



PARAMOUNT

Rising beyond imagination

PARAMOUNT COSMETICS (INDIA) LIMITED

TWENTY EIGHTH ANNUAL REPORT 2012-2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

COMPANY SECRETARY

Deepika Srivastava

CORPORATE 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

STATUTORY AUDITORS

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

BANKERS

IDBI Bank Ltd.

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

ISIN: INE143I01013

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

NOTICE

Notice is hereby given that the **Twenty Eighth** Annual General Meeting of the Members of Paramount Cosmetics (India) Limited will be held on Monday, the 30th day, of September, 2013 at 11:00 a.m. at the Registered Office of the Company at A-1/2211 III Phase, G.I.D.C Vapi – 396 195, District - Valsad, Gujarat, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2013 and Statement of Profit & Loss Account for the year ended on that date together with the Cash Flow Statement for the year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares of the Company for the Financial Year 2012-13.
3. To appoint a Director in place of Ms. Aartii Topiwaala, who retires by rotation and being eligible, offers herself for re-appointment.
4. To re-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 fix their remuneration.

SPECIAL BUSINESS:

5. To consider adoption of the following resolution, with or without modification, as a **(As Special resolution)**
“RESOLVED THAT pursuant to the provisions of Section(s) 198, 269, 317 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (“the Act”, including any statutory modification(s) or re-enactment thereof, for the time being in force) if any, and subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to appoint Mr. Hiitesh Topiwaalla as Managing Director of the Company for a period of five (5) years with effect from 1st April, 2014 to March 31, 2019 and payment of remuneration to him for first three years of his appointment i.e. from 1st April, 2014 to 31st March, 2017 on the following terms and conditions :

- | | | |
|-----|---|---|
| (A) | Salary | Rs. 72,00,000/- per annum |
| (B) | Perquisites, allowances, retivals & other benefits, reimbursements and | Rs. 28,00,000/- per annum |
| (C) | Commission | 5% of the Net Profit of the Company, Subject to overall limit of Companies Act, 1956. |

(D) **Other benefits**

- (i) Earned /privilege leave: As per the rules of the Company.
- (ii) Contribution to Provident Fund, Superannuation fund or annuity fund as per the Company's rules and applicable provisions of the relevant statutes. Gratuity payable should not exceed half month's salary for each completed year of service subject to maximum prescribed limit.
- (iii) Use of Company's car and telephone at residence for official purposes.
 The valuation of perquisites shall be as per the provisions of the Income Tax Act, 1961 (includes any modification, amendment or re-enactment).

- (E) The Managing Director, so long as he functions as such, shall not be paid any sitting fee for attending meetings of the Board of Directors or any Committee(s) thereof.

(F) **TERMINATION**

The appointment of Managing Director shall be terminated by either party giving to other six Calendar months notice in writing. In the event of termination of appointment of Managing Director by the Company, he shall be entitled to receive compensation in accordance with provisions of section 318 of the Act.

(G) **CEILING ON REMUNERATION**

The aggregate remuneration shall not exceed the limits provided in Sections 198 and 309 of the Act.

Pursuant to paragraphs (C) of Section II of Part II of the Schedule XIII and other applicable provisions of the Act, if any, and subject to such approvals as may be necessary, wherein in any financial year during the tenure of his service, the Company has no profits or its profits are inadequate, the Company may pay to Mr. Hiitesh Topiwaalla, Managing Director, remuneration by way of salary, perquisites and other terms as specified supra, as minimum remuneration.

RESOLVED FURTHER THAT the detailed salary break up as enumerated above, may be interchanged/expanded as may be agreed by and between Mr. Hiitesh Topiwaalla and the Company, within overall remuneration limit of Rs. 1,00,000,00 /- per annum.

RESOLVED FURTHER THAT Chief Financial Officer and/or Company Secretary, be and are hereby severally authorised to make necessary applications to Central Government for obtaining approval as above, including accepting any modifications that may be proposed by the Central Government and to take all such actions as may be considered necessary to give effect to the above resolution, including filing of necessary statutory forms and sub- delegation to any other officer of the Company.”

**By order of the Board of Directors
For Paramount Cosmetics (I) Ltd.**

sd/-

**Deepika Srivastava
Company Secretary**

**Place: Bangalore
Date: 31.07.2013**

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 TWENTY EIGHTH ANNUAL GENERAL MEETING. A PROXY MAY NOT VOTE EXCEPT ON A POLL. **A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.**
- b. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 21.09.2013 to Monday, 30.09.2013 (both days inclusive), in terms of Section 154 of the Companies Act, 1956 and the Listing Agreement with the Bombay Stock Exchange where the Shares of the Company are listed.
- c. The Dividend on Equity Shares as recommended by the Directors, if declared at the Meeting, will be paid within the statutory period of 30 days to those Members whose names shall appear on the Company's Register of Members on September 20, 2013. 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. In case you have any query relating to the enclosed Annual Accounts you are requested to send the same to the Company Secretary at the Corporate Office of the Company at least 10 days before the date of Annual General Meeting so as to enable the Company to furnish information.
- e. Members are requested to notify immediately of any change in their address to the Company's Registrar and Share Transfer Agent. Members holding shares in electronic form are advised to notify any change in their address to the concerned depository participant.
- f. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of Shares or any other Share related matters and/or change in address, furnishing of details of their bank accounts or updation thereof, to Company's Registrar - **BgSE Financials Limited**, Stock Exchange Towers, No. 51, 1st Cross, J. C. Road, Bangalore – 560027. Ph. No. 080 41329661. E-mail: rta_admin@bfsi.co.in or manager_rta@bfsi.co.in
- g. As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders, in respect of shares held by them. Nomination forms can be obtained from the Registrar and Share Transfer Agent of the Company.
- h. The Securities and Exchange Board of India has notified that the shareholders/ transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their Income Tax Permanent Account Number (PAN) card to the Company / RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/ transferee of shares (including joint holders) in physical form are requested to furnish a certified copy of their PAN card to the Company/ RTA while transacting in the securities market including transfer, transmission or any other corporate action.
- i. Corporate members are requested to send, a duly certified copy of the board resolution/power of attorney authorizing their representative to attend and vote at the Annual General Meeting.
- j. Members/proxies are requested to bring duly filled admission/attendance slips sent herewith along with the copies of Annual Reports at the Meeting.
- k. The Company's Securities are listed at the Bombay Stock Exchange Limited, Mumbai. The Company has paid Annual Listing fee to the Stock Exchange for the Financial Year 2013-14.

**By order of the Board of Directors
For Paramount Cosmetics (I) Ltd.**

sd/-

**Place: Bangalore
Date: 31.07.2013**

**Deepika Srivastava
Company Secretary**

Details of Director seeking appointment / re-appointment at the Annual General Meeting to be held on September 30, 2013
(Additional information pursuant to Clause 49 of the Listing Agreement)

| Particulars | Details |
|--|---|
| Name of the Director | Aartii Topiwaala |
| Date of Birth | 18.07.1972 |
| Date of Appointment | 31.03.2011 |
| Brief Profile & Experience in specific functional areas | Rich experience of more than 18 years in the fashion industry |
| Qualification | Bachelor of Commerce |
| Shareholding in the Company | 2600 Equity shares of Rs.10/- each |
| List of other public Companies in which Directorships held as on March 31, 2013 | NIL |
| List of Chairmanship/ Membership of the Committees of Board of Public Companies as on March 31, 2013 | Paramount Cosmetics (India) Limited: Audit Committee - Member Remuneration Committee - Member Shareholder's Grievance Committee- Member Share Transfer Committee - Member |

EXPLANATORY STATEMENT

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

Item No. 5

Mr. Hiitesh Topiwaalla is the Managing Director of the Company since 2005 and was re-appointed from time to time.

In terms of the Schedule XIII of the Companies Act, 1956, the Remuneration Committee of the Board of Directors had approved the remuneration payable to Mr. Hiitesh Topiwaalla, Managing Director for the first three years of his appointment i.e. 1st April, 2014 to 31st March, 2017 in its meeting held on 31.07.2013.

The remuneration recommended for payment to the Managing Director is set out in the Draft Resolution and the same is subject to your approval and approval of the Central Government.

INFORMATION IN PURSUANCE OF SECTION II OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956 AND LISTING AGREEMENT IS GIVEN BELOW:

1. General Information

| | |
|---|---|
| (a) Nature of Industry | Manufacturing of Traditional Cosmetics |
| (b) Date of commercial production or expected date of commencement of commercial production | Commercial production has already commenced. |
| (c) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not Applicable |
| (d) Financial performance based on given indicators | (Rs. in crores) 2012-2013 |
| | Gross Sales 46.56 |
| | Profit/(Loss) after Tax 1.42 |
| | Rate of Dividend 6% |
| | Earning per Share (in Rs.) 2.91 |
| (e) Export performance and net foreign exchange earnings | The Company had exported around 51,98,406 in the financial year 2012-13. Foreign Exchange earned and used during financial year 2012-13: |

(Rs. in Crores)

| | |
|------------------------------|-------|
| Foreign exchange earned | 0.52 |
| Foreign Exchange used | 1.25 |
| Net Foreign Exchange Earning | (.73) |

(f) Foreign investments or collaborators, if any.

The Company has no foreign investment/ collaborations as on 31-3-2013

2. Information about the appointee:

- (a) Name Mr. Hiitesh Topiiwaalla
- (b) Age 41 years
- (c) Qualifications B.Com
- (d) No. of Equity Shares held in the Company 31,89,540/-
- (e) Expertise / Employment records
Mr. Hiitesh Topiiwaalla was appointed as Director in the Company in 1991. He was then appointed as Managing Director of the Company w.e.f 01.08.2005. His re-appointment has taken place from time to time. Mr. Topiiwaalla brings with him rich experience in cosmetic industry, with his vision and leadership qualities he is preparing Paramount Group for the emerging competitive, globalised business environment and steer it to greater heights.
- (f) Other Directorships
 1. Paramount Kum Kum Pvt. Ltd.
 2. Paramount Personal care Pvt. Ltd.
 3. PETL Exports Pvt. Ltd.
 4. Parcos Brands Investment Pvt. Ltd.
 5. Parcos Brands Pvt. Ltd.
 6. Parcos Brands Communication Pvt. Ltd.
- (g) Board Committees Memberships Share Transfer Committee Members
- (h) Background Details Details given herein above.
- (i) Past Remuneration
The remuneration drawn by Mr. Hiitesh Topiiwaalla during the past five years is as follows:-
- | Year | Rs. In Lacs |
|---------|-------------|
| 2009-10 | 27.62 |
| 2010-11 | 29.41 |
| 2011-12 | 60.49 |
| 2012-13 | 83.71* |
- * Rs 31.5 lacs have been expended for new project from his salary
- (j) Recognition or Awards NIL
- (k) Job Profile and his suitability
Mr. Hiitesh is associated with Paramount Cosmetics (I) Ltd more than 20 years and working as Managing Director since 2005. He has rich and through knowledge in overall operations of company's business, products, processes and Employee Relations and has extensive knowledge of present state of affairs of the Company. His interest are developing new innovative products, developing new methods and approach across various operations and he has an aptitude for Research and Development. Under his dynamic leadership, the Company has significantly expanded its business activities. With his stewardship, the Paramount today is moving ahead in the high growth areas of Traditional Cosmetics and Colour Cosmetics.
- (l) Remuneration proposed As set out in draft resolution at Item No. 1.

- | | |
|--|--|
| (m) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person. | Considering Mr. Hiitesh Topiwaalla's experience and the contributions to the Company's business and keeping in view the high levels of remuneration in India and worldwide at these levels, the remuneration proposed is commensurate with the remuneration packages of similar senior level personnel in other companies. |
| (n) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any. | Does not have any pecuniary relationship with the Company except remuneration drawn by him as & Managing Director and as member to the extent of his shareholding in the Company. He is related to Ms. Aartii Topiwaala , Director. |

3. Other Information:

- | | |
|---|---|
| (a) Reasons of loss or inadequate profits | Profit after Tax for the year ended 31st March 2013 was Rs.1.42 Crore. A combination of less Turnover and more establishment cost is the reason for inadequate profits. |
| (b) Steps taken or proposed to be taken for improvement | The Company has taken necessary steps to reduce cost and a new line of products will be introduced in market which will improve the turnover. |
| (c) Expected increase in productivity and profits in measurable terms | Company shall continue its efforts towards products innovation new products introduction, market penetration, cost control, increase productivity and expansion of production capacity. |

4. Disclosures

- (1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.

The Shareholders are informed about the remuneration package of the managerial person in the resolution and explanatory statement above.

- (2) The following disclosures shall be mentioned in the Board of Director's report under the heading " Corporate Governance", if any attached to the annual report : -
- (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc of all the directors;
 - (ii) Details of fixed component and performance linked incentives along with the performance criteria;
 - (iii) Service contracts, notice period, severance fees;
 - (iv) Stock Option details, if any, and whether the same been issued at a discount as well as the period over which accrued and over which exercisable.

However, the remuneration package of all the directors are disclosed in the disclosures as required under Section 217 of the Companies Act, 1956.

As per Schedule XIII, the proposed remuneration has to be approved by a Special Resolution.

Mr. Hiitesh Topiwaalla is directly interested in the resolution. Ms. Aartii Topiwaala being relative of Mr. Hiitesh Topiwaalla may also be deemed to be interested in the resolution.

Your Directors recommend the resolution for your approval as a Special Resolution.

INSPECTION OF DOCUMENTS

Copies of the Memorandum and Articles of Association of the Company and all other material documents referred to herein above will be available for inspection at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on all working days and will also be available at the meeting

MEMORANDUM OF INTEREST

Except as indicated above and except as a member to the extent of his shareholding in the Company, none of the Directors of the Company is interested in the proposed resolution.

**By order of the Board of Directors
For Paramount Cosmetics (I) Ltd.**

sd/-

**Deepika Srivastava
Company Secretary**

**Place: Bangalore
Date: 31.07.2013**

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 28th Annual Report of your Company, together with the business operations for the year ended **31st March, 2013**.

FINANCIAL RESULTS

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

(Figures in Rs. lakh)

| Particulars | Year ended 31.03.2013 | Year ended 31.03.2012* |
|--|--------------------------|---------------------------|
| Sales and other income | 4,682.22 | 4,478.25 |
| Profit before Depreciation, Interest and Tax | 486.59 | 462.90 |
| Depreciation | 60.38 | 72.92 |
| Interest and Finance Charges | 208.97 | 199.81 |
| Profit before Tax | 217.23 | 190.17 |
| Net Profit | 141.50 | 136.48 |
| Surplus year to date | 585.25 | 471.96 |
| Appropriations | 35.32 | 28.21 |
| Balance carried forward to the Balance Sheet | 552.93 | 443.75 |

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

PERFORMANCE DURING THE YEAR

Sales and other Income of the Company for the year is Rs. 4,682.22 lakhs as compared to Rs. 4,478.25 lakhs in the previous year, showing an increase of 4.55%. Profit before Interest, Depreciation and Tax for the current year is Rs. 486.59 lakhs which is 5.12% higher than the preceding year which was Rs. 462.90 lakhs. Profit after tax is Rs. 141.50 lakhs which is 3.68% higher than the preceding year which stood at Rs. 136.48 lakhs due to increase in sales volume and operational efficiency.

DIVIDEND

The Board of Directors are pleased to recommend a final dividend on Equity shares of Rs. 0.60/- per Equity share (i.e. at the rate of 6%), subject to approval by the Shareholders at the Annual General Meeting.

DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Except as disclosed elsewhere in the Annual Report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of this report.

DIRECTORS

During the year under review, Ms. Aartii Topiwaala, Promoter & Non-Executive Director, retires by rotation and being eligible offers herself for re-appointment.

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

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

A detailed report on Corporate Governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of this Annual Report. A Certificate from the Practicing Company Secretaries, Umesh Kumar & Associates, confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 is provided in another part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to this Report.

AUDITORS

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

AUDITORS' REPORT

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

PARTICULARS OF EMPLOYEES AND DISCLOSURE OF INFORMATION

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

ACKNOWLEDGEMENTS

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

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

On behalf of the Board of Directors

Sd/-

**Hiitesh Topiwaalla
Managing Director**

**Place: Bangalore
Dated: 31st July, 2013**

ANNEXURES TO DIRECTORS' REPORT:

A. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) Appropriate accounting policies have been selected and applied consistently, and have 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 at 31 March, 2013 and of the profits of the Company for the period ended on that date;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The annual accounts have been prepared on a going concern basis.

B. INFORMATION AS PER SECTION 217 (1) (E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2013:

1. CONSERVATION OF ENERGY

- a) **Energy Conservation measures taken** - Though the Company is engaged in to manufacturing activities, but it does not consume high energy for production and therefore it has very limited scope for energy conservation. However, the Company is conscious of energy saving and various initiatives have been taken by the Company to ensure that consumption of energy is at minimal levels in our operations, wherever feasible.
- b) **Additional Investment and proposal, if any, being implemented for reduction of Energy** - No Investment was made during the year under review under the above Head.
- c) **Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the production of goods** - Not Applicable.
- d) **Total consumption and energy consumption per unit of production as per form "A" of the Annexure to the rules in respect of Industries specified in the Schedule thereto** - Not Applicable

2. (A) TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT (R&D)

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

(B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

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

(C) IN CASE OF IMPORTED TECHNOLOGY

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

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

| | | |
|-----|---|--|
| (a) | Activity relating to Exports: Initiative taken to increase Exports, 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. 12,514,062/- |
| | Foreign Exchange earned : | Rs. 51,98,406/- |

Place: Bangalore
Dated: 31st July, 2013

On behalf of the Board of Directors
Sd/-
Hiitesh Topiwaalla
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied. Some important factors that could influence the Company's operations include the effects of demand & supply conditions affecting the selling prices of our products, raw material availability and prices, future changes in government policies & regulations, tax laws, economic conditions within the country and various other factors.

INDUSTRY OUTLOOK

Global cosmetics and toiletries market is witnessing significant growth in terms of sales and technology advancements over the past few years because of increasing consumer awareness towards personal hygiene and health. In today's era people are getting more concerned regarding skin care which is particularly fuelling the robust growth across all market segments and geographies of cosmetics and toiletries market.

Worldwide market for cosmetics and toiletries products was severely affected by economic downturn, but with the global economy recovering, this market is projected to witness a significant growth and by the year 2015 the market size would reach up to USD 19.2 billion. . The 'RNCOS' in their search report "**Indian Cosmetics Sector Forecast to 2015**" has mentioned that the beauty concern among men and women are propelling the Indian Cosmetics Industry, which has witnessing a strong growth in last few years. The Country's cosmetics Sector emerged as one of the markets holding immense growth potential. New products launches catering to consumer growing requirements will fuel the growth in the industry. The report also enlighten that the Indian Cosmetics market registered impressive sales in past and with rising purchasing power and growing fashion consciousness, the Industry is expected to witness a Compound Annual Growth Rate (CAGR) of more than 25% during 2013-15.

DEVELOPMENTS IN THE COMPANY DURING THE CURRENT YEAR

The beauty consumption in India has been increased exponentially since last couple of years. Increased awareness, influence of western culture and growing income levels are some of the factors driving the growth of the Indian Cosmetics industry.

However a Company like us operating in the global cosmetics and toiletries industry not only competes for shelf space in retail outlets with rival Companies offering other well know brands but also with cheaper copy cat brands offering similar unbranded products. Company need to work out innovative strategies to establish a foothold here. Markets for Indian traditional cosmetics products like bindis, kumkum & kajal in very large and scattered among the unbranded product from unorganised sector. In organised sector, "Shilpa" is one of the leading brands and commands immense brand equity among the consumers.

The Company has brought up changes in existing products with improved efficacy and better packaging. Keeping in line with the current products, company has worked upon a series of innovative products in the category of beauty, skin and hair and is all set to launch in the coming years.

The Pristine Green Field project as announced is under construction and is likely to be finished by next year. The project is expected to witness high growth in business and with cost effective production.

FINANCIAL PERFORMANCE

a. Sales and other income

The Sales and other income of your Company for the year was Rs. 4,682.22 lakhs as against Rs. 4,478.25 lakhs in the previous year, showing a growth of 4.55% over the previous year.

b. Material Costs

The material costs for the year were Rs. 3,213.92 lakhs as against Rs. 3,048.33 lakhs in the previous year. The material costs as to percent to sales has increased by 0.57%.

c. Employment Costs

The expenses pertaining to employment costs have increased from Rs. 394.52 lakhs in the previous year to Rs. 402.18 lakhs showing an increase of 1.94% on account of gearing up the core team for taking the Company to the next level.

d. Operational and other expenses

During the year under review, the operational and other expenses, as compared to the previous year, have increased by 1.23% from Rs. 572.49 lakhs to Rs.579.52 lakhs.

e. Finance Costs

The interest paid has increased from Rs. 199.81 lakhs in the previous year to 208.97 lakhs in the current year showing an increase of 4.58% over the last year. The interest cost has gone up mainly due to increase of interest rates.

f. Depreciation

The depreciation for the year was Rs. 60.38 lakhs as against Rs. 72.92 lakhs in the previous year showing a decrease of 17.19 % due to certain assets charged off and no major addition to fixed assets.

g. Profit before tax

Profit before tax (PBT) stood at Rs. 217.23 lakhs as against Rs. 190.17 lakhs in the previous year, showing an increase of 14.23%. The change in PBT was mainly due to increase in sales, other income and material cost and decrease in the depreciation.

OPPORTUNITIES

The Company during the years has evolved itself in to the Cosmetics Industry and has established its brand which has not only a strong market value but has established a visibility in market and in minds of customers. Company is still encashing its punch line '*Shilpa Char Chand Lagaye*' in the minds of the Customers.

The Indian Cosmetic Industry is characterized by highly competitive marketing strategy and as one of its strategy Company through its constant research and innovation is striving to come up with new and improved products with improved formulations in different price segments such as to satisfy its customer with wide variety in each segment, in attractive packaging and designs.

THREATS

Notwithstanding the apparent growth of the Cosmetics Industry during the past four decades, there are currently more than 700 growing Cosmetics Companies competing in market. Additionally, there are also products available from unorganized sector in the market that are of cheap quality.

Furthermore, the consumer have lots of brand choice, as Cosmetics market is flooded with many brands, due to this demand, product becomes more elastic. Entry of foreign competitors has created stiff and intensifying competition since the customer now days do have brand awareness but they do not follow brand loyalty.

OUTLOOK

Cosmetics Industry has emerged as one industry holding huge potential for future growth. It is contributing to the economic growth of country. If we look around we find that what existed 20 or 30 years ago in cosmetic industry has totally changed. Cosmetics industry is more mature. During three to four decades, from 1970 to 2010, the industry has gained a momentum and shall continue into the coming years. Fast innovation is the key to this booming industry. Consumers' high aspirations have driven to bring a revolution in the Industry.

RISKS & CONCERNS

A company is subject to certain risks that affect its ability to operate, serve its business and protects its assets. It includes among others risks such as risk to employees, liability towards others, risk to property and economic slowdown etc.

Company understands above risks and understands its necessity. For the long term Corporate Sustainability and growth of business, Company holds responsibility to control such risk till the point they are controllable and has placed proper mechanism and finding solution to reduce as well as mitigate risk. Company has a mechanism where in anyone can report the unsafe conditions they see also, Company encourages to suggest ways in which Company can operate more safely. Thus, the Company is committed to careful consideration for addressing the risk.

INTERNAL CONTROL SYSTEMS

In order to commensurate with the nature of business, the size and complexity of company's operations, the Company is equipped with qualified and experience people who takes care of internal audit and control system. The control system are so made that they are routinely tested and cover all offices, factories and key areas of business. Significant audit observation 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 system.

On behalf of the Board of Directors

Sd/-

Dated : 31st July, 2013
Place : Bangalore

Hiitesh Topiwaalla
Managing Director

REPORT ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is in line with the requirements of Clause 49 of the listing agreement with Stock exchange and is based on fundamental principles of Fairness, Accountability, Transparency, Integrity and Honesty to achieve sustainable growth.

Company's mission is to constantly review its systems and procedures to achieve the highest level of Corporate Governance. Company has adopted best practice and ethics to conduct while interacting with Shareholders, employees, Government, lenders, banks and other constituents.

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

At Paramount Cosmetics (I) Ltd., Corporate Governance has been an integral part of the way we have been doing our business since inception. We believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

The corporate governance structure in the Company ensures that its Board of Directors is well informed and well equipped to fulfill its overall responsibility by way of providing strategic direction to the senior management, employees, etc. which is needed to meet the aspirations of all stakeholders, including societal expectations. It's initiatives towards adhering to highest standards of governance include: professionalization of the Board and fair and transparent processes and reporting systems.

II. BOARD OF DIRECTORS

BOARD COMPOSITION

The composition of the Board as on 31st March, 2013 is in conformity with Clause 49 of the Listing Agreement, laying down an optimum combination of Executive and Non-Executive Directors, with not less than 50 per cent of the Board comprising of Non-Executive Directors, and at least one-half comprising of Independent Directors for a Board chaired by Executive Director. As on March 31, 2013, Company's Board consists of 4 members. Besides the Chairman, who is an Executive Promoter Director, the Board comprises of one Non-Executive Promoter Director and Two Non-Executive Independent Directors.

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, 2013 are indicated below:

| Name of Director | Designation | Category | Relation-Ship with each other | Attendance Particulrs | | | No. of Directorship in domestic public Companies** | | No. of Committee membership in domestic public Companies *** | |
|------------------------|-------------------|-----------------------------|---------------------------------|-----------------------|----------|----------|--|-------------|--|-----------|
| | | | | No. of Board meetings | | Last AGM | As Chairman | As Director | As Chairman | As Member |
| | | | | Held | Attended | | | | | |
| Mr. Hiitesh Topiwaalla | Managing Director | Promoter & Executive | Husband of Ms. Aartii Topiwaala | 6 | 6 | Yes | NIL | 1 | NIL | NIL |
| Mr. V. N. Mehta | Director | Independent & Non-Executive | * | 6 | 6 | Yes | NIL | 1 | 2 | NIL |
| Mr. Shishir B. Desai | Director | Independent & Non Executive | * | 6 | 5 | No | NIL | 2 | NIL | 2 |
| Ms. Aartii Topiwaala | Director | Promoter & Non-Executive | Wife of Mr. Hitesh Topiwaala | 6 | 6 | No | NIL | 1 | NIL | 2 |

*None of the Independent Directors are related to any other director of the Company. **Including Paramount Cosmetics (I) Ltd

***For this purpose only Audit Committees and Investors' Grievance Committees of Public companies have been considered.

NOTE: 1) None of the Directors are representing a Lender or Equity Investor.

2) None of the Non-Executive Directors have substantial shareholding in the Company.

III. DIRECTORS' MEMBERSHIP IN BOARD/COMMITTEES OF OTHER COMPANIES

In terms of the Listing Agreement, none of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees (Committees being, Audit Committee and Investors' Grievance Committee) across all the companies in which they are Director. All the Director have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than fifteen public companies.

IV. BOARD MEETINGS

During the financial year 2012-2013 the Board of Directors met Six (6) times on the following dates:-

May 15th, 2012, August 10th, 2012, August 29th, 2012, November 15th, 2012, February 15th, 2013 and March 01st, 2013

The Company has held at least one Board meeting in every three months. The maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

Information supplied to the Board

The Board has complete access to all information with the Company. The information is provided to the Board on regular basis and the agenda papers for the meetings are circulated in advance of each meeting, Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the Listing Agreement for discussion and consideration at Board Meetings.

Code of Conduct

The Board had prescribed the Code of Conduct for all Board Member(s) and Senior Management.

Declaration by C.E.O.

The Managing Director of the Company has given the Certificate as below as per the requirement of Clause 49 of Listing Agreement:

The Board of Directors, Paramount Cosmetics (I) Ltd

Dear Sir,

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2012-13 ended on 31st March, 2013.

Place: Bangalore
Date: 31st July, 2013

Sd/-
Hiitesh Topiwaalla
Managing Director

V. AUDIT COMMITTEE

Composition:

The composition of the Audit Committee is in conformity 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. As on March 31, 2013, the Audit Committee comprises of:

| Name | Designation | Category |
|----------------------|-------------|---------------------------------|
| Mr. V.N. Mehta | Chairman | Independent Director |
| Mr. Shishir B Desai | Member | Independent Director |
| Ms. Aartii Topiwaala | Member | Non-executive Promoter Director |

Ms. Deepika Srivastava, Company Secretary is acting as Secretary of the Audit Committee.

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

I. 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.

II. 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 utilization 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, 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.

Meetings:

During the Financial Year 2012-2013, The Audit Committee met five times on 15/05/2012, 10/08/2012, 29/08/2012, 15/11/2012 and 15/02/2013. All the members attended these meetings. The time gap between any two meetings was less than four months.

The Chairman of the Audit Committee was present at the last Annual General Meeting, to answer the shareholders' queries.

The Committee, in its meeting held on 30th May, 2013 reviewed the Annual Accounts for the period ended 31st March, 2013.

VI. 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 Executive Director, to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director.

Composition: The Remuneration Committee of the Board comprises two independent directors Mr. V.N Mehta, as Chairman and Mr. Shishir B. Desai and one Non executive promoter director Ms. Aartii Topiwaala as Members.

The Remuneration Committee met once during the Financial year, on 25th May, 2012

Details of Remuneration of Directors

The Company has not paid any remuneration to any of its Non-Executive Directors, except the Sitting Fees for attending meetings of the Board meeting for which Rs. 5000 per meeting was paid. The aggregate amount of sitting fees paid during the financial year was Rs. 90,000.

Further, the remuneration paid/payable to Mr. Hiitesh Topiwaalla, Managing Director of the Company for the financial year ended 31.03.2013 is as follows:

Per Annum (In Rs.)

| Particular | Amount |
|--------------------------|--------------------|
| Basic Salary | 33,00,000/- |
| Allowances & Perquisites | 50,71,200/- |
| Total | 83,71,200/- |

No stock options were issued to the directors during the year under report.

VII. Shareholding of the Non Executive Directors in the Company

Details of the share of the Company held by Non-Executive Directors as on March 31, 2013:

| Name of Directors | No. of Equity Shares held | % of Total Paid-up Equity Capital |
|----------------------|---------------------------|-----------------------------------|
| Mr. V.N. Mehta | 200 | 0.0041% |
| Mr. Shishir B Desai | Nil | Nil |
| Ms. Aartii Topiwaala | 2,600 | 0.0535% |

VIII. SHAREHOLDERS' GRIEVANCE COMMITTEE**Constitution**

The **SHAREHOLDERS'** Grievance Committee is duly constituted as per clause 49 of the Listing Agreement of the following members:-

1. Mr. V.N Mehta- Chairman
2. Mr. Shishir B Desai- Member
3. Ms. Aartii Topiwaala –Member

Terms of Reference

The Shareholders' Grievance Committee has been constituted to specifically look into the redressal of Shareholders' complaints and other Shareholders related issues. 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 12th February, 2013. All the Members attended the meeting.

Compliance Officer

Ms. Deepika Srivastava- Company secretary is the Compliance Officer as per the requirements of the Listing Agreement.

Complaints received / resolved

Investor Complaints status as on 31-Mar-2013:

| Opening Balance | Received during the financial year | Resolved during the financial year | Closing Balance |
|-----------------|------------------------------------|------------------------------------|-----------------|
| Nil | 8 | 8 | Nil |

 Pending Share Transfers

No requests for transfer and / or dematerialisation were pending for redressal as on 31st March, 2013.

IX. GENERAL BODY MEETING

The details of the Annual General Meetings held during last three year immediately before March 31, 2013 is given in Table below:

| Year | Date | Venue | Time | No. of Special Resolution Passed at AGM |
|---------|--------------------|---|------------|---|
| 2011-12 | September 29, 2012 | A-1/2211GIDC Vapi-396 195, Dist-Valsad, Gujarat. | 11.00 a.m. | NIL |
| 2010-11 | September 30, 2011 | A-1/2211 GIDC Vapi-396 195, Dist-Valsad, Gujarat. | 11.00 a.m. | 1 |
| 2009-10 | September 30, 2010 | A-1/2211 GIDC Vapi-396 195, Dist-Valsad, Gujarat. | 11.00 a.m. | NIL |

X. POSTAL BALLOT

During the year, the Company has not passed any Special Resolution through Postal Ballot. At present, there is no proposal for passing resolution through Postal Ballot.

XI. DISCLOSURES

- i. **Related Party Transactions:** During the year 2012-13, besides the transactions reported in Note No. 30 to the Accounts in the Annual Report, there are no materially significant related party transactions with the Directors or management or their relatives 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 has 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.
- vi. **Unclaimed Dividend:** Section 205 of the Companies Act, 1956 states that companies transfer Dividend that has been unclaimed for a period of Seven years from its Unpaid Dividend Account to the Investor Education & Protection Fund (IEPF). In accordance with the following Schedule, the Dividends for the years mentioned as below, if unclaimed for a period of Seven years, will be transferred to IEPF:

| Dividend Year | Type of Dividend | Rate of Dividend | Date of Declaration | Due Date of Transfer of IEPF | As on March 31, 2013 |
|---------------|------------------|------------------|---------------------|------------------------------|----------------------|
| 2010-11 | Final Dividend | 5% | 30/09/2011 | 04/11/2018 | 193,198.50 |
| 2011-12 | Final Dividend | 5% | 29/09/2012 | 04/11/2019 | 229,422.00 |

The Shareholder may write to M/s. BgSE Financials Limited before the due dates to claim their unclaimed Dividend. Once the unclaimed Dividend is transferred to IEPF, no claim shall lie in respect thereof with the Company.

XII. 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.

XIII. Management Discussion and Analysis Report

The Management Discussion and Analysis Report and Risk Management Process Highlights (**refer Page 13 to 14**) forms part of the Annual Report.

XIV. GENERAL SHAREHOLDER INFORMATION

1. **AGM: Date, time and venue** – Monday, September 30, 2013, at 11.00 a.m.
A-1/2211 G.I.D.C. Vapi – 396195,
Dist – Valsad, Gujarat.
2. **Financial Calendar** – Year ending: March 31, 2013
3. **Appointment / Re-appointment of Directors**

In accordance with the provisions of Companies Act, 1956 and Articles of Association of the Company, Ms. Aartii Topiwaala, Director retires by rotation at the ensuing Annual General Meeting of your Company, and being eligible, offers herself for re-appointment.

The brief resume and other details relating to Ms. Aartii Topiwaala, Director who is proposed to be appointed/ re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, forms integral part of this Report.

The information / details to be provided for the aforesaid Director is as under:

| Name | Qualification | Brief Resume And Area of Expertise | Other Directorships in Public Companies | Committee Memberships |
|------------------|----------------------|---|---|--|
| Aartii Topiwaala | Bachelor of Commerce | She has a rich experience of more than 18 years in the fashion industry | Nil | Paramount Cosmetics (I) Ltd. Audit Committee - Member Remuneration Committee - Member Shareholder's Grievance Committee - Member Share Transfer Committee - Member |

Ms. Aartii Topiwaala holds 2600 Shares in the Company.

4. Date of Book Closure

21st September, 2013 to 30th September, 2013 (both days inclusive) fixed for the purpose of payment of Dividend for the year 2012-2013.

5. Dividend Payment Date

1. The Board of Directors of the Company have decided to recommend dividend @ 0.60 paisa per share (being 6% of the nominal value of Rs. 10 per share) (Proposed) for the financial year 2012-13, subject to the approval of the shareholders in the forthcoming AGM.
2. The dividend, if declared at the Annual General Meeting, would be paid/dispensed with in 30 days from the date of declaration at the ensuing Annual General Meeting to those persons or their mandatories:-
 - A) Whose names appear as Beneficial Owners as at the end of the business hours on 20th September, 2013 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic mode; and
 - B) Whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 20th September, 2013.
3. The dividend amount shall be credited in the shareholders bank account directly through NECS. Alternatively physical warrant / Demand Draft shall be posted to the shareholders at their registered address available with the Depository/ RTA.

6. Listing

The Company's Shares are listed with following Stock Exchanges:

| LISTING | Scrip Name | Scrip Code / Scrip ID |
|---|--------------|-----------------------|
| Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 | PARAMOUNT CO | 507970 / PARMCOS-B |

Listing Fee: The Company is up-to-date on the payment of Annual listing fee.

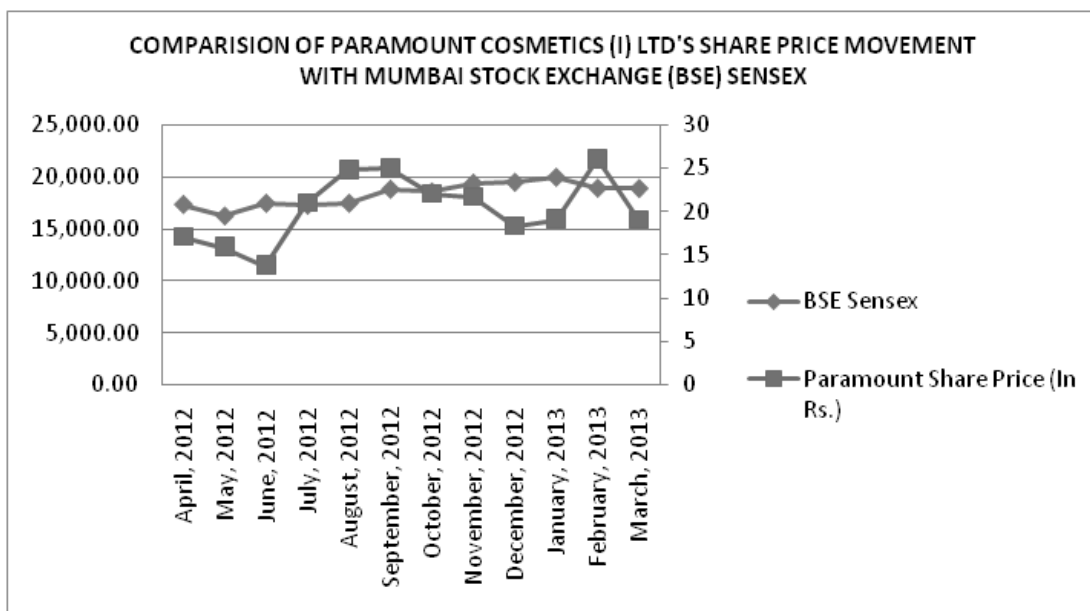
7. Market Price Data

High and Low prices during each month of Financial Year 2012- 2013 on Bombay Stock Exchange Limited are as under:

| Month | High | Low | Close | Volume (No. of Shares) |
|-----------|-------|-------|-------|---------------------------|
| Apr, 2012 | 17.25 | 15.7 | 17 | 1,700 |
| May, 2012 | 17.85 | 15.9 | 15.9 | 500 |
| Jun, 2012 | 15.45 | 13.55 | 13.7 | 1,912 |
| Jul, 2012 | 24.25 | 13.55 | 20.96 | 2,869 |
| Aug, 2012 | 27.1 | 16.85 | 24.8 | 7,445 |
| Sep, 2012 | 28.35 | 22 | 25 | 4,760 |
| Oct, 2012 | 26.25 | 21 | 22 | 5,325 |
| Nov, 2012 | 25.2 | 21.7 | 21.7 | 4,467 |
| Dec, 2012 | 22.6 | 18 | 18.25 | 7,665 |
| Jan, 2013 | 22.05 | 17.65 | 19.05 | 8,975 |
| Feb, 2013 | 34.6 | 18.1 | 26.8 | 3,997 |
| Mar, 2013 | 25.5 | 19.1 | 19.1 | 4,872 |

The Closing Price represents the price on the last trading day of each month of Financial Year 2012-2013.

Paramount Cosmetics (I) Limited's Prices versus Sensitivity at BSE:



Distribution of Shareholding as on 31st March, 2013

| Share held | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shares held |
|-----------------|---------------------|-------------------|--------------------|------------------|
| 01-500 | 7582 | 97.20 | 980346 | 20.19 |
| 501-1000 | 151 | 1.94 | 109819 | 02.26 |
| 1001-2000 | 41 | 0.53 | 58581 | 01.31 |
| 2001-3000 | 7 | 0.09 | 16644 | 00.34 |
| 3001-4000 | 4 | 0.05 | 14874 | 00.31 |
| 4001-5000 | 3 | 0.04 | 13835 | 00.28 |
| 5001-10000 | 6 | 0.08 | 39621 | 00.82 |
| 10001-50000 | 2 | 0.02 | 50700 | 01.04 |
| 50001 and above | 4 | 0.05 | 3570580 | 73.55 |
| Total | 7800 | 100.00 | 4855000 | 100.00 |

Shareholding Pattern as on 31st March, 2013

| Category | No. Of Shares Held | Percentage of Shareholding |
|--------------------------------------|--------------------|----------------------------|
| Promoters | 3628390 | 74.74 |
| Financial Institutions / Banks | 2100 | 00.04 |
| Bodies Corporate | 24218 | 00.50 |
| Mutual Funds and Unit Trust of India | 0 | 00.00 |
| Others | 1200292 | 24.72 |
| Total | 4855000 | 100.00 |

8. Share Transfer System

The Company has appointed M/s. BgSE Financial Limited as Share Transfer Agents and all work relating to share transfers is executed by them. Requests from shareholders holding shares in physical form, received by the Company and Share Transfer Agents are processed by Registrar and Transfer Agents and subject to all documents being in order are put up for approval to the Share Transfer Committee.

9. Investors Relation Centers**Paramount Cosmetics (I) Ltd**

Corporate Office: 902-904, 9th Floor, Prestige Meridian – I - 29, M.G. Road, Bangalore – 560 001.

Paramount Cosmetics (I) Ltd.

Registered Office : A-1/2211, G.I.D.C. Vapi – 396 195 Dist : Valsad (GJ)

10. Investors Communication**Share Transfer System**

The Shares are accepted for registration of transfer at the Head Office of the Company in addition to the office of Registrar and Transfer Agent (RTA), M/s BgSE Financial Limited is fully equipped to undertake the activities of Share Transfers and redressal of Shareholders grievances.

Registrar and Transfer Agents- BgSE Financials Limited

Stock Exchange Towers No. 51, 1st Cross, J.C Road, Bangalore- 560 027 Ph: 080 4124 5039

Email: rta_admin@bfsi.co.in

Dematerialization of Shares and liquidity as on 31st March, 2013

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). 35,06,239 Ordinary Shares of the Company representing 72.22% of the Company's share capital is dematerialized as on 31st March, 2013.

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

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity: Not Applicable

Plant Location **Vapi-A-1/2211, G.I.D.C. Vapi – 396 195**
Dist : Valsad (GJ)
Daman : -168/244 & 168/245,
Dabhel Industrial Society Limited
Dabhel, Daman.

Address for Correspondence **Paramount Cosmetics (India) Limited**
902-904, 9th Floor
Prestige Meridian – I
29, M.G. Road
Bangalore – 560 00
Phone: +91 080 2532 0870 / 71
Fax: +91 080 2559 9065
Email: compliance.officer@paramount.com
Website: www.paramount.com

XV. NON MANDATORY REQUIREMENTS

The status / extent of compliance of non mandatory requirements are as follows:

| S. No. | Non Mandatory Provisions | Status |
|--------|---|---|
| 1. | Maintenance of Non-Executive Chairman's Office Independent Directors' tenure not to exceed nine years in aggregate. | Not Applicable Not adopted. |
| 2. | Remuneration Committee | Already constituted. Details given elsewhere in this report. |
| 3. | Shareholders' rights : Half-yearly financial performance and summary of significant events may be sent to each household of shareholders. | |
| 4. | Audit qualifications : The Company may move towards the regime of unqualified financial statements. | Adopted. |
| 5. | Training of Board Members | All Board members are experts in their respective fields and are well aware of Company's business model and risk profile. |
| 6. | Mechanism for evaluating Non-Executive Board Members | Not adopted. |
| 7. | Whistle Blower Policy | Refer clause XI (iii) herein above. |

On behalf of the Board of Directors

Sd/-

Hiitesh Topiwaalla
Managing Director

Place: Bangalore
Dated: 31st July, 2013

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49(V) of the Listing Agreement

The Board of Directors,
Paramount Cosmetics (I)Ltd.,

Certification to the Board pursuant to Clause 49 (V) of the Listing Agreement

We, Mr. Hiitesh Topiiwaalla, Managing Director of the Company and Mr. Chakravarthi S, Chief Financial Officer of the Company, hereby certify that in respect of the Financial Year ended on March 31, 2013:

- 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 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 2012-13 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 2012-13;
 - II. significant changes, if any, in accounting policies during the year 2012-13 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.

Place: Bangalore
Date: 31st July, 2013

Sd/-
Hiitesh Topiiwaalla
Managing Director

Sd/-
Chakravarthi S
Chief Financial Officer

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, 2013, 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.

For Umesh Kumar & Associates
Practicing Company Secretaries
Umesh Kumar
CP No. 8561

Place: Bangalore
Date: July 31, 2013

**Independent Auditor's Report****To the Members of Paramount cosmetics India Ltd.
Report on the Financial Statements**

We have audited the accompanying financial statements of **Paramount cosmetics India Ltd.** ('the Company') which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, Subject to

- a) Provision of Gratuity for Rs 12,54,171/-is made for those employees who have completed five year of their services,
- b) Balances of Debtors and creditors are subject to confirmation & reconciliation any loss on account of this is undeterminable
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
 - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For R. U. JAIN & CO.

**Chartered Accountants
R. U. JAIN
Proprietor
Membership No. 031037**

**Place: Bangalore
Dated : 30 May, 2013**

Annexure to the Auditors' Report

The Annexure referred to in our report to the members of **Paramount cosmetics (India) Ltd.** ('the Company') for the year ended 31 March 2013. We report that:

- 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 size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- 2 In respect of its inventories:
 - a) As explained to us, inventories have been physically verified by the management at regular intervals during the year, in our opinion the frequency of verification needs to be increased.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on physical verification of inventory as compared to the book records.
- 3 The company has not given any loans, secured or unsecured, to the companies, firm or other parties covered in the register maintained under section 301 of the Act. Hence clauses (iii)(b), (c) & (d) of the order, are not applicable.
 - (a) The Company has taken unsecured loans from three persons covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year end balance of such loan aggregate to Rs. 3,15,43,416 /- and Rs.2,85,43,416/- respectively.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
 - (c) In respect of the aforesaid loan, there is no stipulation about repayment of principal however the loans are repaid as and when demanded by the loaner.
 - (d) The company is regular in payment of interest.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In respect of transactions covered under Section 301 of the Companies Act,1956;
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been properly entered.
 - b) According to the information and explanations given to us, the transactions of purchase of goods and materials and sales of goods, material and services, made in pursuance to contracts or arrangement entered in the registers maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 5,00,000/- (Rupees Five lacs only) or more in respect of each party, have been made at prices which in our opinion are reasonable having regards to prevailing market prices for such goods, material or services or the prices at which similar transaction have been made with other parties as the case may be.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and rules framed there under.
7. In our opinion, the company's present internal audit system is commensurate with the size of its business.
8. The Central Government has not prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company.
9. In respect of statutory dues:
 - a. According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on management representations of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues as applicable have been generally regularly deposited with the appropriate authorities in India except vat dues, income tax deducted at source, ESIC employees & employers contribution and Dividend Tax amounting to Rs 3803512/- (Annex 1)

- b. As at 31st March, 2013 there have been no disputed dues which have not been deposited with respective authorities in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable except:

| Sr No. | Name of the Statute | Nature of the Dues | Amount (Rs. in Lakhs) | Period to which the amount relates | Forum where dispute is pending |
|--------|-------------------------------------|--------------------|-----------------------|------------------------------------|---|
| 1 | Gujrat Sales Tax Sales tax Dept. | Vat Dues | 576.40 | 2005-06 | Commissioner- Commercial Taxes Surat, Gujarat |

10. The company has not incurred cash loss in the current financial year and there is no cash loss in the immediately preceding financial year.
11. According to the records of the Company, the Company has not defaulted in repayment of its dues of any Bank during the year.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's 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 other from bank. According to the information and explanations given to us, we are of the opinion that the terms and Conditions thereof are not prima-facie prejudicial to the interest of the Company.
16. In our opinion, on the basis of information and explanations given to us, the term loans are applied for the purpose for which the loans were obtained.
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 : 30 May, 2013**

**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 | 23,99,537 | July 05 to Aug, 12 | July 05 to Aug, 12 |
| 2 | Income Tax Act -Tax Deducted at Source | TDS | 9,03,947 | April, 08 to Aug, 12 | May, 08 to Sept, 12 |
| 3 | ESIC employees Contribution | ESIC | 28,608 | March, 09 to Mar, 10 | March, 09 to Mar, 10 |
| 4 | ESIC employers Contribution | ESIC | 77,619 | March, 09 to Mar, 10 | March, 09 to Mar, 10 |
| 5 | Dividend Distribution Tax | DDT | 3,93,801 | Sept 2012 | Oct 2012 |
| TOTAL | | | 38,03,512 | | |

BALANCE SHEET AS ON 31ST MARCH, 2013

| | Schedule No. | AS AT 31.03.2013 Rs. | AS AT 31.03.2012 Rs. |
|---|--------------|----------------------------|----------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share Capital | 1 | 48,550,000 | 48,550,000 |
| Reserves and Surplus | 2 | 163,845,311 | 152,930,406 |
| Non-Current Liabilities | | | |
| Long-Term Borrowings | 3 | 28,798,942 | 32,246,099 |
| Other Long-Term Liabilities | 4 | 26,474,677 | 11,749,731 |
| Long-Term Provisions | 5 | 4,077,699 | 3,099,292 |
| Current Liabilities | | | |
| Short-Term Borrowings | 6 | 100,324,728 | 111,475,649 |
| Trade Payables | 7 | 106,047,087 | 99,465,270 |
| Other Current Liabilities | 8 | 24,822,473 | 21,290,603 |
| Short-Term Provisions | 9 | 17,521,834 | 8,782,058 |
| | TOTAL | 520,462,751 | 489,589,108 |
| ASSETS | | | |
| Non-Current Assets | | | |
| Fixed Assets | | | |
| Tangible Assets | 10 | 33,281,596 | 35,038,804 |
| Intangible Assets | | 100,675,159 | 100,893,034 |
| Capital Work-in-Progress | | 8,945,247 | 1,217,584 |
| Deferred Tax Assets (Net) | 11 | 2,771,790 | 1,848,973 |
| Long-Term Loans and Advances | 12 | 30,707,598 | 22,729,077 |
| Other Non-Current Assets | 13 | 9,078,679 | 12,837,384 |
| Current assets | | | |
| Inventories | 14 | 121,359,705 | 95,748,049 |
| Trade Receivables | 15 | 107,969,468 | 122,522,922 |
| Cash and Bank Balances | 16 | 24,988,632 | 23,302,463 |
| Short-Term Loans and Advances | 17 | 76,862,469 | 69,628,410 |
| Other Current Assets | 18 | 3,822,408 | 3,822,408 |
| Significant Accounting Policies Notes on Financial Statements | 1 to 31 | | |
| | TOTAL | 520,462,751 | 489,589,108 |

As per our attached report of even date.
For R.U.JAIN & CO.

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

Chartered Accountants

R.U. JAIN
Proprietor
M.No: 031037

Bangalore
Dated: 30th May, 2013

Hiitesh Topiwaalla
Managing Director

Vishwajeet Mehta
Director

Deepika Srivastava
Company Secretary

Bangalore
Dated: 30th May, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

| | Schedule No. | 31.03.2013 Rs. | 31.03.2012 Rs. |
|--|--------------|--------------------|--------------------|
| INCOME | | | |
| Revenue from Operations | 19 | 465,563,481 | 445,919,672 |
| Other income | 20 | 2,658,574 | 1,905,059 |
| Total Revenue | | 468,222,055 | 447,824,731 |
| Expenses: | | | |
| Cost of Materials Consumed | 21 | 337,095,194 | 303,156,742 |
| Purchases of Stock-in-Trade | | - | 3,819,055 |
| Changes in Inventories of finished goods, work-in-progress and stock-in-trade | 22 | (15,702,846) | (2,143,076) |
| Employee Benefits Expense | 23 | 40,218,494 | 39,452,290 |
| Finance costs | 24 | 20,897,347 | 19,981,017 |
| Depreciation | 10 | 6,038,330 | 7,292,125 |
| Other Expenses | 25 | 57,952,065 | 57,249,371 |
| Total Expenses | | 446,498,584 | 428,807,524 |
| Profit before exceptional and extraordinary items and tax | | 21,723,471 | 19,017,207 |
| Exceptional items | 27 | - | 364,244 |
| Profit before extraordinary items and tax | | 21,723,471 | 19,381,451 |
| Extraordinary Items | | - | - |
| Profit before tax | | 21,723,471 | 19,381,451 |
| Tax expense: | | | |
| (1) Less : Current Tax | | 8,495,973 | 7,581,972 |
| (2) Add :Deferred Tax | 11 | 922,818 | 1,848,973 |
| Profit /(Loss) for the period from continuing operations | | 14,150,316 | 13,648,452 |
| Profit/(loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/(loss) from Discontinuing operations (after tax) | | - | - |
| Profit /(Loss) for the period | | 14,150,316 | 13,648,452 |
| Earnings per equity share: | | | |
| (1) Basic | 28 | 2.91 | 2.81 |
| (2) Diluted | 1 to 31 | | |
| Significant Accounting Policies Notes on Financial Statements. | | | |

As per our attached report of even date.
For R.U.JAIN & CO.

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

Chartered Accountants

R.U. JAIN
Proprietor
M.No: 031037

Bangalore
Dated: 30th May, 2013

Hiitesh Topiwaalla
Managing Director

Vishwajeet Mehta
Director

Deepika Srivastava
Company Secretary

Bangalore
Dated: 30th May, 2013

CASH FLOW STATEMENT FOR THE YEAR 2012-2013

| Particulars | 31.03.2013 Amount Rs. | 31.03.2012 Amount Rs. |
|--|----------------------------|----------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit after taxation, and extraordinary items | 14,150,316 | 13,648,452 |
| Adjustments for : | | |
| Profit/Loss on Sale of Fixed Asset | - | (364,244) |
| Depreciation | 6,038,330 | 7,292,125 |
| Prior Period Expenses | - | - |
| Deferred Revenue Expenditure written off | 3,822,408 | 4,955,434 |
| Transferred from Reserves and Surplus (Provision for Dividend and DDT) | (3,235,411) | (2,821,301) |
| Interest expense | 20,897,347 | 20,021,017 |
| Interest income | (1,910,077) | (1,877,564) |
| Operating profit before working capital changes | <u>39,762,913</u> | <u>40,853,919</u> |
| Adjustments for : | | |
| Decrease/(Increase) in trade and other receivables | 2,176,762 | 5,573,241 |
| Decrease/ (Increase) in Inventories | (25,611,656) | (2,726,198) |
| Increase/(Decrease) in trade and other payable | 21,055,796 | 114,821 |
| Increase/(Decrease) in Deferred Advertisement Expenditure | (3,822,408) | (4,955,434) |
| Net Cash flow from Operating Activities | <u>33,561,407</u> | <u>38,860,349</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (11,790,909) | (4,344,696) |
| Sale of Fixed assets | - | 445,414 |
| Interest received | 1,910,077 | 1,877,564 |
| Net Cash Flow from Investing activities | <u>(9,880,832)</u> | <u>(2,021,718)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Share Capital Calls in Arrears | | |
| Interest paid | (20,897,347) | (20,021,017) |
| Dividends Paid (Including Dividend Distribution Tax) | (2,202,334) | (2,633,223) |
| Proceeds/(Repayment) from Non Current Borrowings | 12,256,196 | (35,291,827) |
| Proceeds from Short Term Borrowings | (11,150,922) | 15,594,563 |
| Net Cash flow from Financing Activities | <u>(21,994,407)</u> | <u>(42,351,504)</u> |
| Net Cash Flow during the year (A+B+C) | 1,686,168 | (5,512,873) |
| Cash and Cash Equivalents at the beginning of the year | 23,302,464 | 28,815,337 |
| Cash and Cash Equivalents at the end of the year | <u>24,988,632</u> | <u>23,302,464</u> |
| Previous year's figure have been regrouped, recast wherever necessary. | | |

As per our attached report of even date.
For R.U.JAIN & CO.

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

Chartered Accountants

R.U. JAIN
Proprietor
M.No: 031037

Bangalore
Dated: 30th May, 2013

Hiitesh Topiwaalla
Managing Director

Vishwajeet Mehta
Director

Deepika Srivastava
Company Secretary

Bangalore
Dated: 30th May, 2013

Notes on Financial Statements for the Year ended 31st March, 2013
The Previous year figures have been regrouped/reclassified, where necessary to conform to the current year presentation.

| | AS AT 31.03.2013 Amount (Rs) | AS AT 31.03.2012 Amount (Rs) |
|--|--------------------------------------|--------------------------------------|
| 1 SHARE CAPITAL | | |
| Share Capital | | |
| Authorised | | |
| 50,00,000 (Prev. year : 5,000,000) Equity Shares of Rs.10/- each | 50,000,000 | 50,000,000 |
| Issued | | |
| 4,887,150 (Prev. year : 4,887,150) Equity Shares of Rs.10 each | 48,871,500 | 48,871,500 |
| Subscribed | | |
| 4,856,650 (Prev. year : 4,856,650) Equity Shares Rs. 10 each fully paid | 48,566,500 | 48,566,500 |
| Paid up | | |
| 4,855,000 (Prev. year : 4,855,000) Equity Shares of Rs.10 each fully paid | 48,550,000 | 48,550,000 |
| Total | 48,550,000 | 48,550,000 |

1.1 The Detail of Shareholders holding more than 5% Equity Shares :

| Name of Shareholder | As at 31st March, 2013 | | As at 31st March, 2012 | |
|---|------------------------|---------------|------------------------|---------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Hiitesh Topiwaalla | 3,107,530 | 64.01% | 3,107,530 | 64.01% |
| Paramount Personal Care Private Limited | 249,000 | 5.13% | 249,000 | 5.13% |
| Total | 3,356,530 | 69.14% | 3,356,530 | 69.14% |

1.2 The Reconciliation of Number of Equity Shares Outstanding and the amount of Equity Share Capital as at 31st March, 2013 and 31st March, 2012 is set out below :

| Particulars | As at 31st March, 2013 | | As at 31st March, 2012 | |
|---|------------------------|-------------------|------------------------|-------------------|
| | Equity Shares | | Equity Shares | |
| | Number | Amount (Rs.) | Number | Amount (Rs.) |
| Shares outstanding at the beginning of the year | 4,855,000 | 48,550,000 | 4,855,000 | 48,550,000 |
| Add : Shares Issued during the year | - | - | - | - |
| Less : Shares bought back during the year | - | - | - | - |
| Shares outstanding at the end of the year | 4,855,000 | 48,550,000 | 4,855,000 | 48,550,000 |

Notes on Financial Statements for the Year ended 31st March, 2013

| 2 | RESERVES AND SURPLUS : | As at 31 March, 2013 | As at 31 March, 2012 | |
|-----|---|-----------------------------|-----------------------------|------------------|
| | | Amount (Rs) | Amount (Rs) | |
| | Share Premium Reserve | | | |
| | Opening Balance | 108,525,000 | 108,525,000 | |
| | Closing Balance | 108,525,000 | 108,525,000 | |
| | Capital Reserves | | | |
| | Opening Balance | 30,650 | 30,650 | |
| | Closing Balance | 30,650 | 30,650 | |
| | Revaluation Reserve | | | |
| | Opening Balance | - | 26,066 | |
| | Less : Transferred to Profit & Loss Account | - | 26,066 | |
| | Closing Balance | - | - | |
| | Profit and Loss Account : | | | |
| | Opening Balance As Per Last Balance sheet | 44,374,756 | 33,547,605 | |
| | Add : Net Profit For the Year | 14,150,316 | 13,648,452 | |
| | Balance | 58,525,072 | 47,196,057 | |
| | Less : -Proposed Dividend on Equity Shares | 2,913,000 | 2,427,500 | |
| | (Dividend Per Share Rs. 0.60 (Previous Year Rs. 0.50) | | | |
| | Less :-Tax on Dividend | 472,576 | 393,801 | |
| | Add:- Excess provision written back of Tax of Earlier year | 150,165 | | |
| | Closing Balance | <u>55,289,661</u> | <u>44,374,756</u> | |
| | Total | <u>163,845,311</u> | <u>152,930,406</u> | |
| 2.1 | The Depreciation on revaluation of building of Rs. 1,21,711/- (P.Y. Rs. 1,09,168/-) for the year have been adjusted against the profit for the year, since there is no balance in revaluation reserve. The amount on account of revaluation of building yet to be adjusted is Rs. 10,95,398/- which will be adjusted as depreciation in the future years. | | | |
| 3 | LONG TERM BORROWINGS | As at 31 March, 2013 | As at 31 March, 2012 | |
| | | Amount (Rs) | Amount (Rs) | |
| | Secured : | | | |
| | From Bank | - | 3,702,683 | |
| | From Others | 255,526 | - | |
| | Term Repayments : 3 Years | | | |
| | Unsecured : | | | |
| | Loans From Related Parties | 28,543,416 | 28,543,416 | |
| | From Other | - | - | |
| | Total | <u>28,798,942</u> | <u>32,246,099</u> | |
| 3.1 | Term Loan (Vehicles) | | | |
| | Repayment Schedule | 1 - 2 Year | 2- 3 Year | 3- 4 Year |
| | From Bank | 3,702,683 | - | - |
| | From Other | 193,955 | 216,947 | 38,579 |
| | | <u>3,896,638</u> | <u>216,947</u> | <u>38,579</u> |
| 3.2 | Vehicle Term Loan are secured against the hypothecation of respective vehicles. | | | |
| 4 | OTHER LONG TERM LIABILITES | As at 31 March, 2013 | As at 31 March, 2012 | |
| | | Amount (Rs) | Amount (Rs) | |
| | Deposit | 10,473,289 | 10,473,289 | |
| | Advance From Customers | 127,516 | 282,330 | |
| | Long Term Trade Payable | 15,873,872 | 994,112 | |
| | Total | <u>26,474,677</u> | <u>11,749,731</u> | |

Notes on Financial Statements for the Year ended 31st March, 2013

| 5 | LONG TERM PROVISIONS | As at 31 March, 2013 | As at 31 March, 2012 |
|---|--|-----------------------------|-----------------------------|
| | | Amount (Rs) | Amount (Rs) |
| | Provision for employee benefits | | |
| | Gratuity | 4,077,699 | 3,099,292 |
| | Total | 4,077,699 | 3,099,292 |
| 6 | SHORT TERM BORROWINGS | | |
| | Working Capital Loan | | |
| | From Bank - Cash Credit | 100,324,728 | 111,475,649 |
| | Total | 100,324,728 | 111,475,649 |

6.1 Cash Credit limit is secured by hypothecation of entire plant and machinery and all the current assets of the Company, equitable mortgage of industrial building and plot of the company at Dabhel and Vapi, office premises of associate company at Bangalore, personal guarantee of Managing Director of the Company and corporate guarantee of associate company.

| 7 | TRADE PAYABLES | | |
|---|-------------------------------------|--------------------|-------------------|
| | Micro, Small and Medium Enterprises | - | - |
| | others | 106,047,087 | 99,465,270 |
| | Total | 106,047,087 | 99,465,270 |

7.1 The details of amount outstanding to Micro, Small and Medium Enterprises based on available information with the company is as under :

| Particulars | As at 31 March, 2013 | As at 31 March, 2012 |
|---|-----------------------------|-----------------------------|
| | Amount (Rs) | Amount (Rs) |
| Principal amount due and remain unpaid | - | - |
| Interest due on above and unpaid interest | - | - |
| Interest accrued and remaining unpaid | - | - |
| Interest due and payable for the period delay | - | - |

| 8 | OTHER CURRENT LIABILITES | As at 31 March, 2013 | As at 31 March, 2012 |
|---|--|-----------------------------|-----------------------------|
| | | Amount (Rs) | Amount (Rs) |
| | Unclaimed Dividend | 422,621 | 197,455 |
| | Proposed Dividend | 2,913,000 | 2,427,500 |
| | Creditor for Capital Expenditure | 227,693 | 534,786 |
| | Current Maturities of Short Term Debts (Refer Note No 3.1) | 3,896,638 | 7,648,602 |
| | Other Payable | | |
| | Statutory Payable | 6,462,718 | 4,112,565 |
| | Advance from Customer | 1,097,142 | 744,527 |
| | Tax on Dividend | 866,377 | 393,801 |
| | Other Payable | 8,936,284 | 5,231,367 |
| | Total | 24,822,473 | 21,290,603 |

| 9 | SHORT TERM PROVISIONS | As at 31 March, 2013 | As at 31 March, 2012 |
|---|---------------------------------|-----------------------------|-----------------------------|
| | | Amount (Rs) | Amount (Rs) |
| | Provision for Employee Benefits | 1,495,723 | 1,251,920 |
| | Provision for Income Tax | 16,026,111 | 7,530,138 |
| | Total | 17,521,834 | 8,782,058 |

**SCHEDULE - 10
FIXED ASSETS**

| | GROSS BLOCK | | | | | | ACCUMULATED DEPRECIATION | | | | NET BLOCK | |
|---|-----------------------|------------------------|--|----------------------------|-----------------------|-----------------------|----------------------------------|--------------------------------|--------------|-----------------------|-----------------------|--|
| | As at 31st March 2012 | Additions/ (Disposals) | Acquired Through Business Combinations | Revaluations (Impairments) | As at 31st March 2013 | As at 31st March 2012 | Depreciation Charge for the year | Adjustment due to revaluations | On Disposals | As at 31st March 2013 | As at 31st March 2012 | |
| FIXED ASSETS | | | | | | | | | | | | |
| TANGIBLE ASSETS | | | | | | | | | | | | |
| Land | 7,949,562 | - | - | - | 7,949,562 | - | - | - | - | 7,949,562 | 7,949,562 | |
| Buildings | 9,083,798 | - | - | - | 9,083,798 | 4,327,714 | 475,608 | - | - | 4,280,476 | 4,756,084 | |
| Plant and Equipment | 15,700,478 | - | - | - | 15,700,478 | 12,910,121 | 388,139 | - | - | 13,298,260 | 2,790,357 | |
| Furniture and Fixtures | 16,626,668 | 2,186,698 | - | - | 18,813,366 | 12,787,341 | 712,675 | - | - | 13,500,016 | 3,839,327 | |
| Vehicles | 24,457,508 | 810,724 | - | - | 25,268,232 | 11,032,920 | 3,483,988 | - | - | 14,516,908 | 13,424,588 | |
| Office equipment | 1,853,384 | 120,540 | - | - | 1,973,924 | 916,811 | 143,911 | - | - | 1,060,722 | 936,573 | |
| Others (specify nature) | | | | | | | | | | | | |
| Electric Installation | 90,457 | - | - | - | 90,457 | 30,544 | 8,334 | - | - | 38,878 | 59,913 | |
| Computer Equipment | 6,241,602 | 147,905 | - | - | 6,389,507 | 5,709,482 | 245,325 | - | - | 5,954,807 | 532,120 | |
| Factory Equipment | 317,519 | 273,765 | - | - | 591,284 | 106,886 | 47,107 | - | - | 153,993 | 210,633 | |
| Mould | 990,589 | - | - | - | 990,589 | 450,942 | 75,065 | - | - | 526,007 | 539,647 | |
| R & D- Equipments | - | 313,614 | - | - | 313,614 | - | 30,303 | - | - | 30,303 | - | |
| Total | 83,311,565 | 3,853,246 | - | - | 87,164,811 | 48,272,761 | 5,610,455 | - | - | 53,883,216 | 33,281,596 | |
| Intangible Assets | | | | | | | | | | | | |
| Goodwill | - | - | - | - | - | - | - | - | - | - | - | |
| Brands /trademarks | - | - | - | - | - | - | - | - | - | - | - | |
| Computer software | 1,585,170 | 210,000 | - | - | 1,795,170 | 692,136 | 427,875 | - | - | 1,120,011 | 893,034 | |
| Mastheads and publishing titles | - | - | - | - | - | - | - | - | - | - | - | |
| Mining rights | - | - | - | - | - | - | - | - | - | - | - | |
| Copyrights, and patents and other intellectual property rights, services and operating rights | 100,000,000 | - | - | - | 100,000,000 | - | - | - | - | - | 100,000,000 | |
| Recipes, formulae, models, designs and prototypes | - | - | - | - | - | - | - | - | - | - | - | |
| Licenses and franchise | - | - | - | - | - | - | - | - | - | - | - | |
| Others (specify nature) | - | - | - | - | - | - | - | - | - | - | - | |
| Total | 101,585,170 | 210,000.00 | - | - | 101,795,170 | 692,136 | 427,875 | - | - | 1,120,011 | 100,675,159 | |
| Capital Work In Progress | | | | | | | | | | | | |
| Capital Work In Progress | 1,217,584 | 7,727,663 | - | - | 8,945,247 | - | - | - | - | - | 1,217,584 | |
| Total | 1,217,584 | 7,727,663 | - | - | 8,945,247 | - | - | - | - | - | 1,217,584 | |
| Grand Total | 186,114,319 | 11,790,909 | - | - | 197,905,228 | 48,964,897 | 6,038,330 | - | - | 55,003,227 | 142,902,002 | |
| Previous year | 182,763,608 | 3,350,711 | - | - | 186,114,319 | 42,559,521 | 7,318,191 | - | (912,814) | 48,964,898 | 140,204,086 | |

Notes on Financial Statements for the Year ended 31st March, 2013

| | | | |
|-----------|---|-----------------------------|-----------------------------|
| 11 | Deferred Tax Assets (Net) | As at 31 March, 2013 | As at 31 March, 2012 |
| | | Amount (Rs) | Amount (Rs) |
| | Deferred Tax Assets | | |
| | Disallowance under Income Tax Act, 1961 | 2,669,414 | 2,262,928 |
| | Related to Fixed Assets | 102,376 | - |
| | Total - A | 2,771,790 | 2,262,928 |
| | Deferred Tax Liabilities | | |
| | Related to Fixed Assets | - | 413,955 |
| | Total - B | - | 413,955 |
| | Total - (A - B) | 2,771,790 | 1,848,973 |
| | | | |
| 12 | LONG TERM LOANS AND ADVANCES | As at 31 March, 2013 | As at 31 March, 2012 |
| | | Amount (Rs) | Amount (Rs) |
| | (Unsecured and Considered Good) | | |
| | Trade Receivable | 7,616,804 | 4,412,012 |
| | Capital Advances | 1,244,246 | 1,313,096 |
| | Advance to Suppliers | 10,377,550 | 10,382,918 |
| | Deposits | 1,791,766 | 1,294,080 |
| | Advance Income Tax (Included MAT Credit & TDS Receivables) | 1,997,094 | 1,895,538 |
| | Income Tax | 7,530,138 | 3,281,433 |
| | Other Loans and Advances | 150,000 | 150,000 |
| | Total | 30,707,598 | 22,729,077 |
| | *Includes loan to Employees and Other Advances. | | |
| | | | |
| 13 | OTHER NON CURRENT ASSETS | As at 31 March, 2013 | As at 31 March, 2012 |
| | (Unsecured and Considered Good) | Amount (Rs) | Amount (Rs) |
| | VAT Credits | 5,232,772 | 5,169,069 |
| | Other Non-Current Assets* | 23,500 | 23,500 |
| | Deferred Revenue Expenses | 3,822,407 | 7,644,815 |
| | Total | 9,078,679 | 12,837,384 |
| | *NSC Deposited with Daman Sales Tax Department. | | |
| | | | |
| 14 | INVENTORIES | As at 31 March, 2013 | As at 31 March, 2012 |
| | As taken valued and as certified by the Management at lower of cost or Net Realisable value unless stated other wise | Amount (Rs) | Amount (Rs) |
| | Raw Materials | 15,802,355 | 5,268,350 |
| | Finished Goods | 98,676,476 | 79,852,866 |
| | Stock-In-Trade | 3,881,115 | 7,001,879 |
| | Packing Materials | 2,999,759 | 3,624,954 |
| | Total | 121,359,705 | 95,748,049 |
| | | | |
| 15 | TRADE RECEIVABLES | As at 31 March, 2013 | As at 31 March, 2012 |
| | (Unsecured and Considered Good) | Amount (Rs) | Amount (Rs) |
| | Over Six Months | 741,891 | 3,715,274 |
| | Others | 107,227,577 | 118,807,648 |
| | Total | 107,969,468 | 122,522,922 |

Notes on Financial Statements for the Year ended 31st March, 2013

| 16 CASH AND BANK BALANCES | As at 31 March, 2013 Amount (Rs) | As at 31 March, 2012 Amount (Rs) |
|---------------------------|---------------------------------------|---------------------------------------|
| Balance with Banks # | 2,945,208 | 963,391 |
| Cash on Hand | 1,142,881 | 769,059 |
| Fixed Deposit with bank * | <u>20,900,543</u> | <u>21,570,013</u> |
| Total | <u>24,988,632</u> | <u>23,302,463</u> |

* Fixed deposits with bank includes Rs. 5,16,462/- (P.Y. Rs. 5,16,462/-) deposit more than 12 months maturity.

* Fixed Deposits includes Margin Money Deposit Rs. 27,04,095/- (P.Y. Rs. 24,41,123/-) and Rs 1,66,75,000/- (P.Y. Rs. 1,66,75,000/-) stand as collateral security with Bank.

Balance with Bank includes Unclaimed dividend of Rs. 4,22,621/- (P.Y. Rs. 1,97,455/-).

| 17 SHORT TERM LOAN AND ADVANCES (Unsecured and Considered Good) | As at 31 March, 2013 Amount (Rs) | As at 31 March, 2012 Amount (Rs) |
|--|---------------------------------------|---------------------------------------|
| Deposit | 57,500,000 | 57,500,000 |
| Prepaid Expenses | 1,301,795 | 760,442 |
| Others* | 18,060,674 | 11,367,968 |
| Total | <u>76,862,469</u> | <u>69,628,410</u> |

* Includes Advances to Suppliers Rs. 1,01,90,970/- (P.Y. Rs 92,38,404/-) and Advance to Staff Rs. 19,51,978/- (P.Y. Rs. 19,64,825/-)

| 18 OTHER CURRENT ASSETS | As at 31 March, 2013 Amount (Rs) | As at 31 March, 2012 Amount (Rs) |
|---------------------------|---------------------------------------|---------------------------------------|
| Deferred Revenue Expenses | 3,822,408 | 3,822,408 |
| Total | <u>3,822,408</u> | <u>3,822,408</u> |

| 19 REVENUE FROM OPERATIONS Particulars | 2012-13 Amount (Rs) | 2011-12 Amount (Rs) |
|---|---------------------------|---------------------------|
| Sale of Cosmetic Products | 465,341,330 | 445,797,628 |
| Other Operating Revenue | 222,151 | 122,044 |
| Total | <u>465,563,481</u> | <u>445,919,672</u> |

| 19.1 REVENUE FROM OPERATIONS Particulars | 2012-13 Amount (Rs) | 2011-12 Amount (Rs) |
|---|---------------------------|---------------------------|
| Sale of Cosmetics Products | 464,565,140 | 433,603,743 |
| Trading Sales of Cosmetics Products | 776,190 | 12,193,885 |
| Total | <u>465,341,330</u> | <u>445,797,628</u> |

| 20 OTHER INCOME | 2012-13 Amount (Rs) | 2011-12 Amount (Rs) |
|----------------------------|--------------------------|--------------------------|
| Interest | 1,910,077 | 1,877,564 |
| Other Non Operating Income | 748,497 | 27,495 |
| Total | <u>2,658,574</u> | <u>1,905,059</u> |

Notes on Financial Statements for the Year ended 31st March, 2013

| 21 | COST OF MATERIAL CONSUMED | 2012-13 | | 2011-12 | |
|------|--|---------------------------|------------------|---------------------------|---------------------------|
| | | Amount Rs. | % of Consumption | Amount Rs. | % of Consumption |
| | Imported | 15,486,818 | 4.6% | 11,730,636 | 3.9% |
| | Indigenous | 321,608,376 | 95.4% | 291,426,106 | 96.1% |
| | Total | <u>337,095,194</u> | | <u>303,156,742</u> | |
| 21.1 | PARTICULARS OF MATERIAL CONSUMED | | | 2012-13 | 2011-12 |
| | Particulars | | | Amount (Rs) | Amount (Rs) |
| | Sheets and Folders | | | 328,100,046 | 277,784,313 |
| | Others | | | 8,995,148 | 25,372,429 |
| | Total | | | <u>337,095,194</u> | <u>303,156,742</u> |
| 22 | CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-TRADE | | | 2012-13 | 2011-12 |
| | | | | Amount (Rs) | Amount (Rs) |
| | Inventories (at Close) | | | | |
| | Finished Goods | | | 102,557,591 | 86,854,745 |
| | Inventories (at Commencements) | | | | |
| | Finished Goods | | | 86,854,745 | 84,711,669 |
| | Total | | | <u>15,702,846</u> | <u>2,143,076</u> |
| 23 | EMPLOYEE BENEFITS EXPENSE | | | 2012-13 | 2011-12 |
| | | | | Amount (Rs) | Amount (Rs) |
| | Salary and Wages | | | 31,674,650 | 30,759,078 |
| | Director Remuneration | | | 8,371,200 | 6,049,420 |
| | Less:- For new project | | | -3,150,000 | - |
| | Contribution to Provident Fund and Other Fund | | | 2,730,153 | 2,170,845 |
| | Staff Welfare Expenses | | | 592,491 | 472,947 |
| | Total | | | <u>40,218,494</u> | <u>39,452,290</u> |
| 24 | FINANCE COSTS | | | 2012-13 | 2011-12 |
| | | | | Amount (Rs) | Amount (Rs) |
| | Interest Expense | | | 19,086,026 | 18,609,169 |
| | Other Borrowing Costs | | | 1,591,702 | 1,205,981 |
| | Net loss on foreign currency transactions and translations | | | 219,619 | 165,867 |
| | Total | | | <u>20,897,347</u> | <u>19,981,017</u> |
| 25 | OTHER EXPENSES | | | 2012-13 | 2011-12 |
| | | | | Amount (Rs) | Amount (Rs) |
| | Manufacturing Expenses | | | | |
| | Consumable Stores and Spares | | | 279,901 | 227,469 |
| | Labour Charges | | | 2,310,206 | 2,043,726 |
| | Electric Power & Fuel | | | 395,163 | 273,276 |
| | Repairs to Building | | | 9,207 | 278,534 |
| | Repairs to Machinery | | | 104,474 | 19,665 |
| | Total | | | <u>3,098,951</u> | <u>2,842,670</u> |

Notes on Financial Statements for the Year ended 31st March, 2013**Selling and Distribution Expenses**

| | | |
|--|-------------------|-------------------|
| Advertisement, Selling and Distribution Expenses | 33,068,248 | 33,164,454 |
|--|-------------------|-------------------|

Establishment Expenses

| | | |
|--------------------------------|-----------|-----------|
| Legal and Professional Charges | 4,794,322 | 4,247,746 |
| Rent, rates and taxes | 3,252,089 | 3,433,256 |
| Insurance | 668,522 | 191,813 |
| Other Repairs & Maintenance | 2,448,411 | 3,002,001 |
| Travelling and Conveyance | 3,469,106 | 2,091,589 |
| Payment to Auditor | 325,844 | 319,871 |
| Postage and Telephone | 2,119,039 | 2,003,823 |
| Printing Stationary | 547,673 | 572,136 |
| Other Expenses | 4,159,860 | 5,380,012 |

| | | |
|--------------|--------------------------|--------------------------|
| Total | <u>21,784,866</u> | <u>21,242,247</u> |
|--------------|--------------------------|--------------------------|

| | | |
|--------------------|--------------------------|--------------------------|
| Grand Total | <u>57,952,065</u> | <u>57,249,371</u> |
|--------------------|--------------------------|--------------------------|

Schedule 26**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 a accrual basis for those employees who has completed five year of their employment with the company at the end of financial year.

Significant Accounting Policies Notes on Financial Statements.
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.

| | | | |
|-----------|---------------------------------|----------------|----------------|
| 27 | EXCEPTIONAL ITEMS | 2012-13 | 2011-12 |
| | Surplus on sale of Fixed assets | - | 364,244 |

28.1 VALUE OF CONSUMABLE CONSUMED :

| | 2012-13 | | 2011-12 | |
|--------------|--------------------|-------------------------|--------------------|-------------------------|
| | Amount (Rs) | % of Consumption | Amount (Rs) | % of Consumption |
| Imported | NIL | NIL | NIL | NIL |
| Indigenous | 279,901 | 100% | 227,469 | 100% |
| TOTAL | 279,901 | 100% | 227,469 | 100% |

| | | | |
|-------------|---|----------------|----------------|
| 28.2 | VALUE OF IMPORT ON CIF BASIS IN RESPECT OF | 2012-13 | 2011-12 |
| | Raw Materials | 12,287,314 | 10,451,811 |

| | | | |
|-------------|------------------------------|----------------|----------------|
| 28.3 | PAYMENT TO AUDITOR'S | 2012-13 | 2011-12 |
| 1 | Audit Fee | 84,270 | 82,726 |
| 2 | Tax Audit Fee | 61,798 | 60,665 |
| 3 | Certificate & Other services | 179,776 | 176,480 |
| | Total | 325,844 | 319,871 |

| | | | |
|-------------|-------------------------------------|----------------|----------------|
| 28.4 | EARNINGS IN FOREIGN CURRENCY | 2012-13 | 2011-12 |
| | FOB value of Export Sales | 5,198,406 | 3,746,126 |

28.5 A Sum of Rs.NIL (Previous Year : Rs.28,702) is included under establishment expenses representing Net Prior Period Items.

| | | | |
|-------------|--|----------------|----------------|
| 28.6 | EXPENDITURE IN FOREIGN CURRENCY | 2012-13 | 2011-12 |
| | Travelling Expenditure | 213,010 | 84,800 |
| | Purchase of Samples | 13,738 | - |
| | Total | 226,748 | 84,800 |

| | | | |
|-----------|---|----------------|----------------|
| 29 | EARNINGS PER SHARE: | 2012-13 | 2011-12 |
| | i) Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders | 14,150,316 | 13,648,452 |
| | ii) Weighted Average Number of Equity Shares used as denominator for Calculating EPS | 4,855,000 | 4,855,000 |
| | iii) Basic and Diluted Earning Per Share (In Rs.) | 2.91 | 2.81 |
| | iv) Face Value per equity share (In Rs.) | 10 | 10 |

Significant Accounting Policies Notes on Financial Statements.

30 RELATED PARTY DISCLOSURE

As Per Accounting Standard 18, the disclosure of transaction with the related parties are given below.

(i) List of Related parties where control exists with whom transaction have taken place and relationship:

| Sr. No. | Name of the Related Party | Relationship |
|---------|---|-------------------------|
| 1 | Hiitsh Topiwaalla | Key Management Personal |
| 2. | Aartii Topiwaala | |
| 3. | Paramount Kumkum Private Limited | Associates |
| 4. | Paramount Personal Care Private Limited | |
| 5. | Parcos Brands Communication Private Limited | |
| 6. | PETL Exports Private Limited | |

(ii) Transaction during the year with related parties

| Sr. No. | Nature of Transaction (Excludes Reimbursements) | Year | Amount (Rs) | |
|---------|---|---------|-------------------------|------------|
| | | | Key Management Personal | Others |
| 1 | Unsecured Loan Taken(Repaid) | 2012-13 | - | - |
| | | 2011-12 | (410,604) | - |
| 2 | Purchase of Goods | 2012-13 | - | 16,715,940 |
| | | 2011-12 | - | 5,275,539 |
| 3 | Professional Fees | 2012-13 | - | 509,768 |
| | | 2011-12 | - | 520,299 |
| 4 | Remuneration | 2012-13 | 83,71,200* | - |
| | | 2011-12 | 6,049,420 | - |
| 5 | Director Sitting Fees | 2012-13 | 30,000 | - |
| | | 2011-12 | 25,000 | - |

* Includes Rs.31,50,000 for new project.

Balance as at 31st March, 2013

| Sr. No. | Nature of Transaction | Year | Key Management Personal | Others |
|---------|-----------------------|---------|-------------------------|-------------|
| 1 | Unsecured Loan | 2012-13 | 4,043,416 | 24,500,000 |
| | | 2011-12 | 4,043,416 | 24,500,000 |
| 2 | Sundry Creditors | 2012-13 | - | 26,147 |
| | | 2011-12 | - | 56,683 |
| 3 | Advance for Purchases | 2012-13 | - | 8,682,978 |
| | | 2011-12 | - | 6,902,648 |
| 4 | Deposit | 2012-13 | - | 5,75,00,000 |
| | | 2011-12 | - | 5,75,00,000 |

31 CONTINGENT LIABILITIES AND COMMITMENTS

1. Contingent Liabilities in respect of :

- The sales tax matter in dispute with the Commissioner of Commercial Taxes, Surat, Gujarat, in respect of F.Y. 2005-06 is contested in appeal. On the similar issue in the earlier years the decision was in favour of the Company.
 - Liability in respect of Letter of Credit opened with bank - Rs. 30,75,676 (Previous Year Rs.14,43,380).
 - The estimated amount of contracts remaining to be executed on capital accounts (Net of Advance) and not provided for Rs. 15,88,715 (Previous Year Rs. 3,67,67,090).
- Balances of Debtors, Creditors, Loans and Advances are subject to confirmation.
 - In the opinion of the Board, the current assets, loans and advances are expected to 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.
 - The future liability towards the payment of interest on Hire Purchase loans will be accounted as and when accrue.
 - 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.

As per our attached report of even date.
For R.U.JAIN & CO.

Chartered Accountants

R.U. JAIN
Proprietor
M.No: 031037

Bangalore
Dated: 30th May, 2013

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

Hiitsh Topiwaalla
Managing Director

Vishwajeet Mehta
Director

Deepika Srivastava
Company Secretary

Bangalore
Dated: 30th May, 2013

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: INE143I01013. For any further information or assistance you can contact our Registrars 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, 1st Cross, J.C Road
Bangalore- 560 027
Ph: 080 4132 9661
Email: rta_admin@bfsi.co.in

Thanking you,

Yours Truly,

For Paramount Cosmetics (I) Ltd

Sd/-

Deepika Srivastava
Company secretary

PARAMOUNT COSMETICS (I) LTD.

Regd. Office: A-1/2211, III Phase, GIDC, Vapi- 396 195, 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 Eighth Annual General Meeting of the Company to be held at A-1/2211, III Phase, G.I.D.C. Vapi- 396 195, Dist Valsad, Gujarat on Monday, September 30, 2013 at 11:00 a.m.

Registered Folio No.: *DP ID No:.....

No. of Shares held:..... * Client ID No:

.....
Signature of the Shareholder/ Proxy

Note: Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall. Please carry a Copy of the Annual Report.

*Applicable for the members holding shares in electronic form.

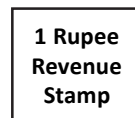
PARAMOUNT COSMETICS (I) LTD.

Regd. Office: A-1/2211, III Phase, GIDC, Vapi- 396 195, Dist. Valsad, Gujarat

PROXY FORM

Regd. Folio No.:No of Shares: *DP ID No: *Client ID No:

I/We of being a member of Paramount Cosmetics (I) Ltd. do hereby appoint of or failing him/her of as my/our Proxy to attend and vote for me/us, on my/our behalf at the 28th Annual General Meeting of the Members of the Company to be held on Monday, September 30, 2013 at 11:00 a.m. at A-1/2211, III Phase, GIDC, Vapi- 395 196, Dist. Valsad, Gujarat and at any adjournment thereof.



Signed thisday of 2013

No. of Shares held:

Name of the Proxy:

Signature of Member

NOTES:

1. The Form should be signed across the stamp as per specimen signature registered with the Company.
2. The proxy form should be deposited at least 48 hours before commencement of the meeting at the registered office of the Company.
3. A proxy need not be a member of the Company.
4. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the Meeting.

* Applicable for the members holding shares in electronic form.



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

FORM B

Format of covering letter of the annual audit report to be filed with the stock exchanges

| | | |
|----|--|--|
| 1. | Name of the Company: | Paramount Cosmetics (I) Ltd |
| 2. | Annual financial statements for the year ended | 31st March, 2013 |
| 3. | Type of Audit qualification | Sales tax matter in dispute to the tune of Rs.576.40 lakhs with the Commissioner of Commercial Taxes, Surat, Gujarat in respect of F.Y. 2005-06. |
| 4. | Frequency of qualification | It is first time. |
| 5. | Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report: | 1-Annexure to the Auditors' Report page no.26 (printed annual report). 2-Notes to financial statements: 31 Contingent liabilities –The sales tax matter in dispute with the Commissioner of Commercial Taxes, Surat, Gujarat, in respect of F.Y. 2005-06 is contested in appeal. On the similar issue in the earlier years the decision was in favour of the Company. |
| 6. | Additional comments from the Board /Audit Committee chair | The Company has contested the department claim and gone for appeal. The Department has raised similar issue in earlier years, which has been decided in favour of the Company. |
| 7 | To be signed by- <input type="checkbox"/> CEO/Managing Director <input type="checkbox"/> CFO <input type="checkbox"/> Auditor of the company <input type="checkbox"/> Audit Committee Chairman | <p><i>Heiten</i></p> <p><i>Pranil</i></p> <p><i>Pranil</i></p> |

