borrowings		
Proceeds /(Repayment) of short term borrowings	(5,916,362)	2,865,064
Net Cash flow from Financing Activities	<u>(14,340,254)</u>	<u>(4,352,805)</u>
Net Cash Flow during the year (A+B+C)	763,809	1,002,307
Cash and Cash Equivalents at the beginning of the year	3,716,624	2,714,317
Cash and Cash Equivalents at the end of the year	4,480,433	3,716,624

Notes to the Cash Flow Statement For the year ended March 31, 2009

1 Previous year's figure have been regrouped, recast wherever necessary.

As per our attached report of even date
For and on behalf of
R.U.JAIN & CO.
Chartered Accountants

For and on behalf of the Board

Hitesh B. Topiwala
Managing Director

Vishwajeet Mehta
Director

R.U. JAIN
Proprietor
M.No:031037
Place : Bangalore
Date : 28 August, 2009

Srishti Dileep
Company Secretary



PARAMOUNT COSMETICS (INDIA) LIMITED
TWENTY FOURTH ANNUAL REPORT 2008-2009

ADDITIONAL INFORMATION PURSUANT TO PART FOR IV OF SCHEDULE VI TO THE COMPANIES ACT,1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration no. State code

0 0 8 2 8 2

Balance Sheet Date

3 1 - 0 3 - 2 0 0 9

State code

0 4

II. Capital raised during the year(Amount is lacs)

Public issue

N I L

Bonus issue

N I L

Right issue

N I L

Private placements

N I L

III. Position of mobilisation and deployment of funds (Amount in lacs)

Total Liabilities

2 1 5 2 . 4 8

Source of fund

Paid up capital

4 8 5 . 5 0

Secured loan

3 5 5 . 6 3

Application of funds

Net Fixed Assets

1 3 1 8 . 3 7

Net Current assets

7 9 9 . 8 9

Total Assets

2 1 5 2 . 4 8

Reserves and surplus

1 2 0 6 . 4 6

Unsecured loan

1 0 4 . 8 9

Investment

0 . 2 3 . . .

Miscellaneous expenditure

3 3 . 9 9 . .

IV. Performance of the company (Amount in Rs.lacs)

Turnover & Other Income

2 2 7 3 . 0 8

Profit before tax

7 6 . 9 9

Earning per Share in Rs.

1 . 4 5

Total expenditure

2 2 4 1 . 3 6

Profit after tax

7 0 . 5 7

Dividend Rate

N I L

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.

Product Description

K U M K U M C Y L I N D E R

Item Code No.

Product Description

K U M K U M S T I C K E R

Item Code No.

Product Description

A Y U R V E D I C K A J A L

For and on behalf of Board

PARAMOUNT COSMETICS (INDIA) LIMITED

Regd. Office: A-1/2211, IIIrd Phase, GIDC, Vapi - 396195, Dist. Valsad, Gujarat

ATTENDANCE SLIP

Full Name of the Member attending: _____

Full Name of the First joint holder: _____
(To be filled in if first named joint-holder does not attend meeting)

Name of the Proxy: _____
(To be filled in if Proxy Form has been duly deposited with the Company)

I hereby record my presence at the Twenty Fourth Annual General Meeting of the Company to be held at A-1/2211, IIIrd Phase, G.I.D.C., Vapi - 396195, Dist. Bulsar, Gujarat on Wednesday, September 30, 2009 at 11.00 a.m.

Registered Folio No. : _____

No. of Shares held : _____

Signature of Member / Proxy

PARAMOUNT COSMETICS (INDIA) LIMITED

Regd. Office: A-1/2211, IIIrd Phase, GIDC, Vapi - 396195, Dist. Valsad, Gujarat

PROXY FORM

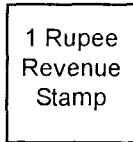
I/We _____ of _____
in the district of _____ being a Member/ Members of the above named Company hereby appoint
_____ of _____ in the district of _____
or failing him, _____ of _____
in the district of _____ as my/our proxy to attend
and vote on my/our behalf at the

Twenty Fourth Annual General Meeting of the Company to be held at A-1/2211, IIIrd Phase, G.I.D.C., Vapi - 396195, Dist. Valsad, Gujarat on Wednesday, September 30, 2009 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2009.

No. of Shares held: _____

Name of the Proxy : _____



Signature of Member/Proxy

Note: The Proxy must be deposited at the Registered / Corporate Office of the Company not less than 48 hours before the time for holding the Meeting. The Proxy need not be a member of the Company.



NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of Paramount Cosmetics (India) Limited will be held on Wednesday, the 30th day of September 2009 at 11:00 a.m. at the registered office of the Company at A-1/2211, IIIrd 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 at 31st March 2009, the Profit & Loss Account 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 appoint a director in place of Mr. B.D. Topiwala, who retires by rotation and being eligible offers himself for re-appointment.
3. 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:

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Vishwajeet Mehta, be and is hereby appointed as director of the Company, liable to retire by rotation."
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in modification of the resolution passed by the Company in their general meeting held on 30th September 2008, the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose), be and is hereby authorised, in accordance with Section 293(1)(a), Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to create such mortgage of and / or charging, on such terms and conditions and at such time and in such manner as it may think fit the whole or substantially the whole of the Company's undertakings including present and future, movable and immovable, as the case may be, together with the power to take over the management of the business or any such undertaking of the Company, to and in favour of the Trustees or Agent and Trustees to be appointed by the Board, Banks, Financial Institutions and other persons, firms, bodies corporate as security and to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) including, working capital loan, medium / long term loan, FCCB, ECB, Debentures, or any other type of debt instruments, shall not at any time, exceed over and above Rs 250 crore and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII, Article 135 read with Article 110(b) of the Articles of Association and all other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification or any re-enactment thereof, the Company hereby approves of the reappointment of Mr. Hitesh Topiwala as Managing Director, for a period of five years with effect from 1st April, 2009 upon the terms and conditions including remuneration as permissible under Schedule XIII to the Companies Act, 1956 and also on the other terms and conditions set out in the draft agreement to be entered into by and between the Company of the one part and Mr. Hitesh Topiwala of the other part, is hereby specifically approved with liberty to the Board to alter, vary, enlarge, increase, modify and revise at any time and from time to time, the terms and conditions of reappointment including remuneration in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any revision, amendments or modifications thereto or any re-enactment thereof, during the currency of the agreement as may be agreed between the Board of Directors and Mr. Hitesh Topiwala and the aforesaid draft agreement between the Company and Mr. Hitesh Topiwala be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General Meeting on following terms & conditions subject to approval of the Shareholders in General Meeting,

A) SALARY:

In the scale of Rs.1,00,000/- per month (to be reviewed at the end of 1st year or such other time at the discretion of the Board)

B) PERQUISITES (including allowances)

- I. Housing: Furnished/Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof.
- II. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962.

- III. Medical reimbursement : Expenses incurred for Mr. Hitesh Topiwala and his family as per company rules
- IV. Leave Travel Concession: For Mr. Hitesh Topiwala and his family, incurred in accordance with the company rules.
- V. Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.
- VI. Personal Accident Insurance: Premium as per company rules.
- VII. Contribution to Provident Fund, Superannuation Fund, Annuity Fund/Contribution to Gratuity as per company rules.
- VIII. Encashment of leave not availed of, as per company rules.
- IX. Provision of car and telephone as per company Rules.
- X. Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

"Family" means spouse, dependent children and dependent parents of Mr. Hitesh Topiwala.

C) MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, wherein any financial year during the tenure of appointment of the Managing Director, the company has no profits or its profits are inadequate, the Managing Director shall be entitled to remuneration by way of salary and perquisites as provided in Schedule XIII of the Companies Act, 1956. In addition, the Managing Director shall be entitled to the following perquisites which shall not be included in the computation of the ceiling on minimum remuneration specified herein.

- a. Contribution to provident fund, superannuation fund or annuity fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- b. Gratuity not exceeding half a month's salary for each completed year of service and
- c. Encashment of leave as per company rules.

RESOLVED FURTHER THAT the any person authorised by the Board of Directors of the Company be and is hereby authorised to execute all such documents, writings and agreements and to take such steps as may be necessary to give effect to this Resolution."

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

**(Srishti Dileep)
Company Secretary**

Place : Bangalore
Date : 28th August 2009

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 FORM IS APPENDED WITH THE ADMISSION SLIP.**
- b. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 21st, 2009 to Friday, September 25th, 2009 (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. 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.
- d. 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.
- e. 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 Registrars, **Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai – 400 078**
- f. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business for item no 4,5 and 6 are annexed hereto.
- g. Corporate members are requested to send, a duly certified copy of the board resolution/power of attorney authorising their representative to attend and vote at the annual general meeting.
- h. Members/proxies are requested to bring duly filled admission/attendance slips sent herewith along with the copies of annual reports at the meeting.
- i. 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.

EXPLANATORY STATEMENT

(Pursuant to the provisions of section 173(2) of the Companies Act, 1956)

ITEM No. 4

Mr. Vishwajeet Mehta was appointed as an additional director on the Board of the Company with effect from 31st July, 2009. Pursuant to the provisions of section 260 of the Companies Act, 1956 read with Article 126 of the Articles of Association of the Company, Mr. Mehta holds office upto the date of this twenty-fourth annual general meeting. The information relating to Mr. Mehta containing requisite particulars is given at the end of the Directors' report.

None of the directors except Mr. Vishwajeet Mehta is concerned or interested in the resolution.

The Board recommends appointment of Mr. Vishwajeet Mehta as director liable to retire by rotation as set out in Item No.4.

ITEM No. 5

The Company is currently involved in introducing new products in the market and also plans to automise the existing manufacturing facilities. These plans require continuous capital investment. To meet the capital requirements of the Company, your Directors shall be required to raise funds by securing, mortgaging or charging the moveable and immovable properties of the Company. According to Section 293(1)(a) of the Companies Act, 1956, in order to sell or lease any portion of the Company's property or assets, the Board requires the sanction of the shareholders of the Company in a general meeting.

Also, pursuant to the Provisions of clause (d) of sub-section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of paid-up capital of the company and its free reserves at any time except with the consent of the shareholders of the Company in a General Meeting.

Therefore, your Directors place before you the proposal to increase the limit of borrowing to Rs.250 crores.

None of the directors are concerned or interested in the resolution.

ITEM No. 6**General information:**

Your Company is a manufacturer of cosmetics. It has been in business since 1985-86. The Sales and other income for the year was Rs.2273.08 lakhs. The Profit after tax for the year ended 31st March 2009 was Rs.70.57 lakhs.

Information about Mr. Hitesh Topiwala

Mr. Hitesh Topiwala has been in the cosmetic s industry for the past 17 years. He was appointed as the Managing Director on 1st August 2005. He was entitled to remuneration by way of commission at a rate not more than 5% of the net profits of the Company. However, Mr. Hitesh Topiwala has not been paid the said commission.

Proposed remuneration:

- A) SALARY: Rs.1,00,000/- per month
- B) PERQUISITES (including allowances)
 - i) Housing: Furnished/Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof.
 - ii) The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962.
 - iii) Medical reimbursement : Expenses incurred for Mr. Hitesh Topiwala and his family as per company rules
 - iv) Leave Travel Concession: For Mr. Hitesh Topiwala and his family, incurred in accordance with the company rules.
 - v) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.
 - vi) Personal Accident Insurance: Premium as per company rules.
 - vii) Contribution to Provident Fund, Superannuation Fund, Annuity Fund/Contribution to Gratuity as per company rules.
 - viii) Encashment of leave not availed of, as per company rules.
 - ix) Provision of car and telephone as per company Rules.
 - x) Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

Other Information:

Reasons for inadequate profits:

The Profit after tax for the year ended 31st March 2009 was Rs.70.57 lakhs. A combination of less turnover and more establishment costs is the reason for inadequate profits.

Steps taken for improvement:

The Company has taken the necessary steps to reduce costs and a new line of products will be introduced in the market which will improve the turnover.

Keeping in mind his outstanding work and his role in increasing the profitability and improvement of overall performance of the Company, The Board of Directors are considering re-appointing him at an increased salary for a period of 5 years from 1st April 2009, subject to the approval of the shareholders of the Company and the Central Government (if required) in terms of Section 198, 269 and 309 of the Companies Act, 1956 read with Schedule XIII. The Board passed the resolution for his appointment on 21st April 2009.

None of the directors except Mr. Hitesh Topiwala and Mr. B.D. Topiwala are concerned or interested in the resolution.

August 31, 2009

Subject: Dematerialization of Shares

Dear Shareholder

According to the Company's records, you are currently holding shares of our Company, Paramount Cosmetics (India) Limited, in the Physical form i.e., in the form of share certificates.

You are requested to have these Shares dematerialized in order to facilitate trading and transactions. The procedure for dematerialization is given below

- a. A Demat account has to be opened with a Depository participant (DP).
- b. You are required fill a Dematerialization Requisition Form (DRF) which shall be provided by the Depository participant.
- c. The physical certificates shall have to be submitted to the Depository participant alongwith the Dematerialization Requisition Form. The investor has to ensure that before the certificates are handed over to the Depository participant for demat, with the words "submitted for dematerialisation" on the certificates.
- d. The Depository Participant shall forward the form to the Company's Registrar & Share Transfer Agent.

The ISIN of the Company is: INE143I01013.

- e. You may contact our Registrar and Share Transfer Agent for any details / queries at the below mentioned address:

Mr. Sharad Patkar

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound

LBS Marg

Mumbai-400078

Ph No.: 022 25946970

E-mail address: rnt.helpdesk@linkintime.co.in

The Company requests you to follow the above process and dematerialize all the shares of the Company held by you.

Kindly let us know if any further information and assistance is required.

Thanking you

Yours sincerely,

For Paramount Cosmetics (India) Limited

**(Srishti Dileep)
Company Secretary**

BOOK-POST

If Undelivered Please return to :

PARAMOUNT COSMETICS (INDIA) LIMITED

REGISTERED OFFICE

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

Dist. Valsad, Gujarat