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LAKMÉ

ANNUAL REPORT 1998-99

DYNAMIC

VIBRANT

RESPONSIVE

The success of Lakme as a company, and indeed as a brand, is apparent from the enduring niche it has carved in the mind of the Indian consumer. The Company and its products have been a trusted name in Indian households for decades. As significant as the figures in the balance sheets, the real success of Lakme is its presence with an impressive range on the dressing table of the Indian woman. Lakme has been her friend and confidante through each step, as she progresses from the traditional moulds towards today's modern woman.

Enhancing today's attributes of the Indian woman - dynamic, vibrant and responsive.

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LAKMÉ LIMITED

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

BOARD OF DIRECTORS

S. N. TATA
CHAIRMAN

B. S. BHESANIA

A. D. COOPER

A. HYDARI

H. N. SETHNA

J. R. SHAH

N. A. SOONAWALA

K. N. SUNTOOK

F. E. UDWADIA

REGISTERED OFFICE

BOMBAY HOUSE,
24, HOMI MODY STREET,
MUMBAI 400 001.

LEGAL ADVISERS

MULLA & MULLA &
CRAIGIE, BLUNT & CAROE

S. R. VAKIL

AUDITORS

N. M. RAJI & CO.

SHARE REGISTRARS

AND TRANSFER AGENTS

1. TRANSFER OF SECURITIES

TATA SHARE REGISTRY LTD.

UNIT : LAKME LIMITED

ARMY & NAVY BUILDING,

148, MAHATMA GANDHI ROAD,

MUMBAI 400 001.

2. CORRESPONDENCE

TATA SHARE REGISTRY LTD.

UNIT : LAKME LIMITED

'SHALAKA', 1ST FLOOR,

NEAR COOPERAGE

TELEPHONE EXCHANGE,

MAHARSHI KARVE ROAD,

MUMBAI 400 021.

BANKERS

DENA BANK

STATE BANK OF INDIA

THE HONGKONG & SHANGHAI
BANKING CORPORATION
LIMITED

LAKMÉ

L I M I T E D

NOTICE

NOTICE is hereby given that the **FORTY-FIFTH ANNUAL GENERAL MEETING** of **LAKME LIMITED** will be held at the Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai 400 001, on Tuesday, 26th August, 1997 at 3.30 P.M. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. B. S. Bhesania who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. N. A. Soonawala who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. A. D. Cooper who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to fix their remuneration.

Notes:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY SHOULD HOWEVER BE DEPOSITED AT THE COMPANY'S OFFICE AT MAKER TOWERS 'E', 18TH FLOOR, CUFFE PARADE, MUMBAI 400 005, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The Register of Members will be closed from 1st August, 1997 to 26th August, 1997, both days inclusive. The Transfer Books of the Company will also be closed for the aforesaid period.
- (c) The Dividend, if declared, will be payable on or after 27th August, 1997, to those members whose names appear on the Company's Register of Members as on 26th August, 1997.

By Order of the Board,

H. R. THAKUR
Acting Company Secretary

Registered Office:

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

25th June, 1997.

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DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Annual Report and Audited Accounts for the year ended 31st March, 1997.

Following the major restructuring completed in the previous year, the profile and activities of the Company have undergone significant changes. The level of performance of the year under review cannot, therefore, be compared with past ones.

1. FINANCIAL RESULTS

	1996-97 Rupees in lakhs	1995-96 Rupees in lakhs
Income from Operations	4877.36	8789.07
Profit before Tax and Extra-ordinary items	2096.67	778.67
Extra-ordinary items	217.02	12351.42
Provision for Tax	860.00	2361.69
Profit after Tax	1453.69	10768.40
Investment Allowance		
Reserve written back	65.56	22.24
Balance Brought forward from previous year	511.43	224.09
Balance available for appropriation	2030.68	11014.73
Proposed Dividend	671.07	503.30
Tax on Dividend	67.11	—
Transfer to General Reserve	800.00	10000.00
Profit carried forward	492.50	511.43
	2030.68	11014.73

2. PROFIT

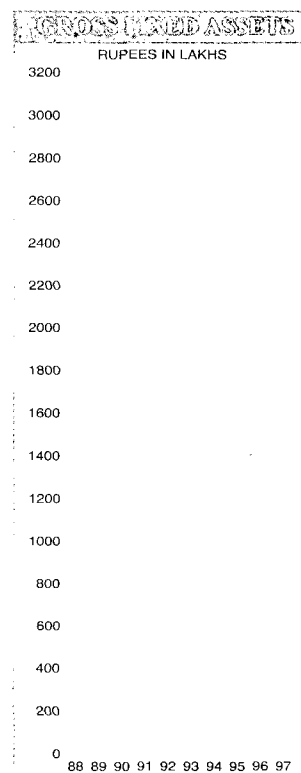
Profit before extra-ordinary items and taxation amounted to Rs. 20.96 Crores compared to Rs. 7.78 Crores in the previous year, reflecting the positive results of the Company's restructured operations. An extra-ordinary income of Rs. 2.17 Crores relates to the transfer of its Miaami Pharma and Chemicals Division. The net profit stands at Rs. 14.53 Crores after providing Rs. 8.60 Crores for taxation.

3. DIVIDEND

A dividend of Rs. 5/- per share is recommended for payment (Previous Year Rs. 7.50) on the enhanced capital, consequent to the issue of Bonus Shares in the ratio of 1:1 involving a distribution of Rs. 738.18 Lakhs, inclusive of tax on Dividend (Previous Year Rs. 503.30 Lakhs). This amounts to an increase of 47% on the total pay-out.

4. OPERATIONS

The turnover of the Cosmetic business at Rs. 31.82 Crores cannot be compared to previous years, as the Sales and Marketing activities have been entirely



LAKME LIMITED

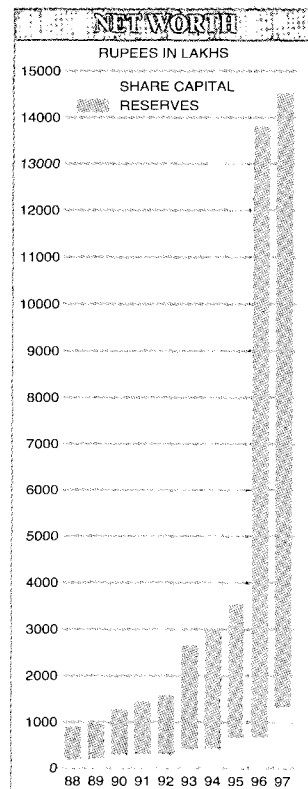
handled by Lakme Lever Limited. As a result, the Company's sales represent the sales value at manufacturing price.

Consequent to the signing of a fresh agreement with the Lakme Workers' Union in April 1997 and introduction of new equipment, production capacities have been substantially increased. This will be reflected in the current year. The Company is also looking at other avenues to expand its capacity to service the needs of the Joint Venture Company.

The Company derived substantial income from interest on short-term loans and advances which, in the aggregate, amounted to Rs. 1553.27 Lakhs.

5. LAKME LEVER LIMITED

The Joint Venture between your Company and Hindustan Lever Limited completed its first year of operation on 31st December, 1996. Net sales at Rs. 134.08 Crores registered a substantial and healthy increase of 30.6% in spite of intense competition from new players and lack of buoyancy in the market. Several

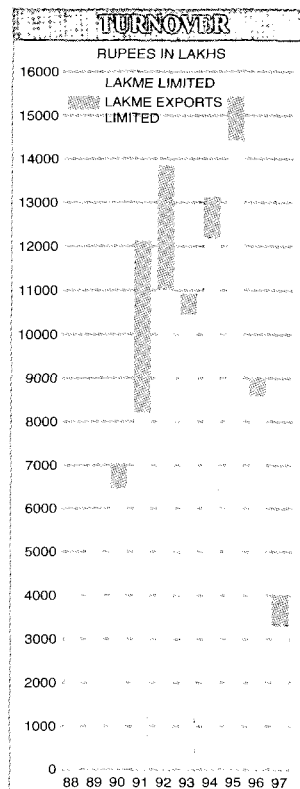


new products and new variants were introduced during the year in Creams, Talcum Powder and Perfumes including a new Colour Cosmetic Line "Elle 18". All met with considerable success.

After writing off a sum of Rs. 101.50 Lakhs for goodwill and payment of royalty and technical fees of Rs. 681.65 Lakhs to Lakme Brands Limited, the net profit amounted to Rs. 190.30 Lakhs. The Joint Venture Company declared a maiden dividend of Rs. 5/- per share involving a distribution of Rs. 100.00 Lakhs.

6. PHARMACEUTICAL BUSINESS

Miaami Pharma and Chemicals Division was transferred to M/s. Bal Pharma Limited, as a going concern, effective 1st September, 1996. The



Division's operations, though improved, resulted in a small loss till the date of transfer to M/s. Bal Pharma Limited.

7. SUBSIDIARY COMPANIES

The results of the Subsidiary Companies are attached to this Report.

1. Lakme Brands Limited which started its operations on 1st January, 1996, developed successfully new products and technologies

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for the use of its clients and undertook new projects in several areas which will shortly fructify.

2. Lakme Exports Limited had a successful year with an enhanced performance, both in sales and profits.

As will be seen from the Annual Reports, both Subsidiaries paid handsome dividends to the Company.

8. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The relevant information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed and forms an integral part of this Report.

The details of Foreign Exchange Earnings and Outgo are as per Note Nos. 19, 17 and 18 on the Balance Sheet and Profit and Loss Account.

9. PERSONNEL

As stated before, the Company and the All India Lakme and Allied Companies' Employees' Union jointly signed a new Agreement to their mutual satisfaction. The Directors are appreciative of the understanding shown by the Union in adopting better work methods and increasing

productivity as befits modern manufacturing facilities.

The Directors also wish to place on record its appreciation of all employees of the Company for their continuous and whole-hearted support, which has contributed to the performance of the Company during the year.

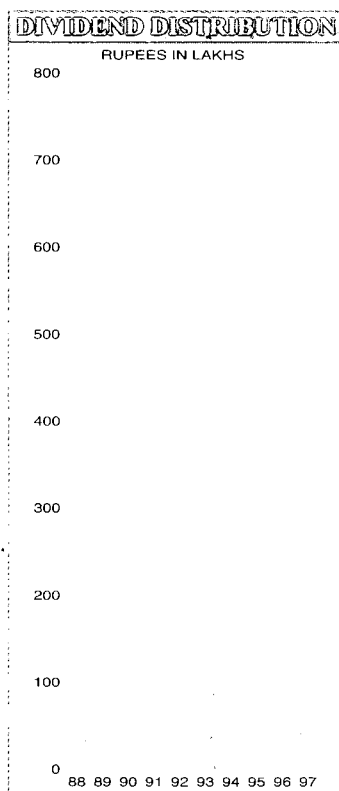
Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, form part of this Report.

10. UNCLAIMED DIVIDEND

As required by the provisions of Rule 4(a) of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the members concerned are hereby informed that Rs. 76,360/- of the unpaid/unclaimed Dividend for the year 1992-93 was transferred to the General Revenue Account of the Central Government. The members concerned were informed individually of the transfer of dividend to the Central Government.

11. FIXED DEPOSITS

The total amount of Fixed Deposits as on 31st March, 1997 was Rs. 169.51 Lakhs. The Company has repaid all Fixed Deposits that have matured and claimed by the Depositors.



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Deposits amounting to Rs. 8.05 Lakhs due for repayment were unclaimed as on 31st March, 1997. Since then, a sum of Rs. 3.11 Lakhs has been claimed and paid.

12. ODD LOT SHARES

A Scheme for purchase of odd lot shares of the Company is being operated by Tata Share Registry Limited. Some members have availed of this facility. The Scheme is open for the members who desire to avail of the benefit.

13. DIRECTORS

Mr. B. S. Bhesania, Mr. N. A. Soonawala and Mr. A. D. Cooper retire at the ensuing Annual General Meeting and are eligible for re-appointment.

14. AUDITORS

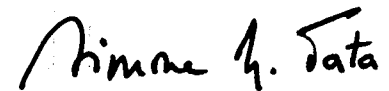
The Auditors of the Company, M/s. N. M. Rajji & Co.

retire at the ensuing Annual General Meeting and offer themselves for re-appointment.

15. COST AUDIT

M/s. Deodhar & Co. were appointed to conduct cost audit of the cost accounts of the Company for the year ended 31st March, 1997.

On behalf of the Board of Directors,



SIMONE N. TATA

Chairman

Registered Office:

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

25th June, 1997.

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ANNEXURE I TO DIRECTORS' REPORT

FORM A

Particulars with respect to Conservation of Energy (relating to the Company's Miaami Pharma and Chemicals Division at Kenjal, Pune) to the extent applicable and upto 31st August, 1996.

A. Power and Fuel Consumption

	1996-97	1995-96
1. Electricity		
Purchased Units (KWH)	3,76,221	8,52,369
Total Amount (Rs.)	13,67,841	27,20,699
Average Rate/Unit (Rs.)	3.64	3.19
2. Fuel Furnace Oil + Light Diesel Oil		
Quantity (KL)	100.000	173.770
Total Amount (Rs.)	7,46,704	12,47,979
Average Rate/Unit (KL) (Rs.)	7,467	7,182

3. Items regarding own generation, consumption of coal and other internal generation are not applicable.

B. Consumption per Unit of Production

Products (with details)

Unit

Electricity

Furnace Oil

Coal (Specify Quality)

Others (Specify)

As the Company manufactured several formulations, it was not possible to apportion the utilities.

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ANNEXURE I TO DIRECTORS' REPORT

FORM B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company :

Research and Development activity has been transferred from 1st January, 1996 to Lakme Brands Limited, a 100% Subsidiary of the Company.

Lakme Limited assists Lakme Brands Limited in the following areas :

- Quality appraisals of products.
- Trouble shooting on process related activity.
- Shelf life testing of different products.

2. Benefits derived as a result of the above R & D :

- A new generation of products are being introduced..
- Productivity and quality enhancement.

3. Future plan of action :

- Lakme Brands Limited will continue to carry on the R & D activities and provide technology to Lakme Limited.

4. Expenditure on R & D :

- Expenditure on R & D is now incurred by Lakme Brands Limited, which is a wholly-owned Subsidiary of the Company.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :

- Commercially viable processes have been adopted.

2. Benefits derived as a result of the above efforts :

- Improved and new products are being constantly launched for domestic and export markets.

3. Imported technology :

- | | | |
|---|---|----------------|
| (a) Technology Imported | : | NONE |
| (b) Year of Import | : | NOT APPLICABLE |
| (c) Has technology been fully absorbed? | : | NOT APPLICABLE |

On behalf of the Board of Directors,

SIMONE N. TATA
Chairman

Mumbai, 25th June, 1997.