

MD	✓		ERC	✓
CS	✓		DY	MA
RC	✓		EV	MA
TEA	✓		AC	✓
AGM	✓	✓	SR	✓
YE	✓	✓		

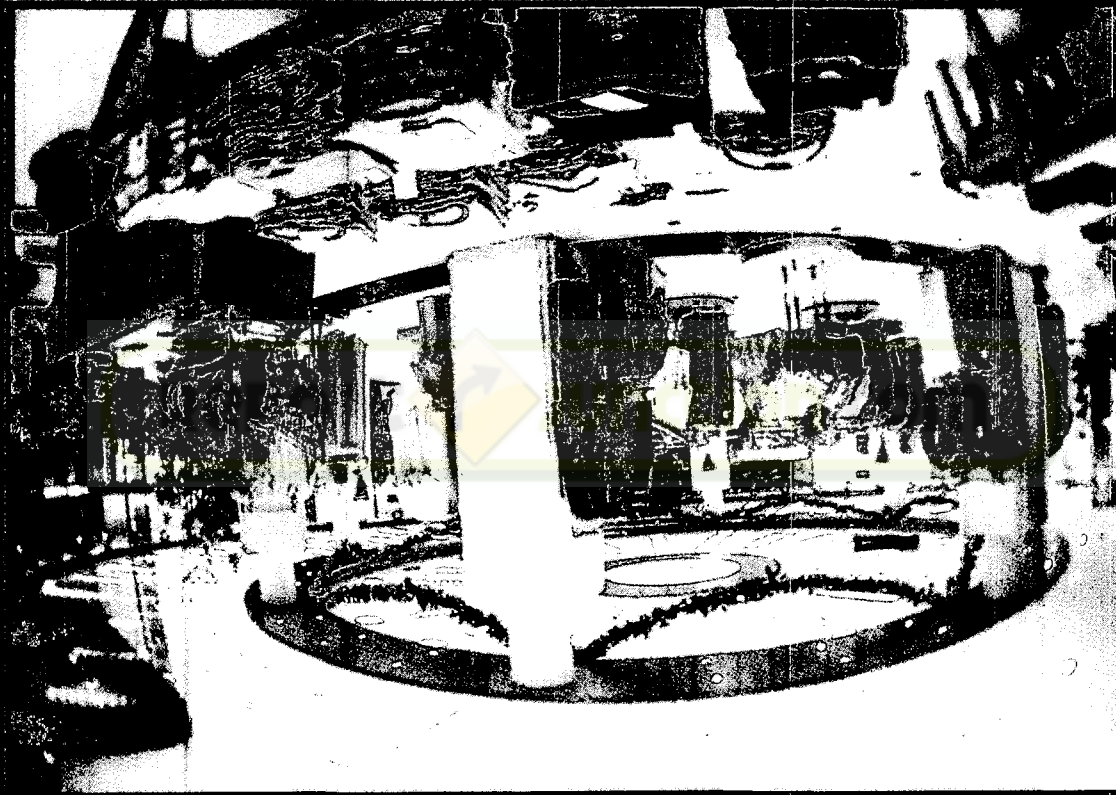
LAKMÉ

annual report
1997-98

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LADIES DEPARTMENT AT WESTSIDE - HYDERABAD



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COVER - Entrance to Westside Bangalore (left)
and Westside Hyderabad (right)

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LAKMÉ
L I M I T E D

BOARD OF DIRECTORS

S.N. Tata
Chairman

B.S. Bhesania

A.D. Cooper

H. N. Sethna

N.A. Soonawala

K.N. Suntook

N.N. Tata

COMPANY SECRETARY

Mrs. H.R. Wadia

REGISTERED OFFICE

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

LEGAL ADVISERS

Mulla & Mulla &
Craigie, Blunt & Caroe

S.R. Vakil

AUDITORS

N. M. Raiji & Co.

BANKERS

Dena Bank

State Bank of India

The Hongkong & Shanghai
Banking Corporation Limited

SHARE REGISTRARS AND

TRANSFER AGENTS

Tata Share Registry Limited
Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001.

LAKME
LIMITED

NOTICE

NOTICE is hereby given that the FORTY-SIXTH ANNUAL GENERAL MEETING OF LAKME LIMITED will be held at the Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai 400 001, on Thursday, 25th February, 1999 at 3.45 P.M. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the fifteen-month period ended 30th June, 1998 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mrs. S. N. Tata who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. K. N. Suntook who retires by rotation and is eligible for re-appointment.
4. **APPOINTMENT OF MR. N. N. TATA
AS DIRECTOR OF THE COMPANY**

To appoint a Director in place of Mr. N. N. Tata who was appointed an Additional Director of the Company by the Board of Directors under Article 128 of the Articles of Association of the Company on 18th December, 1997 and who holds office up to the date of the forthcoming Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director under Section 257 of the Act.

5. **ALTERATION TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

(A) After Article 17, insert the following Article as Article 17A:

Issue of Shares without voting rights	17A In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such shares upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.
--	---

(B) After Article 71, insert the following Heading and Article as Article 71A:

Dematerialisation of Securities

Definitions 71 A(1) For the purpose of this Article:

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities & Exchange Board of India;

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act

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as a depository under the Securities & Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

Demateriali- (2) Notwithstanding anything contained in these Articles, the Company shall
sation of
Securities be entitled to dematerialise its securities and to offer securities in a
dematerialised form pursuant to the Depositories Act, 1996.

Options for (3) Every person subscribing to securities offered by the Company shall have
Investors the option to receive security certificates or to hold the securities with a
depository. Such a person who is the beneficial owner of the securities can
at any time opt out of a depository, if permitted by law, in respect of any
security in the manner provided by the Depositories Act, and the Company
shall, in the manner and within the time prescribed, issue to the beneficial
owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall
intimate such depository the details of allotment of the security, and on
receipt of the information, the depository shall enter in its record the name
of the allottee as the beneficial owner of the security.

Securities in (4) All securities held by a depository shall be dematerialised and be in
Depositories fungible form. Nothing contained in Sections 153, 153A, 153B, 187B,
to be in 187C, 372 and 372A of the Act shall apply to a depository in respect
fungible form of the securities held by it on behalf of the beneficial owners.

Rights of (5) (a) Notwithstanding anything to the contrary contained in the Act or
Depositories these Articles, a depository shall be deemed to be the registered
and Beneficial owner for the purpose of effecting transfer of ownership of security
Owners on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the
registered owner of the securities shall not have any voting rights or
any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is
entered as the beneficial owner in the records of the depository shall
be deemed to be a member of the Company. The beneficial owner
of securities shall be entitled to all the rights and benefits and be
subject to all the liabilities in respect of his securities which are held
by a depository.

Service of (6) Notwithstanding anything in the Act or these Articles to the contrary,
Documents where securities are held in a depository, the records of the beneficial
ownership may be served by such depository on the Company by means
of electronic mode or by delivery of floppies or discs.

Transfer of (7) Nothing contained in Section 108 of the Act or these Articles shall
Securities apply to a transfer of securities effected by a transferor and transferee both
of whom are entered as beneficial owners in the records of a depository.

Allotment of (8) Notwithstanding anything in the Act or these Articles, where
Securities securities are dealt with by a depository, the Company shall intimate
dealt with by the details thereof to the depository immediately on allotment of
a Depository such securities.

LAKME LIMITED

Distinctive numbers of Securities held in a Depository (9) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and Index of Beneficial Owners (10) The Register and Index of Beneficial Owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

6. REDUCTION IN SHARE CAPITAL OF THE COMPANY

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 100 and other applicable provisions of the Companies Act, 1956, and subject to the sanction of the Bombay and the Karnataka High Courts to the proposed Scheme of Amalgamation of Trent Limited with Lakme Limited and subject to the confirmation of the Bombay High Court to the reduction of the Paid-up Capital of the Company, the Paid-up Capital of the Company be reduced from Rs. 13,42,14,140/- divided into 1,34,21,414 Equity Shares of Rs. 10/- each to a sum not exceeding Rs. 13,11,77,640/- divided into 1,31,17,764 Equity Shares of Rs. 10/- each and that such reduction be effected by the cancellation of not more than 3,03,650 Equity Shares of Rs. 10/- each of Lakme Limited presently held by Trent Limited and which shares, under the proposed Scheme of Amalgamation of Trent Limited with Lakme Limited will stand cancelled upon the said Scheme becoming effective and consequent amendments be made in the Memorandum and Articles of Association of the Company, if required."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient to give effect to this Resolution."

7. To appoint Auditors and to fix their remuneration.

NOTES:

- (a) The relative Explanatory Statements, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 4 to 6 set out above are annexed hereto.
- (b) 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 REGISTERED OFFICE AT BOMBAY HOUSE, 24, HOMI MODY STREET, MUMBAI 400 001, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

By Order of the Board of Directors,

MRS. H. R. WADIA
Company Secretary

Registered Office:

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

21st December, 1998.

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EXPLANATORY STATEMENTS

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statements set out all material facts relating to the business mentioned under Items 4 to 6 in the accompanying Notice dated 21st December, 1998.

Item 4

APPOINTMENT OF MR. N. N. TATA AS A DIRECTOR OF THE COMPANY

The Board of Directors, at its Meeting held on 18th December, 1997, appointed Mr. N. N. Tata as an Additional Director of the Company. In accordance with Article 128 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, Mr. Tata holds office up to the date of the forthcoming Annual General Meeting of the Company and is eligible for appointment. Notice has been received from a Member under Section 257 of the Act, proposing Mr. Tata as a candidate for the office of Director.

Mr. N. N. Tata is a graduate of Sussex University (U.K.) and IEP (INSEAD). He has worked for two years with Nestle, U.K., as a Product Manager, and as a Senior General Manager with Tata Exports Limited (now Tata International Limited) and possesses the necessary experience and expertise to conduct the retailing business.

Mrs. S. N. Tata being a relative of Mr. N. N. Tata may be deemed to be concerned or interested in the Resolution mentioned in Item 4 of the accompanying Notice.

Item 5

ALTERATION TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (A) The issue of shares without voting rights by companies is presently not permitted under the Act. The Companies Bill, 1997, however, proposes to lay down the operative provisions to regulate the issue of shares without voting rights. It is expected that, in course of time, the law will be amended to permit issue of shares without voting rights by companies. Hence, it is proposed to introduce a new Article 17A in the Articles of Association, as set out in the Resolution at Item 5(A) to enable the Company to issue shares without voting rights, as may be permitted by law.
- (B) With the introduction of the Depositories Act, 1996, and the Depository System, some of the provisions of the Act relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository System of holding Securities in an electronic form is a far safer and more convenient method for holding and trading in the Securities of a Company. The Company proposes to join the Depository System and it is therefore proposed that the Company's Articles of Association be suitably altered, as set out in Resolution at Item 5(B) to reflect the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the Securities in such a system.



The Directors commend the Resolution to the Members for acceptance.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Office at Maker Towers 'E', 18th Floor, Cuffe Parade, Mumbai 400 005 between 11.00 A.M. and 1.00 P.M., on any working day of the Company.

Item 6

REDUCTION IN SHARE CAPITAL OF THE COMPANY

In terms of the Scheme of Amalgamation, effective from 1st January, 1994, as approved by the Board for Industrial and Financial Reconstruction (BIFR), Miaami Pharma and Chemicals Limited (MPCL) (an erstwhile Subsidiary of Lakme Exports Limited), merged with Lakme Limited.

Consequently, as Lakme Exports Limited (LEL) was a shareholder of MPCL, LEL was allotted Equity Shares of Lakme Limited in exchange of the Equity Shares held by it in MPCL. In terms of the Scheme approved by the BIFR, these shares ranked pari passu with the existing shares of Lakme Limited. Accordingly, LEL held 3,03,650 Equity Shares of Lakme Limited.

In terms of the Scheme of Amalgamation of LEL with Littlewoods International (India) Limited (LIL) (now Trent Limited), sanctioned by the Bombay High Court and the Karnataka High Court at Bangalore, with effect from 1st January, 1998, 3,03,650 Equity Shares of Lakme Limited held by LEL devolved on LIL.

On 21st December, 1998, the Board of Directors of Lakme Limited and Trent Limited have approved a draft Scheme of Amalgamation of Trent Limited with Lakme Limited.

Upon the proposed Scheme of Amalgamation of Trent Limited with Lakme Limited becoming finally effective, all the Equity Shares of Lakme Limited that may be held by Trent Limited, on the date of the Scheme becoming effective, will stand cancelled and the Paid-up Capital of Lakme Limited will be correspondingly reduced to that extent. This reduction in the Paid-up Capital of Lakme Limited is subject to the sanction to the Scheme of Amalgamation of Trent Limited with Lakme Limited by the Bombay High Court and the Karnataka High Court at Bangalore.

Though this reduction in Capital is incidental to the said Scheme becoming effective, as a matter of abundant caution, the approval of the shareholders in General Meeting is sought in terms of Section 100 of the Companies Act, 1956. After the shareholders have approved of this Resolution, the Company will approach the Bombay High Court for its confirmation to the reduction in Capital.

The Directors of the Company may be deemed to be concerned or interested in this Resolution to the extent of their shareholding in the Company or to the extent of the shareholdings of the Companies/Institutions/Charitable Trusts of which they are Directors or Members or Trustees.

The Directors commend the Resolution to the Members for acceptance.

By Order of the Board of Directors,

MRS. H. R. WADIA
Company Secretary

Registered Office:

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.
21st December, 1998.

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DIRECTORS' REPORT

To the Members

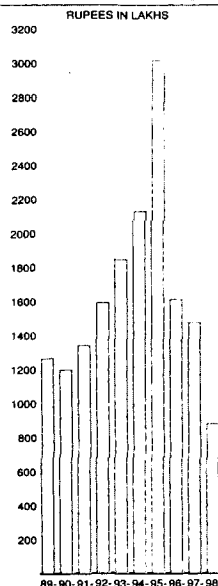
The Directors have pleasure in presenting the Annual Report and the Audited Accounts for the fifteen-month period ended 30th June, 1998.

Consequent to the major restructuring of the Company, the figures of performance for the period under review cannot be compared with that of the previous year.

1. FINANCIAL RESULTS

	1997-98 (15 months) Rupees in lakhs	1996-97 (12 months) Rupees in lakhs
Income from Operations	6411.95	4877.36
Profit before Tax and Extra-ordinary items	3111.60	2096.67
Extra-ordinary items	9796.77	217.02
Profit before Tax	12908.37	2313.69
Provision for Tax (net)	3038.74	860.00
Profit after Tax	9869.63	1453.69
Investment Allowance Reserve written back	40.55	65.56
Balance brought forward from previous year	492.51	511.44
Balance available for appropriation	10402.69	2030.69
Proposed Dividend:		
Interim	8052.85	—
Final	—	671.07
Tax on Dividend	805.28	67.11
Transfer to General Reserve	1000.00	800.00
Profit carried forward	544.56	492.51
	10402.69	2030.69

GROSS FIXED ASSETS



2. PROFIT

Profit before extra-ordinary items and taxation amounted to Rs.3111.60 Lakhs compared to Rs.2096.67 Lakhs in the previous year, reflecting the positive results of the Company's restructured operations. The extra-ordinary income of Rs.9796.77 Lakhs relates to the transfer of its Deonar Undertaking and the sale of the Equity Shares held by the Company in Lakme Lever Limited. The net profit stands at Rs.9869.63 Lakhs after providing Rs.3038.74 Lakhs for taxation (net).

3. DIVIDEND

For the period ended 30th June, 1998, an Interim Dividend @ 600% (Rs.60/- per share) was paid on 20th July, 1998 on 1,34,21,414 Equity Shares. The Interim Dividend along with tax on Dividend and the statutory transfer to reserves have utilised

LAKME LIMITED

nearly 100% of the profits for the 15-month period ended 30th June, 1998. Having fulfilled their commitment to distribute most of the net profits for 1997-98 including the profit on the sale of the Deonar Plant and the sale of the investments in Lakme Lever Limited, the Directors are unable to declare a final Dividend for the period.

However, at the Extra-Ordinary General Meeting of the Company held on 14th May, 1998, the Directors had announced the Company's intention to pay out a large amount by way of dividend in two tranches. In order to fulfill its commitments, the Company is actively evaluating the following options :

Option-1. Payment of Dividend out of accumulated Reserves :

The Board has examined this option in detail and has now been advised that the necessary Government approvals may entail undue delay and the Company's application may not be approved.

Option-2. Buy-Back of Shares :

The Companies (Amendment) Ordinance, 1998, now permits companies to buy-back their own shares. The Board is therefore examining this as another option. Certain clarifications in this regard are still awaited from the authorities, more particularly, in relation to the taxability of the amount received by the shareholders.

Option-3. Maximum Distribution of Distributable Profits :

Another option for benefiting the shareholders is, that commencing from the year ending 31st March, 1999, the Board could consider the possibility of paying out to the shareholders prudently as much of the distributable profits as possible (excepting Extra-ordinary items) for the next 3 years.

After receipt of the appropriate clarifications and considering the various options, the Board will finalise any one of the above, keeping in mind the best interests of the shareholders as also of the Company.

4. OPERATIONS

The sales turnover of the Company, for the 14-month period from 1st April, 1997 to 31st May, 1998, was Rs.4328.71 Lakhs and investment income for the 15-month period ended on 30th June, 1998 amounted to Rs.2083.24 Lakhs. As already approved by the Shareholders of the Company at the Extra-Ordinary General Meeting of the Company held on 14th May, 1998, the Company agreed to sell its Industrial Undertaking located at Deonar to Hindustan Lever Limited (HLL), with effect from 1st June, 1998 and the sale proceeds are included in "Extra-ordinary Income" for 1997-98.

5. LAKME LEVER LIMITED

The Board of Directors, after obtaining the requisite approvals, has transferred 10,49,999 Equity Shares of Rs.100/- each held by the Company in the Capital of Lakme Lever Limited, in favour of Hindustan Lever Limited (HLL), for a total consideration of Rs.90.50 Crores. The total consideration has been received from HLL and the net amount has been included in "Extra-ordinary Income" for 1997-98.

6. SUBSIDIARY COMPANIES

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

