



PARAMOUNT

Rising beyond imagination

PARAMOUNT COSMETICS (INDIA) LIMITED

TWENTY SIXTH ANNUAL REPORT

2010-2011

PARAMOUNT COSMETICS (INDIA) LIMITED

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

BOARD OF DIRECTORS

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

ISIN : INE143I01013

AUDITORS

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

BANKERS

IDBI Bank Ltd.

REGISTERED OFFICE

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

HEAD OFFICE

902-904, 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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Members are requested to bring their copy of Annual Report at the Annual General Meeting as copies of the Report will not be distributed at the Meeting.

NOTICE

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

ORDINARY BUSINESS:

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

SPECIAL BUSINESS:

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

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

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

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

NOTES:

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

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

- d. Members requiring information on the account /notice are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to furnish information.
- e. Members are requested to notify immediately of any change in their address to the Company's Registrar and Share Transfer Agent. Members holding shares in electronic form are advised to notify any change in their address to the concerned depository participant.
- f. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of Shares or any other Share related matters and/or change in address, furnishing of details of their bank accounts or updation thereof, to the Company's Registrar - **BgSE Financials Limited**, Stock Exchange Towers, No. 51, 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 Bombay Stock Exchange Limited, Mumbai. The Company has paid Annual Listing fee to the Stock Exchange for the Financial Year 2011-12.
- l. An explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of special business under item no. 5 & 6 is annexed hereto.

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

Place: Bangalore
Date: 31st August 2011

Pooja Agrawal
CS & Manager- Legal & Compliance

EXPLANATORY STATEMENT

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

Item No. 5

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

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

Item No. 6

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

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

Proposed Remuneration:

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

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

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

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

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

DIRECTORS' REPORT

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

FINANCIAL RESULTS

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

(Figures in Rs. lakh)

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

PERFORMANCE DURING THE YEAR

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

DIVIDEND

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

DIRECTORS

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

FIXED DEPOSITS

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

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

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

AUDITORS

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

AUDITORS' REPORT

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

Explanation on Auditors' Remarks in the Audit Report

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

PARTICULARS OF EMPLOYEES AND DISCLOSURE OF INFORMATION

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

CORPORATE GOVERNANCE

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

ACKNOWLEDGEMENTS

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

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

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

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

**HitteshBT
Managing Director**

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE A

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

I. CONSERVATION OF ENERGY

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

2. (A) TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

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

(B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

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

(C) IN CASE OF IMPORTED TECHNOLOGY

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

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economy, Industry Structure and Development

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

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

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

Developments in the Company during the year:

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

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

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

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

Financial Analysis

a. Sales and other income

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

b. Material Costs

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

c. Employment Costs

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

d. Operational and other expenses

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

e. Interest

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

f. Depreciation

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

g. Profit Before Tax

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

h. Profit After tax

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

OPPORTUNITIES AND THREATS**Opportunities**

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

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

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

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

Threats

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

Outlook

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

Risks and Concerns

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

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

Internal Control Systems

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

Cautionary Statement

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

CORPORATE GOVERNANCE

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchange and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of revised Clause 49 of the Listing Agreement.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to conducting its business based on the highest standards of Corporate Governance. The Company promotes a culture that is based on the principles of good Corporate Governance integrity, equality, fairness, individual accountability and commitment to values.

The Company emphasizes the need for highest level of transparency and accountability in all its transactions in order to protect the interests of all its stakeholders. The Board considers itself as a trustee of its Shareholders and acknowledges its responsibility towards them for creation and safeguarding their wealth on sustainable basis.

2. BOARD COMPOSITION AND PARTICULARS OF DIRECTORS

BOARD COMPOSITION

The Company's policy is to maintain an optimum combination of Executive and Non-Executive Directors. The composition of the Board of the Company is in conformity with Clause 49 of the Listing Agreement. As on 31st March 2011, the Board of the Company consisted of four (4) Directors comprising of 1 Executive Director and 3 Non-Executive Directors. The number of Independent Directors were not less than 50% of the total number of Directors in compliance with Clause 49(1)(A) of the Listing Agreement.

The details relating to the composition and categories of the Directors on the Board, their attendance at Board Meetings during the year and at last Annual General Meeting, the number of directorships and committee memberships held by them in domestic public limited companies as on 31st March, 2011 are indicated below:

Name of Director	Category	No. of Meetings Attended	Whether Attended Last Annual General Meeting	No. of Directorship in domestic public companies (including this Company)		No. of Committee memberships in domestic public companies (including this Company)	
				As Chairman	As Director	As Chairman	As Member
Mr. HitteshBT	Promoter & Executive	8	Yes	NIL	1	NIL	NIL
Mr. V.N Mehta	Independent & Non-Executive	8	Yes	NIL	1	2	NIL
Mr. Shishir Desai	Independent & Non-Executive	7	No	NIL	2	NIL	2
Mr. Bhikhubhai Topiwala (Resigned on 31-03-11)	Promoter & Non-Executive	7	No	N.A	N.A	N.A	N.A
Ms. Aartii Topiwaala #	Promoter & Non-Executive	N.A.	N.A.	NIL	1	NIL	2

Mr. Aartii Topiwaala was appointed as Additional Director w.e.f. 31st March, 2011

None of the Directors on the Board is a member of more than 10 committees or chairman of more than 5 committees (as specified in Clause 49 of the Listing Agreement) across all public limited companies in which he/she is a director.

Board Meetings

During the financial year ended March 31, 2011, 8 meetings of the Board of Directors were held on 20/Apr/10, 30/Apr/10, 13/Aug/10, 30/Aug/10, 15/Nov/10, 3/Jan/11, 10/Feb/11 and 31/Mar/11. The intervening period between the Board Meetings were within the maximum time gap prescribed under the Companies Act, 1956 and Clause 49 of the Listing Agreement.

3. CODE OF CONDUCT

The Company has adopted a Code of Conduct and Ethics which is applicable to all the Directors, Managers and all

the employees of the Company. All the Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2011. A declaration to this effect, duly signed by the Managing Director is annexed to this report.

4. AUDIT COMMITTEE

Composition:

Audit Committee of the Board comprises of two independent directors namely Mr. V.N. Mehta, Chairman and Mr. Srishir Desai. Ms. Aartii Topiwaala became member of the Audit Committee w.e.f. March 31, 2011 in place of Mr. B.D Topiwala. The composition of the Committee is in confirmation with the requirements of Section 292A of the Companies Act, 1956 and also as per the requirements of Clause 49 (II) (A) of the Listing Agreement.

Terms of Reference: The terms of reference/Powers of the Audit Committee are as under:

A. Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

B. The role of the Audit Committee includes:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the Management, the annual financial statements before submission to the board for approval, with particular reference to:
 - ♦ Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - ♦ Changes, if any, in accounting policies and practices and reasons for the same
 - ♦ Major accounting entries involving estimates based on the exercise of judgment by management
 - ♦ Significant adjustments made in the financial statements arising out of audit findings
 - ♦ Compliance with listing and other legal requirements relating to financial statements
 - ♦ Disclosure of any related party transactions
 - ♦ Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
11. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.

13. To review the functioning of the Whistle Blower mechanism.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee met five times during the year on 30/Apr/10, 13/Aug/10, 30/Aug/10, 15/Nov/10 and 10/Feb/11. All the members attended these meetings. In addition, the Managing Director and Finance Controller were present at the meetings of Audit Committee.

Representatives of the Statutory Auditors are invited to the Meeting as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

5. REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee on 30th January 2009. The scope of the activities of the Remuneration Committee includes, recommending to the Board, the appointment / re-appointment of Managing Director, the remuneration payable to the Managing Director etc.

Composition: The Remuneration Committee of the Board comprises Mr. V.N Mehta, as Chairman, Mr. Shishir Desai and Ms. Aartii Topiwaala as Members. Ms. Aartii Topiwaala was appointed as Member of the Committee w.e.f. March 31, 2011 in place of Mr. B.D Topiwala.

The Remuneration Committee did not meet during the Financial Year.

The Non-Executive Directors of the Company are paid sitting fee for attending Board Meetings only. No Commission was paid to the Non-Executive Directors. Details of the sitting fee paid for the year ended March 31, 2011 are as follows:

Name of the Director	Sitting Fee per Meeting	No. of Meetings attended	Total Fees
Mr. V.N. Mehta	Rs. 5000	8	40000/-
Mr. Shishir Desai	Rs. 5000	7	35000/-
Mr. B.D. Topiwala	Rs. 5000	7	35000/-

The Managing Director is not eligible to receive sitting fees as per the Articles of Association of the Company. The Company has during the year paid remuneration to its Managing Director by way of salary and perquisites within the limits approved by the Shareholders. Details of the remuneration to Managing Director during 2010-11 are as under:

Name	Salary (in Rs.)	Perquisites & Allowances (in Rs.)	Commission
Mr. HitteshBT Managing Director	12,00,000	17,40,540	-

Details of the share of the Company held by Non-Executive Directors as on March 31, 2011

Name of Director	Number of Shares
Mr. V.N. Mehta	200
Mr. Shishir Desai	Nil
Mr. B. D Topiwala	Nil
Ms. Aartii Topiwaala	2600

6. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee has been constituted to specifically look into the redressal of Shareholders' complaints and other Shareholders related issues. During the financial year 2010-11 following were members of the Shareholders' Committee:

Mr. V.N Mehta- Chairman

Mr. Shishir Desai- Member

Mr. B. D. Topiwala – (up to 31/March/2011)

Ms. Aartii Topiwaala – (w.e.f. 31/March/2011)

The scope of activities of the Committee is to look into specific investor complaints, approve the transfer/transmission of shares, approve issue of duplicate shares, etc.

The Shareholders' Grievance Committee met once during the year on 10-Feb-11. All the Members attended the meeting.

The Company Secretary acts as the Compliance Officer of the Company.

Investor Complaints status as on 31-Mar-2011:

Opening Balance	Received during the financial year	Resolved during the financial year	Closing Balance
Nil	14	14	Nil

7. GENERAL BODY MEETING

The details of the Annual General Meetings held during last three year immediately before March 31, 2011 is given in the Table below:

Details of General Body Meetings:

Year	Date	Venue	Time
2009-10	September 30, 2010	2211, A-1, III Phase, GIDC Vapi-396 195, Dist-Valsad, Gujrat.	11.00 a.m.
2008-09	September 30, 2009	2211, A-1, III Phase, GIDC Vapi-396 195, Dist-Valsad, Gujrat.	11.00 a.m.
2007-08	September 30, 2008	2211, A-1, III Phase, GIDC Vapi-396 195, Dist-Valsad, Gujrat.	11.00 a.m.

Whether Special Resolutions-

- i) Passed in the previous 3 Annual General Meetings- Yes
- ii) Were put through postal ballot during the said years- No
- iii) Are proposed to be conducted through postal ballot- No

8. DISCLOSURES

i. Related Party Transactions:

During the year, besides the transactions reported in Note 15 of Schedule 20B to the Accounts in the Annual Report, there are no materially significant Related Party Transactions which have potential conflict with the interest of the Company at large.

ii. Details of Non-Compliance by the Company:

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.

iii. Whistle Blower Policy:

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about unethical behavior. No personnel have been denied access to the Chairman of the Audit Committee.

iv. Disclosure by Senior Management:

Senior Management has made disclosure to the Board relating to material financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

v. Secretarial Audit:

Pursuant to Clause 47(c) of the Listing Agreement, certificates on half-yearly basis, have been issued by a Company Secretary in practice, for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, Certificates have also been received from the Company Secretary in practice for timely dematerialization of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the Share capital of the Company.

10. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial results of the Company as required under Clause 41 of the Listing Agreement are published in English and Gujarati newspaper- in the Western Times English and Western Times Gujarati.

The Management Discussion and 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.

11. GENERAL SHAREHOLDER INFORMATION

AGM: Date, time and venue	-	Friday, 30 th September 2011 at 11 a.m. 2211, A-1, III Phase, G.I.D.C. Vapi – 396195, Dist – Valsad, Gujarat
Financial Calendar	-	Year ending: March 31, 2011
Date of Book Closure	-	September 29, 2011 to September 30, 2011 (Both days inclusive)
Listing on Stock Exchanges	-	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
Scrip Name	-	PARAMOUNT CO
Scrip Code / Scrip ID	-	507970 / PARMCOS-B
Registrar and Transfer Agent	-	BgSE Financials Limited Stock Exchange Towers No. 51, 1 st Cross, J. C. Road, Bangalore- 560 027 Ph: 080 4132 9661 Email: rta_admin@bfsi.co.in

Distribution of Shareholding as on 31st March 2011

Share held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
01-500	7808	97.34	1013289	20.87
501-1000	160	1.99	116805	2.41
1001-2000	32	0.40	43629	0.90
2001-3000	6	0.07	14278	0.29
3001-4000	3	0.04	11050	0.23
4001-5000	3	0.04	13369	0.28
5001-10000	3	0.04	21300	0.44
10001-50000	2	0.02	50700	1.04
50001 and above	4	0.05	357058	73.54
Total	8021	100.00	4855000	100.00

Shareholding Pattern as on 31st March 2011

Category	No. Of Shares Held	Percentage of Shareholding
Promoters	3628390	74.74
Financial Institutions / Banks	2100	0.04
Bodies Corporate	24504	0.50
Mutual Funds and Unit Trust of India	-	-
Others	1200006	24.72
Total	4855000	100.00

Dematerialization of Shares and liquidity as on 31st March 2011

The Company's shares are traded in physical and dematerialized form and are available for trading on both the Depositories in India – National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL). 3429049 Ordinary Shares of the Company representing 70.63% of the Company's share capital is dematerialized as on 31st March, 2011.

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

Plant Location-	Vapi-2211, A-1, III Phase, G.I.D.C., Vapi 396195 Dist : Valsad (GJ) Daman -168/244 & 168/245, Dabhel Industrial Society Limited, Dabhel, Daman.
Address for Correspondence-	Paramount Cosmetics (India) Limited 902-904, 9 th Floor, Prestige Meridian – I, 29, M.G. Road, Bangalore – 560 001 Phone: +91 080 2532 0870 / 71 Fax: +91 080 2559 9065 Email: compliance.officer@parammount.com

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49(V) of the Listing Agreement**Date: 31/August/2011**

The Board of Directors,
Paramount Cosmetics (India) Limited
Certification to the Board pursuant to Clause 49 (V) of the Listing Agreement

We, HitteshBT, Managing Director and Bhavik Pandit, Finance Controller, hereby certify that in respect of the Financial Year ended on March 31, 2011

- a. We have reviewed the financial statements and the cash flow statement of the Company for the year and declare that to the best of our knowledge and belief:
- I. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - II. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2010-11 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify the same.
- d. We have indicated to the Auditors and the Audit Committee:
- I. significant changes, if any, in internal control over financial reporting during the year 2010-11;
 - II. significant changes, if any, in accounting policies during the year 2010-11 and the same have been disclosed in the notes to the financial statements; and
 - III. instances of significant fraud, if any, wherein there has been involvement of management or an employee having a significant role in the Company's internal control system.

HitteshBT
Managing Director

Bhavik Pandit
Finance Controller

Declaration by the CEO under Clause 49 I (D) of the Listing Agreement regarding adherence to the Code of Conduct and Ethics

In accordance with Clause 49 sub-clause I (D) of the Listing Agreement entered into by the Company with Bombay Stock Exchange Limited, I hereby confirm that, all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct and Ethics for the Financial Year ended March 31, 2011.

For Paramount Cosmetics (India) Ltd

Date: 31st August, 2011

HitteshBT
Managing Director

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
Paramount Cosmetics (India) Limited

We have examined the compliance of conditions of Corporate Governance by Paramount Cosmetics (I) Ltd, for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliances of conditions of Corporate Governance are the Responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance in neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Bangalore
Date: 31st August, 2011

For R.U Jain & Co
Chartered Accountants
R.U Jain
Proprietor
Membership No: 031097

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 2011 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 2011 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. 4,75,473/- is made for those employees who have completed five years of their service (Note 4 Schedule 20B).
 - 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.3,69,092/- (Schedule 8)
 - d) Non compliance of Accounting Standard 22 for Deferred Tax, deferred tax assets are under stated by Rs.9,93,090/- (Note 14 Schedule 20B)
 - i) In so far as related to the Balance Sheet, of the statement of affairs of the company as at 31st March 2011;
 - 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,
Dated: 31st August, 2011



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 is reasonable.
 - 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 loan aggregate to Rs. Nil
 - 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 three 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.2,45,00,000/- and Rs. 2,45,00,000/- 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 so 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. According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of clause (vi) of paragraph 4 of the Order are not applicable to the Company.
7. In our opinion, the company has an internal audit system commensurate with the size and nature 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. 32,98,673/- undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2011 for a period of more than six months from the date of becoming payable, as per Annexure 1.

- b. As at 31st March, 2011 there have been disputed Sales Tax dues aggregating to Rs.9,45,277/-, that have not been deposited on account of matters pending before appropriate appellate are as under:

Sr. No.	Name of statute	Nature of the Dues Sales Tax-	Amount (Rs.)	Forum where dispute is pending	Period to which the amount relates
1	Daman	Sales Tax	95,580	Commissioner (Appeals)	92-95
2	Guwahati	- do -	1,23,192	Board of revenue	99-00
3	Guwahati	- do -	1,75,708	- do -	98-99
4	Guwahati	- do -	2,50,797	- do -	97-98
5	Guwahati	- do -	3,00,000	- do -	96-97
			9,45,277		

10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash loss during the financial year covered by our audit and the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank
12. In our opinion and according to the explanations given to us and based on the information available, 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 has not given guarantees for loans taken by others from bank.
16. As explained to us, the Company has not raised any further business loan.
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
Membership No. 031037

Place: Bangalore,
Dated: 31st August, 2011

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 - All Depots	Sales Tax	19,30,704	From July 05 to Sept, 10	From August 05 to Oct, 10
2	Income Tax Act – Tax Deducted at Source	TDS	11,02,410	From April, 08 to Sept, 10	From May, 08 to Oct, 10
3	ESIC employees Contribution	ESIC	66,460	From April, 08 to Sept, 10	From May, 08 to Oct, 10
4	ESIC employers Contribution	ESIC	1,97,866	From April, 08 to Sept, 10	From May, 08 to Oct, 10
5.	P.F. Employees Contribution	PF	1233	From April, 10 to Sept, 10	From May, 10 to Oct, 10
	TOTAL		32,98,673		

BALANCE SHEET AS ON 31ST MARCH 2011

	Schedule No.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	48,550,000	48,550,000
Reserves & Surplus	2	142,129,321	130,703,371
		190,679,321	179,253,371
Loan Funds			
Secured Loans	3	115,264,967	55,289,136
Unsecured Loans	4	29,749,970	6,681,652
		145,014,937	61,970,788
Total Funds Employed		335,694,258	241,224,160
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	183,263,608	174,361,682
Less: Depreciation		43,059,522	42,159,468
Net Block		140,204,086	132,202,214.0
INVESTMENT	6	23,500	23,500
Current Asset, Loans & Advances			
Inventories	7	93,021,851	87,701,689
Sundry Debtors	8	114,552,677	131,799,447
Cash & Bank Balances	9	28,815,337	6,428,869
Loans & Advances	10	70,659,167	9,983,137
		307,049,032	235,913,142
Less: Current Liabilities & Provisions			
Liabilities	11	121,869,838	127,039,748
Provisions		6,135,178	2,141,000
		128,005,016	129,180,748
Net Current Assets		179,044,015	106,732,394
Miscellaneous Expenditure (To the Extent not written off or adjusted)			
Advertisement Expenses		16,422,657	2,266,052
Total Fund Utilised		335,694,258	241,224,160
Significant Accounting Policies and Notes on Accounts	20		

SIGNATORIES TO BALANCE SHEET AND SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2011

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

For and on behalf of the Board
HitteshBT Managing Director
Vishwajeet Mehta Director

R.U. JAIN
Proprietor
M.No:031037
Bangalore
Dated : 31 August, 2011

Pooja Agrawal
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	Schedule No.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
INCOME			
Sales (Net)	12	430,726,941	289,154,011
Other Income	13	9,879,437	344,347
Increase/Decrease in Stock	14	6,451,104	6,996,481
TOTAL INCOME		447,057,482	296,494,839
EXPENDITURE			
Material Cost	15	322,957,200	189,842,435
Trading , Manufacturing & Other Expenses	16	8,603,948	6,899,781
Employment Cost	17	28,753,930	31,156,162
Administrative, Selling and General Expenses	18	45,548,424	41,921,665
Interest and Finance Charges	19	17,108,809	10,607,211
Advertisement Expenses written off		4,955,435	1,133,025
Depreciation		4,039,616	3,591,590
TOTAL EXPENDITURE		431,967,361	285,151,869
PROFIT BEFORE TAXATION		15,090,121	11,342,970
Provision for Taxation (see note 14 sch.20)		3,304,501	2,141,000
Short provision of tax of earlier years		106,803	(50,208)
MAT Credit entitlements of earlier years		2,935,940	2,105,797
PROFIT AFTER CURRENT TAX		14,614,757	11,357,975
Less : Prior Period Expenditure		207,870	318,117
NET PROFIT		14,406,887	11,039,858
Add: BALANCE OF PROFIT BROUGHT FORWARD		21,971,395	10,931,537
BALANCE AVAILABLE FOR APPROPRIATION		36,378,282	21,971,395
LESS :- APPROPRIATIONS		-	-
Proposed Dividend		2,427,500	-
Tax on Dividend		403,177	-
BALANCE CARRIED TO RESERVES AND SURPLUS		33,547,605	21,971,395
Basic and Diluted earnings per share of Rs.10/- each(in Rupees)			
Ref.Note No. 18 of Schedule 20			
Basic and Diluted Earning Per Share		2.97	2.27
Significant Accounting Policies and Notes on Accounts	20		

SIGNATORIES TO PROFIT & LOSS ACCOUNT AND SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2011

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

For and on behalf of the Board
HitteshBT **Vishwajeet Mehta**
Managing Director Director

R.U. JAIN
Proprietor
M.No:031037
Bangalore
Dated : 31 August, 2011

Pooja Agrawal
Company Secretary

SCHEDULES FORMING PART OF BALANCE SHEET

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 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)	48,550,000	48,550,000
TOTAL	<u>48,550,000</u>	<u>48,550,000</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
Share Premium		
Balance as per last Balance Sheet	108,525,000	108,525,000
Capital Reserve		
Balance as per last Balance Sheet	30,650	30,650
Revaluation Reserve		
Balance as per last Balance Sheet	176,326	1,158,382
Less: Transferred to Profit & Loss A/c (Note 10 Schedule 20)	<u>150,260</u>	<u>982,056</u>
	26,066	176,326
Profit & Loss Account	<u>33,547,605</u>	<u>21,971,395</u>
TOTAL	<u>142,129,321</u>	<u>130,703,371</u>
SCHEDULE - 3		
SECURED LOANS		
Term Loans		
From Banks - Corporate Loan Hypothication of entire plant and machinery of the Company, Plot alongwith Building at Daman and Vapi, guarantee of a Director of the Company, Cor porate guarantee of associate company, Equitable mortgage of Office at Bangalore of associate Company (Repayable Within one year Rs. 39,99,996/- Previous Year : Rs. 33,30,000/-)	6,666,670	10,142,571
Cash Credit		
From Banks Secured by hyothication of entire Plant and Machinery of the Company, Plot alongwith Building at Daman and Vapi, personal guarantee of a Direc tor of the Company and corporate gurantee of associate company, Equi table mortgage of Office at Bangalore of associate company Vehicle Loans (Refer Note 8 of Schedule 20) Secured by way of hypothecation of respective motor vehicles purchased. (Repayable Within one year Rs.43,21,929/- Previous Year : Rs. 26,872/-)	95,881,086	45,119,693
	12,717,211	26,872
TOTAL	<u>115,264,967</u>	<u>55,289,136</u>

SCHEDULES FORMING PART OF BALANCE SHEET

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 4 UNSECURED LOANS		
Loan from Directors	4,454,020	4,069,984
Loan from Others	25,295,950	2,611,668
(Repayable within a year Rs. 506,622/- previous year Rs. 1,520,067)		
TOTAL	29,749,970	6,681,652

**SCHEDULE - 5
FIXED ASSETS**

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01-04-2010	Additions	Deletion	As at 31-03-2011	As at 01-04-2010	for the period 01-04-2010 to 31-03-2011	Accumulated Depreciation on Sale of Assets	Up to 31-03-2011	As at 31-03-2011	As at 31-03-2010
Intellectual property	100,000,000			100,000,000					100,000,000	100,000,000
Factory Land	6,755,000	1,194,562		7,949,562					7,949,562	6,755,000
Factory Building *	18,647,325		10,100,000	8,547,325	6,067,370	1,074,427	3,289,822	3,851,975	4,695,350	12,579,955
Plant & Machinery	15,375,224	406,050		15,781,274	12,515,715	430,964		12,946,679	2,834,595	2,859,509
Electrical Installation	90,457			90,457	9,618	11,245		20,863	69,594	80,839
Technical Knowhow	500,000			500,000	500,000			500,000		
Furniture & Fixture	15,948,617	95,305		16,043,922	11,121,793	887,313		12,009,106	4,034,816	4,826,824
Computer Equipments	7,153,021	81,149		7,234,170	4,707,621	990,672		5,698,293	1,535,877	2,445,400
Office Equipment	1,276,822	47,950		1,324,772	714,653	81,104		795,757	529,015	562,169
Factory Equipment	28,759			28,759	3,288	3,543		6,831	21,928	25,471
Vehicles	8,080,429	17,371,064		25,451,493	6,519,409	710,608		7,230,017	18,221,476	1,561,020
Total	173,855,654	19,196,080	10,100,000	182,951,734	42,159,468	4,189,876	3,289,822	43,059,522	139,892,212	131,696,186
Capital Work in Progress (including Capital Advances)	506,028	811,874	1,006,028	311,874	-				311,874	506,028
Grand Total	174,361,682	20,007,954	11,106,028	183,263,608	42,159,468	4,189,876	3,289,822	43,059,522	140,204,086	132,202,214
Previous Year	169,422,777	4,938,905		174,361,682	37,585,822	4,573,646		42,159,468	132,202,214	131,836,954

Note : Depreciation for the period Rs.41,89,876 includes Rs.1,50,260 relating to depreciation on Revalued amount of factory building
(Refer note no 10 of Schedule - 20)

**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	23,500	23,500

**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)	9,716,542	3,527,187
Stock of Raw materials	4,113,052	4,584,757
Stock of Finished goods - Manufacturing	74,995,127	74,733,378
Stock of Packaging Material	4,197,130	4,856,367
TOTAL	93,021,851	87,701,689

**SCHEDULE - 8
SUNDRY DEBTORS**

Unsecured		
Over Six months considered good	13,092,762	13,691,412
Considered doubtful	369,092	1,357,582
Other Debts considered good	101,090,823	116,750,453
TOTAL	114,552,677	131,799,447

SCHEDULES FORMING PART OF BALANCE SHEET

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
SCHEDULE - 9		
CASH AND BANK BALANCES		
Cash on Hand	750,533	695,760
With Scheduled Bank :-		
In Current Accounts	8,174,511	1,462,799
In Fixed Deposit Account	516,462	35,000
In Margin Account (Lien with Bank)	19,373,831	4,235,310
TOTAL	<u>28,815,337</u>	<u>6,428,869</u>
SCHEDULE - 10		
LOANS AND ADVANCES		
Unsecured, Considered Good		
Advances recoverable in cash or in kind or for value to be received	6,000,895	5,592,906
Advance Payment of Taxes	52,617	74,549
MAT credit entitlements	5,041,737	2,105,797
Other Deposits	59,563,918	1,604,283
Loans (to companies in which Directors are interested)	-	605,602
TOTAL	<u>70,659,167</u>	<u>9,983,137</u>
SCHEDULE - 11		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Trade Deposits	10,434,402	9,434,402
Sundry Creditors	99,869,862	93,291,514
Other Liabilities (including advances against sales)	11,565,574	24,313,832
TOTAL	<u>121,869,838</u>	<u>127,039,748</u>
Provision		
Provision for Taxation	3,304,501	2,141,000
Provision for Dividend	2,427,500	-
Provision for Dividend Tax	403,177	-
TOTAL	<u>6,135,178</u>	<u>2,141,000</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

	For the Year 2010-11 Rs.	For the Year 2009-10 Rs.
SCHEDULE - 12		
SALES		
Sales Manufacturing	269,542,346	132,903,817
Sales Trading	<u>161,184,595</u>	<u>156,250,194</u>
TOTAL	<u>430,726,941</u>	<u>289,154,011</u>
SCHEDULE - 13		
OTHER INCOME		
Miscellaneous Income	158,734	141,043
Interest on Deposit	530,881	203,304
Note: Tax deducted at source from Interest Rs. 52,617 (Previous year Rs. 20,355)		
Profit on Sale of Asset	<u>9,189,822</u>	<u>-</u>
TOTAL	<u>9,879,437</u>	<u>344,347</u>
SCHEDULE - 14		
INCREASE IN STOCK		
Finished Goods		
Closing Stock	84,711,669	78,260,565
Opening Stock	<u>78,260,565</u>	<u>71,264,084</u>
TOTAL	<u>6,451,104</u>	<u>6,996,481</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

	For the Year 2010-11 Rs.	For the Year 2009-10 Rs.
SCHEDULE - 15		
MATERIAL COST :		
Raw Materials Consumed		
Opening stock	4,584,757	1,412,099
Purchases	130,495,810	16,919,637
Less : Closing Stock	4,113,052	4,584,757
Consumption of Raw Materials	<u>130,967,515</u>	<u>13,746,979</u>
Packing Materials Consumed	31,136,147	22,585,381
Trading Goods Purchased	160,853,538	153,510,076
TOTAL	<u>322,957,200</u>	<u>189,842,435</u>
SCHEDULE - 16		
MANUFACTURING AND OPERATING COSTS		
Consumable Stores and Spares	146,128	75,131
Labour Charges	1,853,733	1,219,532
Factory Wages & Salaries	3,335,089	3,761,735
Electricity Charges - Factory	231,326	164,677
Repairs & Maintenance	2,900,985	1,628,408
Research & Development Expenses	136,686	50,298
TOTAL	<u>8,603,948</u>	<u>6,899,781</u>
SCHEDULE - 17		
EMPLOYMENT COSTS		
Salaries, Wages, Bonus	25,920,350	27,612,446
Contribution to Provident and Other Funds, Gratuity	2,206,487	3,024,735
Staff Welfare Expenses	627,094	518,981
TOTAL	<u>28,753,930</u>	<u>31,156,162</u>
SCHEDULE - 18		
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES		
Rent, Rates & Taxes	2,155,894	1,790,585
Licence, Registration & Application Fees	8,193	40,430
Insurance	161,753	147,511
General Expenses	1,141,681	2,631,185
Legal & Professional Fees	3,525,186	2,776,926
Directors Sitting Fees	110,000	115,000
Conveyance & Travelling	2,066,966	1,493,945
Postage, Telephone & Telegram	2,432,824	2,228,331
Printing & Stationery	604,703	483,302
Sales Tax	68,873	282,787
Advertisement & Publicity	916,369	2,716,702
CFA Commission	4,117,779	3,542,656
Audit Fees	319,870	319,870
Sales Promotion Expenses	17,222,336	13,358,232
Freight & Forwarding Charges	7,594,880	7,178,026
Director's Remuneration	2,940,540	2,762,100
Donation	55,002	-
Foreign Exchange Loss	105,575	54,078
TOTAL	<u>45,548,424</u>	<u>41,921,665</u>
SCHEDULE - 19		
INTEREST		
To Bank	16,010,885	8,967,618
To Others	1,097,924	1,639,593
TOTAL	<u>17,108,809</u>	<u>10,607,211</u>

SCHEDULE 20
NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

A. Significant Accounting Policies

1. Accounting Convention

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable and with the relevant provisions of the Companies Act, 1956. Item of exceptional nature and assessment dues are accounted on cash basis.

2. 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. Cost comprised the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

3. Depreciation

Depreciation on Fixed Assets is provided on the Written Down Method at the Rates and in the manner specified in the Schedule XIV of the Companies Act, 1956.

4. Foreign Currency Transactions

Transaction in foreign currency is recorded at the rate of exchange prevailing on the date of transaction. Current assets and liabilities are translated at the year-end closing rates. The resulting exchange gain/loss is reflected in the profit and loss account except in case where the relates to acquisition of Fixed Assets in which case they are adjusted to the carrying Cost of such Assets.

5. 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.

6. Inventories

Raw Materials, Stores and Spares are valued at Cost and finished goods are valued at lower of Cost or Net Realizable Value. Cost of raw materials, stores & spares parts are ascertained on FIFO basis. Trading Goods are valued at cost.

7. Revenue Recognition

Sales are recognized when goods are supplied. Sales are net of trade discounts, rebates, returns and sales tax. Revenue in respect of other item is recognized when no significant uncertainty as to its determination or realization exists.

8. Research & Development:

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

9. Employee Benefit :

Leave Encashment : Leave Encashment is accounted for on accrual basis.

Gratuity: Gratuity liability under the payment of Gratuity Act is accounted for on an accrual basis for those employees who have completed five year of their employment with the company at the end of financial year.

10. Taxes on Income

Income tax expenses for the year comprises of current tax and deferred tax. Current tax provision is determined on the basis of taxable income computed as per the provisions of the Income Tax Act. Deferred tax is recognized for all timing differences that are capable of reversal in one or more subsequent periods subject to conditions of prudence and by applying tax rates that have been substantively enacted by the balance sheet date.

11. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are not recognized but are disclosed in the notes.

Contingent assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. CONTINGENT LIABILITIES IN RESPECT OF :-

- a. Guarantee given to Sales Tax Department for Rs. Nil (Previous Year Rs. 50,000)
- b. Guarantee given to Corporate for Rs. Nil. (Previous Year Rs. 30,00,000)
- c. The Sales Tax demand in dispute at various depots and contested in appeal.

Year	2010-2011	2009-2010	Forum
1992-1995	Rs.95,580	Rs.95,580	Commissioner(Appeals) Daman
1999-2000	Rs.1,23,192	Rs.1,23,192	Board of Revenue, Guwahati
1998-1999	Rs.1,75,708	Rs.1,75,708	Board of Revenue, Guwahati
1997-1998	Rs.2,50,797	Rs.2,50,797	Board of Revenue, Guwahati
1996-1997	Rs.3,00,000	Rs.3,00,000	Board of Revenue, Guwahati

- d. Claim not acknowledged as debts - Nil (Previous Year Rs.17,00,000/-)
- e. The estimated amount of contracts remaining to be executed on capital accounts and not provided for Rs. 9,96,052 (Previous Year Rs.20,85,818)
- f. Letter of Credit of Rs. 63,96,866 (Previous Year Rs. 12,86,299)
2. Balances of Debtors, Creditors, loans and advances are subject to confirmation.
3. In the opinion of the Board, the current assets, loans and advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business, and provision for all known liabilities have been adequately made in the accounts.
4. The provision for gratuity is made for those employees who have completed 5 years of their service.
5. Deferred Advertisement Expenditure Written off:

Particulars	2010-11	2009-10
Balance Bought Forward	22,66,052	33,99,077
Add: Incurred during the year	1,91,12,039	-
Less: Written off during the year	49,55,435	11,33,025
Balance Deferred Advertisement	1,64,22,656	22,66,052

6. Loans and Advances includes loan given to the Company in which Directors are interested to the tune of Rs. Nil in current year. (Previous Year Rs. 6,05,602), Maximum amount outstanding during the year was Rs. 6,05,602 (Previous Year Rs. 6,05,602)

7. **AUDITORS' REMUNERATION :**

Particulars	2010-11	2009-10
Statutory Auditors :		
Audit Fees	82,725	82,725
Tax Audit Fees	60,665	60,665
Certification & Others	1,76,480	1,76,480
TOTAL	3,19,870	3,19,870

8. The future liability towards the payment of interest on Hire Purchase loans will be accounted as and when accrue.
9. 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 Dalia & Co. Dt. 07.09.2007 is Rs.1384 Lacs. However the management has taken the value in the books at Rs.1000 Lac.
10. The management has revalued Land and Factory Buildings at Vapi and Daman. The said assets were valued by M/s Mahalaxmi Associates and the difference in the market value and the book value as on 31.03.2007 amounting to Rs. 88,16,183 has been credited to the revaluation reserve account and out of the revaluation reserve Rs. 71,70,269 was credited to the profit and loss account in the financial year 2006-07.
11. **Micro, Small and Medium Enterprises Dues**

The Company has not received information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act has not been given.

12. There is no amount due and outstanding as on 31st March, 2011 to be credited to Investor Education and Protection Fund.
13. The company operates in one segment only, namely "Cosmetics Products." And transactions in geographical segment are not material; therefore the segment wise figures are not given.
14. 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 asset amounting to Rs. 9,93,090/- (previous years deferred tax assets is Rs. 44,75,364) on account of previous year's disallowed expenses allowed in current year, which is not accounted 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 book profit being higher than the taxable profit. The deferred tax asset on the same has not been accounted for.

15. **RELATED PARTY DISCLOSURES:**

(As identified by Management)

Name of the party and relationships

a) **Companies and firms in which Directors/Directors' Relatives exercise control / significant influence:**

Companies	Firms
Shingar Limited	Paramount Products
Paramount Kumkum Private Limited	
Paramount Personal Care Private Limited	
PETL Exports Private Limited	

b) **Key management personnel**

HitteshBT – Managing Director
Ms. Aartii H. Topiwaala

c) **Relatives of key management personnel**

Ms. Aartii H. Topiwaala (Financial Year 2009-10)

Transaction carried out with related parties referred in (1) above, in ordinary course of business:

Particulars	Year	Related Referred in 15(a) Above	Related Referred in 15(b) Above	Related Referred in 15(c) Above	Total
Part I: Volume of transactions					
Unsecured Loans Taken / (Repaid)	10-11	2,45,00,000	88,385	0	2,45,88,385
	09-10	0	(18,09,388)	(174,471)	(19,83,859)
Purchase of Goods	10-11	0	0	0	
	09-10	12,38,176	0	0	12,38,176
Labour Charges	10-11	7,308	0	0	7,308
Remuneration	10-11	0	29,40,540	0	29,40,540
	09-10	0	27,62,100	0	27,62,100
Part II: Balance as at year end					
Unsecured Loans	10-11	2,45,00,000	44,54,020	0	2,89,54,020
	09-10	0	40,69,984	2,95,651	43,65,635
Sundry Creditors	10-11	0	0	0	0
	09-10	39,32,065	0	0	39,32,065

Disclosure in respect of material transactions with related parties

	Name of the related party	2010-11	2009-10
Loans taken/(Repaid)	HitteshBT	1,91,039	(18,09,388)
	Aartii Topiwaala	(102654)	(1,74,471)
Purchase of Goods	Paramount Products	0	5,46,976
	Shingar Ltd.	0	6,91,200
Remuneration	HitteshBT	29,40,540	27,62,100

16. Remuneration to Directors	2010-2011	2009-2010
Salaries	12,00,000	12,00,000
Perquisites	17,40,540	15,62,100
Total *	29,40,540	27,62,100

*Minimum remuneration paid in terms of Schedule XIII to the Companies Act, 1956

17. **Income Tax**

The Company has paid Income Tax as per the Minimum Alternate Tax (MAT). The company is entitled to carry forward and set off the MAT paid against the income tax in subsequent years. In 2010-11 the company has credited to the profit and loss account MAT credit of Rs. 29,35,940/- (Previous Year : 21,05,797).

18. **EARNINGS PER SHARE:**

PARTICULARS	2010-11 Rs.	2009-10 Rs.
Profit available for Equity Share Holders	1,44,06,887	1,10,39,858
No of Equity Shares	48,55,000	48,55,000
Weighted Average Number of Equity Shares in computing diluted earnings per share	48,55,000	48,55,000
Basic and Diluted Earnings Per Share	2.97	2.27

19. LICENSED / INSTALLED CAPACITY AND PRODUCTION

Licensed /Installed Capacity

Sr. No	Particular	UOM	2010-11	2009-10
i)	Licensed Capacity		Not Applicable	Not Applicable
ii)	Installed Capacity (As certified by the Management)			
	Traditional Cosmetic	Packet	63,00,000	50,64,000
iii)	Actual Production			
	Traditional Cosmetic	Packet	53,23,642	25,48,571

20. DETAILS OF SALES AND PURCHASES OF FINISHED GOODS, RAW MATERIAL AND PACKING MATERIAL :-
Sales

Particulars	UOM	2010-11		2009-10	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Trading Items:					
Kumkum, Cosmetics & Toileteries	Packet	19,90,423	16,11,84,595	21,55,534	15,62,50,194
Manufactured Items:					
Kumkum	Packet	53,19,152	26,95,42,346	29,65,576	13,29,03,817
Purchases					
Particulars	UOM	2010-11		2009-10	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Trading Items:					
Traditional/Modern Cosmetics	Packet	20,38,825	16,08,53,538	19,58,416	15,35,10,075
Materials:					
RM-PVC Flocked Sheet	Yards	1,34,880	96,63,703	1,25,875	95,55,658
Semi Finished Goods			11,25,33,072		
Other Purchases			3,87,75,945		3,09,14,713
Total			32,18,26,258		19,39,80,446

21. DETAILS OF OPENING AND CLOSING STOCK - TRADING
Opening Stock of Trading Goods

Particulars	2010-11		2009-10	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Kumkum, Cosmetics & Toileteries	15,002	35,27,187	2,13,144	99,01,273
Closing Stock of Trading Goods*				
Particulars	2010-11		2009-10	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Kumkum, Cosmetics & Toileteries	63,404	97,16,542	15,002	35,27,187

*After adjusting free issues, samples and replacements.

22. DETAILS OF OPENING AND CLOSING STOCK – MANUFACTURING :

Opening Stock – Raw Materials

Particulars	UOM	2010-11		2009-10	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Bindi	Packet	0	0	98,239	2,55,803
PVC Roll	Yards	33,823	35,58,524	8,425	8,35,668
Raw Material	Kgs	3,598	9,10,600	2,363	3,20,628
Others			49,71,999		38,91,013

Closing Stock – Raw Materials

Particulars	UOM	2010-11		2009-10	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
PVC Roll	Yards	12,942	12,24,577	33,823	35,58,524
Raw Material	Kgs	3,542	7,16,910	3,598	9,10,600
Others			63,68,695		49,71,999

Opening Stock of Finished Goods

Particulars	2010-11		2009-10	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Traditional Cosmetics	16,01,387	7,47,33,378	22,24,335	6,13,62,811

Closing Stock of Finished Goods

Particulars	2010-11		2009-10	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Traditional Cosmetics	16,05,877	7,49,95,127	16,01,387	7,47,33,378

23 Imported and indigenous Raw-Materials, Stores and Spare parts and Components consumed during the year:

No.	Particulars	2010-11		2009-10	
		Indigenous	Imported	Indigenous	Imported
1)	Raw Materials% Consumption	11,88,64,240 90.76 %	1,21,03,276 59.24 %	70,36,838 51.19%	67,10,140 48.81%
2)	Packing Materials% Consumption	3, 11,36,147 100%	Nil	2, 25,85,380 100%	Nil

24. CIF Value of Imports

Particulars	2010-11	2009-10
Raw Materials	71,12,176	1,03,49,175

25. Expenditure in foreign currency

Particulars	2010-11	2009-10
Traveling	95,400	NIL

26. Earnings in foreign currency

Particulars	2010-11	2009-10
FOB value of Export Sales	21,68,298	32,10,978

27. Previous year's figures have been regrouped / rearranged wherever necessary so as to make them comparable with the figures of the current year.
SIGNATORIES TO BALANCE SHEET AND SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2011

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

R.U. JAIN
 Proprietor
 M.No:031037
Bangalore
 Dated : 31 August, 2011

For and on behalf of Board
HitteshBT
 Managing Director

Vishwajeet Mehta
 Director

Pooja Agrawal
 Company Secretary

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit after taxation, and extraordinary items	14,614,757	11,357,975
Adjustments for :		
Profit/Loss on Sale of Fixed Asset	(9,189,822)	-
Depreciation	4,039,616	3,591,590
Prior Period expenses	(207,870)	(318,117)
Deferred Revenue Expenditure written off	4,955,435	1,133,025
Interest expense	17,108,809	10,607,211
Interest income	(530,881)	(203,304)
Operating profit before working capital changes	<u>30,790,043</u>	<u>26,168,380</u>
Adjustments for :		
Decrease/(Increase) in trade and other receivables	(43,429,260)	(47,813,316)
Increase/Decrease in Inventories	(5,320,162)	(11,134,493)
Increase/(Decrease) in trade and other payables	(4,006,410)	34,152,095
Increase/(Decrease) in Deferred Advertisement Expenditure	(19,112,039)	-
Net Cash flow from Operating Activities	<u>(41,077,827)</u>	<u>1,372,666</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(20,007,954)	(4,938,905)
Sale of Fixed assets	17,006,028	-
Interest received	530,881	203,304
Net Cash Flow from Investing activities	<u>(2,471,045)</u>	<u>(4,735,600)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital Calls in Arrears		
Interest paid	(17,108,809)	(10,607,211)
Proceeds from long term borrowings	19,592,416	6,334,633
Proceeds /(Repayment) of short term borrowings	63,451,733	9,583,949
Net Cash flow from Financing Activities	<u>65,935,341</u>	<u>5,311,371</u>
Net Cash Flow during the year (A+B+C)	22,386,468	1,948,436
Cash and Cash Equivalents at the beginning of the year	6,428,869	4,480,433
Cash and Cash Equivalents at the end of the year	<u>28,815,337</u>	<u>6,428,869</u>

Notes to the Cash Flow Statement For the year ended March 31, 2011
Previous year's figure have been regrouped, recast wherever necessary.

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

R.U. JAIN
Proprietor
M.No:031037
Bangalore
Dated : 31 August, 2011

For and on behalf of the Board
HitteshBT **Vishwajeet Mehta**
Managing Director Director

Pooja Agrawal
Company Secretary

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

Registration no.

0	0	8	2	8	2
---	---	---	---	---	---

Balance Sheet Date

3	1	-	0	3	-	2	0	1	1
---	---	---	---	---	---	---	---	---	---

State code

0	4				
---	---	--	--	--	--

II. Capital raised during the year(Amount in 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

3	3	5	6	.	9	4
---	---	---	---	---	---	---

Source of fund

Paid up capital

4	8	5	.	5	0
---	---	---	---	---	---

Secured loan

1	1	5	2	.	6	5
---	---	---	---	---	---	---

Application of funds

Net Fixed Assets

1	4	0	2	.	0	4
---	---	---	---	---	---	---

Net Current assets

1	7	9	0	.	4	4
---	---	---	---	---	---	---

Total Assets

3	3	5	6	.	9	4
---	---	---	---	---	---	---

Reserves and surplus

1	4	2	1	.	2	9
---	---	---	---	---	---	---

Unsecured loan

2	9	7	.	5	0
---	---	---	---	---	---

Investment

0	.	2	3			
---	---	---	---	--	--	--

Miscellaneous expenditure

1	6	4	.	2	3
---	---	---	---	---	---

IV. Performance of the company (Amount in lacs)

Turnover & Other Income

4	4	7	0	.	5	8
---	---	---	---	---	---	---

Profit before tax

1	5	0	.	9	0
---	---	---	---	---	---

Earning per Share in Rs.

2	.	9	7
---	---	---	---

Total expenditure

4	3	1	9	.	6	8
---	---	---	---	---	---	---

Profit after tax

1	4	6	.	1	5
---	---	---	---	---	---

Dividend Rate Per Share in Rs.

0	.	5	0
---	---	---	---

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

Bangalore
Date : 31st August, 2011
**HITTESHBT
Managing Director**
**VISHWAJEET MEHTA
Director**
**POOJA AGRAWAL
Company Secretary**

PARAMOUNT COSMETICS (INDIA) LIMITED

Regd. Office: 2211, A-1, 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 Sixth Annual General Meeting of the Company to be held at 2211, A-1, IIIrd Phase, GIDC, Vapi - 396195, Dist. Valsad, Gujarat on Friday, September 30, 2011 at 11.00 a.m.

Registered Folio No. : _____

No. of Shares held : _____

Signature of Member / Proxy

PARAMOUNT COSMETICS (INDIA) LIMITED

Regd. Office: 2211, A-1, 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

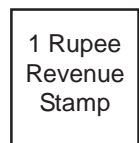
and vote on my/our behalf at the

Twenty Sixth Annual General Meeting of the Company to be held at Regd. Office: 2211, A-1, IIIrd Phase, GIDC, Vapi - 396195, Dist. Valsad, Gujarat on Friday, September 30, 2011 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2011.

No. of Shares held: _____

Name of the Proxy : _____



Signature of Member

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.

Dematerialization of Shares

Dear Shareholder,

In the present scenario holding shares of a company in **DEMAT** form rather than in physical form (i.e. in the form of share certificates) has many advantages like easier trading, transfer and transmission of securities, reduced brokerage charges, easier pledging / hypothecation of securities. Further, dematerialization eliminates the risks associated with forgery, counterfeiting and loss due to fire, theft or mutilation. Also, no stamp duty has to be paid on transfer of shares in **DEMAT** form (as against 0.5 per cent payable on physical shares) and the shareholder of **DEMAT** shares has an advantage of quick receipt of corporate benefits such as stock splits and bonus.

Considering the advantages of scrip less trading, we request you to have your Equity Shares dematerialized in case you are still holding them in physical form. The procedure for dematerialization is very simple and is briefly enumerated below:

- a. A **DEMAT** account has to be opened with a Depository Participants (DP) registered with either NSDL or CDSL. List of DP registered with NSDL and CDSL is available on the websites of NSDL (www.nsdl.co.in) and CDSL (www.cdslindia.com).
- b. You will be required to fill a Dematerialization Requisition Form (DRF) which can be obtained from any DP of your choice.
- c. You will have to submit the physical Share Certificates along with the DRF to the DP. Please ensure to write “**Submitted for dematerialization**” on the Share Certificates before the handing it over to the DP for **DEMAT**.
- d. The DP shall forward the form to the Company’s Registrar & Share Transfer Agent and after the Company validates your request, the Depository shall credit the DP’s account.
- e. The DP will then update your **DEMAT** account and inform you accordingly.

The ISIN of the Company is:

I	N	E	1	4	3	I	0	1	0	1	3
---	---	---	---	---	---	---	---	---	---	---	---

 For any further information or assistance you can contact our Registrar and Share Transfer Agent at the below mentioned address or you can directly contact the under signed at the Company’s Head Office Address.

Mr. Nagesh Rao
BgSE Financials Limited
Stock Exchange Towers
No. 51 Cross, J.C Road, Bangalore- 560 027
Ph: 080 4132 9661
Email: rta_admin@bfsi.co.in

Thanking you,
 Yours Truly,

For Paramount Cosmetics (India) Limited

Pooja Agrawal
 CS & Manager- Legal & Compliance



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