

TITAN WATCHES LIMITED

ANNUAL REPORT 1986-87

Titan Watches Limited

Notice

The Third Annual General Meeting of Titan Watches Limited will be held at the Registered Office of the Company, at 3, SIPCOT Industrial Complex, Hosur 635 126, on Tuesday, 22 December 1987, at 4.00 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 30 June 1987 and the Balance Sheet as at that date.
2. To appoint Directors in the place of Mr. A. S. Gore and Mr. C. Shanmukham who retire by rotation and are eligible for re-appointment.
3. To appoint Directors in place of Mr. P. K. Dave and Mr. M. K. Kumar who hold office upto the date of this Annual General Meeting in terms of section 262 of the Companies Act, 1956, read with article 118 of the Articles of Association of the Company, who offer themselves for re-appointment and in respect of whom the Company has received Notices in writing from some Members proposing their candidature for the office of Director.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:
"RESOLVED that sub-clause '1' of clause 'a' of Resolution 11 passed at the Second Annual General Meeting held on 30 December 1986 be and is hereby modified to read as under:
 1. A. the first loan, being the amount of six million six hundred and fifty six thousand European Currency Units (ECUs 6,656,000);
 - B. the second loan, being the amount of six million nine hundred and sixty thousand Swiss Francs (Sw.Fr. 6,960,000); and
 - C. the third loan, being the amount of four hundred and fifty six million Yen (Y 456,000,000)."
5. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:
"RESOLVED that A. F. Ferguson & Co. be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting to audit the accounts of the Company for the financial year 1987-88 on a remuneration of Rs. 50,000 plus out of pocket, travelling and living expenses."

Notes:

- (a) The relative Explanatory Statements pursuant to section 173 of the Companies Act, 1956, in respect of the business under item nos. 3 to 5 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.
- (c) The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 1 December 1987 to Tuesday, 15 December 1987, both days inclusive.

By Order of the Board of Directors,

M. N. Ramdas
General Manager—Finance
and Company Secretary

Bangalore, 9 November 1987

Annexure to Notice

1. 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 item nos. 3 to 5 of the accompanying Notice dated 9 November 1987.
2. Item No. 3: Mr. P. K. Dave and Mr. M. K. Kumar were appointed as Directors of the Company on 18 February 1986 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. G. Davidly Moses and Mr. K. Kandasamy respectively. In terms of section 262 of the Companies Act, 1956, read with article 118 of the Articles of Association of the Company, Mr. P. K. Dave and Mr. M. K. Kumar hold office up to the date of the forthcoming annual general meeting being the date up to which Mr. G. Davidly Moses and Mr. K. Kandasamy would have held the office had they not resigned.
3. Notices in writing have been received from some shareholders of the Company signifying their intention of proposing Mr. P. K. Dave and Mr. M. K. Kumar as candidates for the office of Director. The Directors recommend that they be appointed as Directors of the Company.
4. Mr. P. K. Dave and Mr. M. K. Kumar may be deemed to be interested in this item of business as it relates to their appointment.
5. Item No. 4: By Resolution 11, passed at the Second Annual General Meeting of the Company held on 30 December 1986, the Company accorded its consent in terms of section 293(1)(a) of the Companies Act, 1956, to the Board of Directors for mortgaging and/or charging immovable and movable properties of the Company, both present and future, and the whole undertaking, inter alia, to secure a foreign currency loan then under negotiation with the International Finance Corporation, Washington (IFC-W), for an amount not exceeding Swiss Francs twenty-three million or its equivalent.
6. The terms and conditions of the foreign currency loan have since been finalised and the Company has entered into an agreement with IFC-W for a loan in the following currencies:

European Currency Units	6,656,000
Swiss Francs	6,960,000
Japanese Yen	456,000,000
7. This resolution is consequent to the finalisation of the amount of the loan and the currencies in which the loan is taken and the Directors recommend this resolution to be passed.
8. None of the Directors of the Company has any concern or interest in this item of business.
9. Item No. 5: Section 224A of the Companies Act, 1956, inter alia, provides for the appointment or re-appointment at each annual general meeting of an Auditor by a special resolution, if the Company is one in which not less than 25 per cent of its subscribed share capital is held singly or jointly by a Government Company or the Central or State Government.
10. Since the shareholding pattern of the Company is such that the provisions of section 224A of the Companies Act, 1956, are applicable, the appointment of A. F. Ferguson & Co. as Auditors of the Company is required to be made by a special resolution.
11. None of the Directors of the Company has any concern or interest in this item of business.

By Order of the Board of Directors,

M. N. Ramdas
General Manager—Finance
and Company Secretary

Bangalore, 9 November 1987

Titan Watches Limited

3rd Annual General Meeting

TRANSPORT FACILITIES BETWEEN BANGALORE AND HOSUR

The Annual General Meeting of TITAN WATCHES LIMITED is being held at 4 p.m. on 22 December 1987 at the Registered Office of the Company at Hosur.

Hosur is 40 km south-west of Bangalore and is well connected by public transport from Bangalore.

Nevertheless, for the convenience of Members, the Company will be providing a coach service from Bangalore on the day of the Annual General Meeting.

The coaches will leave for Hosur at 2 p.m. from Queens Statue (Cubbon Park main entrance), Bangalore and bring the Members back to Bangalore after the Meeting.

To enable the Company to make the necessary arrangements, it is requested that Members wishing to avail of this facility should write to the Company on or before 15 December 1987 at the following address:

General Manager – Finance and
Company Secretary
TITAN WATCHES LIMITED
3, SIPCOT Industrial Complex
Hosur 635 126

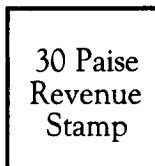
TITAN WATCHES LIMITED

Registered Office: 3, SIPCOT Industrial Complex, Hosur-635 126.

PROXY FORM

I/We
of in the district of
..... being a member/members of the above-named Company hereby
appoint of
in the district of or failing
him
of in the district of
as my/our proxy to vote for me/us on my/our behalf at the THIRD ANNUAL GENERAL
MEETING of the Company to be held on Tuesday, the 22nd day of December 1987
and at any adjournment thereof.
Signed this day of 1987

Signature



Note: The proxy form should be deposited at the Registered Office of the Company at Hosur forty-eight hours before the meeting.

TITAN WATCHES LIMITED

Registered Office: 3, SIPCOT Industrial Complex, Hosur-635 126.

ATTENDANCE SLIP

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.

I hereby record my presence at the THIRD ANNUAL GENERAL MEETING of the Company at the Registered Office of the Company on Tuesday, the 22nd day of December 1987.

.....
Full name of the Shareholder
(in block capitals)

.....
Signature

Folio No.:

.....
Full name of Proxy
(in block capitals)

.....
Signature

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies of the Annual Report to the Meeting.

TITAN WATCHES LIMITED

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1987

PARTICULARS GIVEN BELOW ARE IN THE FOLLOWING SEQUENCE:

NAME, DESIGNATION, AGE, GROSS & NET REMUNERATION, QUALIFICATION, EXPERIENCE, LAST EMPLOYMENT HELD, COMMENCEMENT OF EMPLOYMENT

AHMED RAFAEELH* MANAGER (PRESS SHOP) 39 46,649 42,367 B.E. (MECH.) 17 HMT LTD. AUG 1986 - AHLUWALIA AVI* REGIONAL MANAGER (NORTH) 27 24,160 22,398 B.TECH. 5 HINDUSTAN LEVER LTD. JAN 1987 - AMITHA I. K. SENIOR VICE-PRESIDENT 61 1,30,400 90,340 B.E. (MECH.), PG (PREC. ENGG.) 37 HMT LTD. JUL 1985 - ANANDA RAO A.* MANAGER (INTERNAL AUDIT) 49 52,035 47,786 B.COM., S.A.S. 27 KIRLOSKAR ELECTRIC CO. LTD. AUG 1986 - ANANTHARAMAN G. S.* PURCHASE OFFICER 36 12,651 11,824 M.A. 15 HMT LTD. MAR 1987 - ANUR ASHOK P.* FOREMAN (TREATMENT) 31 21,099 19,556 B.S.C., P.G. DIP. (AN. CHEM.) 8 HMT LTD. NOV 1986 - BHAT BHASKAR SALES MANAGER 33 75,627 46,695 B.TECH. (MECH.), PGDBM 9 TATA PRESS LTD. JAN 1986 - CHAKRAPANI H.* MANAGER (AUTO TURNING) 45 45,317 35,261 D.M.E. 23 HMT LTD. AUG 1986 - CHANDRASEKHARA G.* ENGINEER (ELECTRICAL) 43 26,377 24,852 B.E. (ELEC.) 15 TAMIL NADU ELECTRICITY BOARD NOV 1986 - DEENADAYALAN S.* MANAGER (PERSONNEL) 36 40,748 29,555 DSSA, BGL 12 FENNER INDIA LTD. OCT 1986 - DESAI XERXES MANAGING DIRECTOR 51 1,44,980 89,905 M.A. (OXON.) 25 TATA PRESS LTD. JAN 1986 - DEVARAJ C.* FOREMAN (TOOL ROOM) 43 30,328 28,298 D.M.E. 23 HMT LTD. OCT 1986 - DWARKANATH B. G. ASSEMBLY MANAGER 38 74,898 51,490 B.E. (MECH.) 16 HMT LTD. OCT 1985 - GANGADHARAI A.* FOREMAN (GEARS) 30 15,061 13,883 D.M.E. 8 HMT LTD. JAN 1987 - GOPALAKRISHNA B. A. MANAGER (FACTORY ACCOUNTS) 49 47,456 43,785 B.A. 26 HMT LTD. JUL 1986 - GOVIND RAJ V.* DISTRIBUTION MANAGER 31 25,694 17,940 B.S.C., M.B.A. 7 KINETIC ENGG. LTD. JAN 1987 - HARI RAO R. C. VICE-PRESIDENT (MANUF.) 55 1,18,065 75,325 B.E. (MECH.), PGD (IND. ENGG.) 30 HMT LTD. OCT 1985 - JAIN AJAY* COMMERCIAL EXECUTIVE (NORTH) 27 13,692 12,775 B.COM., LLB. 8 SHRIRAM FERTILIZERS AND CHEMICALS LTD. MAR 1987 - JAYA PRAKASHAN R.* FOREMAN (MAINTENANCE) 35 10,416 9,726 D.M.E., B.E. (MECH.) 12 HMT LTD. MAR 1987 - KANNAN G.* AREA MANAGER (SOUTH) 32 20,270 18,754 M.A. 10 BLAZE ENTERPRISES P. LTD. JAN 1987 - KARKERA R.* COMMERCIAL EXECUTIVE (WEST) 26 7,125 6,650 B.COM. 7 TATA PRESS LTD. MAY 1987 - KASHYAP SANDIP* AREA MANAGER (NORTH) 25 18,335 16,958 B.COM. (HONS.), B.MGMT. 6 PHILIPS INDIA LTD. JAN 1987 - KHAN AZEEZ H. K. SUPDT. (EBAUCHE) 47 58,969 48,145 B.A., DIP. MECH. ENGG. 26 BIFORA WATCH COMPANY LTD. MAY 1986 - KHANEJA ASHEESH* SYSTEMS ANALYST 27 20,861 19,460 B.S.C., DIP. IN MGMT. 8 RABA CONTEL P. LTD. JAN 1987 - KRISHNA P. N.* ENGINEER (PROJECTS) 26 21,868 20,377 B.TECH. 4 TATA TEA LTD. JAN. 1987 - KRISHNA RAJIV* ACCOUNTS EXECUTIVE 28 33,096 31,396 B.COM. (HONS.), ACA 4 FRASER & ROSS SEP 1986 - KRISHNAPPA C. M.* MANAGER (INSPECTION) 37 19,865 17,962 B.E. (MECH.) 12 HMT LTD. FEB 1987 - KULOTHUNGAN P. M.* AREA MANAGER (SOUTH) 34 18,969 17,204 M.A., DIP. IN MKTG. MGMT. 11 TUTICORIN ALKALI CHEMICALS & FERTILIZERS LTD. JAN 1987 - KUMARAVELU C. L.* FOREMAN (TOOL ROOM) 33 27,601 25,481 D.M.E. 8 HMT LTD. OCT 1986 - MADHAVI S. L. FOREMAN (ASSEMBLY) 32 42,014 38,091 DIP. HOROLOGICAL ENGG. 10 HMT LTD. MAY 1986 - MANCHANDA A. K. EXECUTIVE VICE-PRESIDENT 39 1,39,422 75,680 M.STAT., DIP. SQC. & OR. 16 TATA PRESS LTD. JAN 1986 - MENON C. R. G.M. (SALES) 43 1,04,413 58,630 M.COM., M.B.A. 19 VOLTAS LTD. JUL 1986 - MUKANDA N.* ENGINEER (AUTO TURNING) 31 25,270 22,872 B.E. (MECH.) 5 HMT LTD. DEC 1986 - NAGABHUSHAN R.* ENGINEER (PLANNING) 36 20,031 18,395 B.S.C. (ENGG.), PGDMM 11 HMT LTD. FEB 1987 - NAGABHUSHANAM M. V.* ENGINEER (MAINTENANCE) 33 15,024 14,031 B.E. (ELEC.) 9 STEEL AUTHORITY OF INDIA LTD. MAR 1987 - NAGARAJ B. V.* ENGINEER (DESIGNS) 29 25,270 23,547 B.E. (MECH.) 6 HMT LTD. DEC 1986 - NAGARAJAN S.* REGIONAL MANAGER (WEST) 31 25,789 22,579 B.E. (MECH.), PGDM 6 VOLTAS LIMITED FEB 1987 - NANGIA V. I. FINANCE MANAGER 29 70,846 44,140 B.A. (HONS.), M.B.A. 8 THE INDIAN HOTELS CO. LTD. JUN 1986 - NARAIN SHYAMENDRA* PURCHASE EXECUTIVE 27 27,434 25,218 B.TECH., PGDM 4 TVS SUZUKI LTD. DEC 1986 - NARAYANA N. V. PURCHASE MANAGER 39 52,256 45,520 B.E. (ELEC.) 11 HMT LTD. MAY 1986 - NAZARETH M. CONFIDENTIAL SECRETARY 33 43,227 38,140 B.A. 11 TATA PRESS LTD. JAN 1986 - OBEROI K. S. G.M. (SERVICES) 41 1,18,424 63,335 M.A. 20 TATA TEA LTD. JUL 1986 - PARAMIAN JOHNY SYSTEMS ANALYST 30 41,082 37,441 B.E. (ELEC.), M.I.E. 9 HINDUSTAN AERONAUTICS LTD. APR 1986 - PATIL S. MANAGER (TREATMENT) 44 51,008 41,601 D.E.E., A.M.I.E. 25 HMT LTD. JUN 1986 - RAGHU S.* FOREMAN (PLANNING) 29 25,264 23,267 D.M.E. 7 LARSEN & TOUBRO LTD. NOV 1986 - RAGHUNATH H. G. MANAGER PRODUCT SERVICES 32 58,128 39,586 B.S.C., B.E. 9 HMT LTD. JUN 1986 - RAMDAS M. N. G.M. (FINANCE) & CO. SECRETARY 36 1,09,698 57,845 B.COM. (HONS), LL.B., A.C.S. 12 TATA PRESS LTD. JAN 1986 - RAMNATH N.* ACCOUNTS MANAGER 34 35,782 33,460 A.C.A. 6 HINDUSTAN AERONAUTICS LTD. JUN 1986 - RANGAPPA M.* ENGINEER (TOOL ROOM) 42 32,971 30,467 I.T.I., DME 13 HMT LTD. OCT 1986 - RAO K. H.* MANAGER (E.D.P.) 36 27,065 18,125 B.E. (ELEC.), DBA 13 HINDUSTAN AERONAUTICS LTD. DEC 1985 - RAVI KANT* VICE-PRESIDENT (MARKETING) 43 59,965 45,198 B.TECH (HONS.), M.S.C. 21 KINETIC ENGINEERING LTD. DEC 1986 - RISHI V. P. PRODUCT MANAGER 27 64,609 48,740 B.A. (HONS.), M.B.A. 5 TATA PRESS LTD. JAN 1986 - SALDANHA DAVID* AREA MANAGER (WEST) 25 21,838 19,815 B.COM. 4 VOLTAS LTD. FEB 1987 - SATYANARAYANA K. R.* MANAGER (MAINTENANCE) 39 30,261 27,150 B.E. (MECH.) 16 HMT LTD. DEC 1986 - SETTY SUBBARAMA FOREMAN (ASSEMBLY) 31 44,423 38,345 DIP. HOROLOGICAL ENGG. 10 HMT LTD. MAY 1986 - SHANTHARAM M. S. PROJECT MANAGER 38 72,969 46,015 B.E. (MECH.) 16 HMT LTD. OCT 1985 - SHETTY TARANATH* MANAGER (GEARS) 39 24,518 21,796 B.E. (MECH.) 17 HMT LTD. JAN 1987 - SHIVASWAMY J. M. MANAGER (TOOL DESIGN) 39 52,004 45,400 B.E. (MECH.) 11 HMT LTD. MAY 1986 - SREEDHARA M. S.* ENGINEER (DESIGNS) 32 26,131 24,277 B.E. (MECH.) 8 HMT LTD. DEC 1986 - SREENIVASA BABU S. MANAGER (PLANNING) 39 53,580 49,488 B.E., PGDPM 16 HMT LTD. JUN 1986 - SREENIVASA RAO A.* FOREMAN (GEARS) 40 15,121 14,055 D.M.E. 17 HMT LTD. FEB 1987 - SREENIVASA K. S.* FOREMAN (EBAUCHES) 31 18,242 16,870 D.M.E., B.E. (MECH.) 7 HMT LTD. JAN 1987 - SUBRAMANIAN K. S.* MANAGER (ECB ASSEMBLY) 47 44,181 29,300 B.S.C. 26 THAKRAL COMPUTERS P. LTD. NOV 1986 - SUKUMAR A.* SALES OFFICER (SOUTH) 34 15,920 14,504 B.B.A. 10 T.I. CYCLES OF INDIA LTD. FEB 1987 - TALATI R. ACCOUNTS EXECUTIVE 28 52,649 39,323 B.COM., LLB. 9 TATA PRESS LTD. APR 1986 - VENKATESH* ENGINEER (ELECTRONICS) 33 40,791 37,348 M.TECH. (INDL. ENGG.) 6 HMT LTD. AUG 1986 - VISHWANATHAN N. V.* MANAGER (QUALITY CONTROL) 36 7,444 6,960 B.E. (MECH.) 10 INDO FRENCH TIME INDUST. LTD. SEP 1986 - VISHWANATH C. S.* MANAGER (CASE & DIALS) 40 44,005 31,562 B.E. (INDUSTRIAL ENGG.) 16 HMT LTD. OCT 1986 - YALAMALLI B. N. PRODUCT DEVELOPMENT MANAGER 41 71,483 45,930 B.E. (MECH.) 16 HMT LTD. NOV 1985 - YATHIRAJU C. G.* SUPDT (TOOL ROOM) 46 43,758 43,645 D.M.E. 26 HMT LTD. AUG 1986

Notes:

1. The Gross Remuneration shown above is subject to tax and comprises salary, allowances, monetary value of perquisites as per Income Tax rules, and Company's contributions to Provident and Superannuation funds.
2. Net Remuneration is arrived at by deducting from the Gross Remuneration, Income Tax, Company's Contributions to Provident & Superannuation Funds, and the monetary value of non-cash perquisites wherever applicable.
3. All employees have adequate experience to discharge their responsibilities.
4. The nature of employment in all cases is contractual.
5. * Indicates employed for part of the year.
6. None of the above employees is related to any Director of the Company.

On behalf of the Board of Directors,

A. L. Mudaliar
Chairman

Bangalore, 12 November 1987

Titan Watches Limited

Third
Annual Report
1986-87

Directors

A. L. Mudaliar Chairman
M. H. Mody Vice-Chairman
Xerxes Desai Managing Director
E. V. K. Sulochana Sampath
A. S. Gore
A. C. Mukherji
P. K. Dave
M. K. Kumar
T. K. Balaji
A. M. Sundararaj
C. Shanmukham
F. Perret
Dara P. Mehta (Alternate Director to F. Perret)

Executives

A. K. Manchanda Executive Vice-President
I. K. Amitha Senior Vice-President
C. Gaudot Technical Advisor
R. C. Hari Rao Vice-President (Manufacturing)
Ravi Kant Vice-President (Marketing)
K. S. Oberoi General Manager (Services)
M. N. Ramdas General Manager (Finance) & Company Secretary
C. R. Menon General Manager (Sales)

Bankers

Canara Bank
Central Bank of India

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Registered Office

3, SIPCOT Industrial Complex,
Hosur 635 126.

Share Department

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

Directors' Report

To the Members of Titan Watches Limited

The Directors are pleased to present the third annual report and audited statement of accounts for the year ended 30 June 1987.

	Rupees in lakhs 1986-87
Financial Results	
Profit before Depreciation and Interest	18.25
Depreciation.....	15.28
Interest	8.01
Profit (Loss) for the year.....	<u>(5.04)</u>

Commercial production of quartz analog wrist-watches commenced in March 1987 and the sales network now covers all States and Union Territories. Your Company markets about 150 models and, with over 120,000 watches sold till now, it already has the largest share of the market for quartz analog watches produced in India.

Finance

During the year under review, your Company issued equity shares and convertible debentures to the public which evoked a very good response. The offer of equity shares to the Indian public was subscribed over 52 times and the convertible debentures over 3 times. Equity shares and convertible debentures offered to Non-Resident Indians and other categories met with a satisfactory response. As proposed in the Prospectus, out of the excess subscription, the Company retained 25% of the original issue amount. The Promoters, Tamil Nadu Industrial Development Corporation Limited (TIDCO) and Questar Investments Limited (including its associates) also subscribed for additional equity shares.

The Company issued 15% non-convertible debentures amounting to Rs. 400 lakhs to the Unit Trust of India during the year under review.

In accordance with the terms of the convertible debenture issue, the convertible portion was converted into equity shares on 15 September 1987, taking the total issued share capital to Rs. 24 crores. The paid-up share capital is presently Rs. 23.87 crores. The equity shares and convertible debentures are listed on the Madras and Bombay Stock Exchanges.

The Company entered into an agreement with the International Finance Corporation, Washington, for a foreign currency loan consisting of Japanese Yen 456 million, Swiss Francs 6.96 million and European Currency Units 6.66 million. The Company has fully drawn the Yen loan of 456 million during the year under review and drew 6.50 million Swiss Francs during July 1987.

Project Implementation

With the production of wrist-watches having commenced, your Company has now focused attention on early completion of the component manufacturing programme. The buildings and services required for component manufacture are virtually complete and trial production of certain components has already commenced. The progress on project implementation has been satisfactory.

Transfer of Technology

France Ebauches, the technical collaborators, have been providing technical documentation and training of a high standard. The transfer and absorption of technology has been very satisfactory.

Project Cost

The cost of the project has increased from Rs. 54 crores to Rs. 58 crores on account of higher foreign currency costs, higher import duty payments, price rises, additional space requirements, site conditions and certain operational needs. These additional costs are being funded without recourse to further borrowings. The Company has so far spent Rs. 32 crores in implementing the project.

Future Plans

To reduce dependence on imports and improve business prospects, your Company is finalising plans for manufacture of cases and other appearance parts. Government approvals for this project are being obtained. The project is estimated to cost Rs. 30 crores and will be financed by excess subscriptions retained by the Company from the recent capital issue, internally generated funds and borrowings.

Your Company has also submitted an application to the Government of India for permission to manufacture 2 million digital and ana-digi watches in collaboration with the Casio Computer Co. of Japan. A Memorandum of Understanding has been signed with Casio in November 1986, a development which Members will welcome. A detailed feasibility report is presently under preparation.

Government Policies

While the Government of India has taken a number of steps for the growth of the Indian watch industry and thereby stem the flow of foreign watches into the country, the price competitiveness of Indian watches has been lately impaired by several increases in duties on certain essential imports which are recognised to be inevitable until indigenous manufacturing capability is fully established. The Indian watch industry has represented against these increases and it is hoped that all duties presently applicable to the watch industry will be favourably reviewed to help counter the smuggling of watches.

Employees

The Company had 317 employees at the end of the year under review. The Board appreciates the high degree of professional competence and dedication of the employees, which have been key factors in the Company's progress and the success achieved so far.

Acknowledgements

Your Directors appreciate the support and assistance received from the Government of Tamil Nadu and its agencies including the Tamil Nadu Industrial Development Corporation Limited, the State Industries Promotion Corporation of Tamil Nadu Limited, the Tamil Nadu Electricity Board and the District authorities.

Directors

Mr. Dara P. Mehta has been appointed as alternate director to Mr. F. Perret. In accordance with the provisions of the Articles of Association and the Companies Act, 1956, Mr. A. S. Gore and Mr. C. Shanmukham retire by rotation and are eligible for re-appointment. Mr. P. K. Dave and Mr. M. K. Kumar were appointed as Directors on 18 February 1986 to fill in the casual vacancies caused by the resignations of Mr. G. Davidly Moses and Mr. K. Kandasamy respectively. In terms of the Articles of Association and the Companies Act, 1956, Mr. P. K. Dave and Mr. M. K. Kumar hold office up to the forthcoming Annual General Meeting. The Company has received notices from some Members signifying their intention to propose Mr. P. K. Dave and Mr. M. K. Kumar as candidates for the office of Director.

Particulars of Employees

Information required to be provided under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is attached to this report.

Auditors

Members will be requested at the Annual General Meeting to appoint auditors for the current year and fix their remuneration.

On behalf of the Board of Directors,

A. L. Mudaliar

Chairman

Bangalore, 12 November 1987

Auditors' Report

To the Members of Titan Watches Limited

We have audited the attached balance sheet of Titan Watches Limited as at 30 June 1987 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1975 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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 the books;
 - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 30 June 1987; and
 - (ii) in the case of the profit and loss account, of the loss for the year ended on that date.

For A. F. Ferguson & Co.
Chartered Accountants

R. K. Puri
Partner

Bombay, 12 November 1987

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Watches Limited on the Accounts for the year ended 30 June 1987.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Most of the fixed assets have been physically verified by the management during the year. No discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not significant and the same have been properly dealt with in the books of account. In our opinion, the valuation of the abovementioned stocks is fair and proper in accordance with normally accepted accounting principles.
4. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management within the meaning of section 370(1B) of the Companies Act, 1956.
5. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in the payment of interest where applicable.
6. 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 with regard to purchases of stores, raw materials (including components), plant and machinery, equipment and other assets.
7. In respect of stores, raw materials and components exceeding Rs. 10,000 in value for each type thereof purchased during the year from firms, companies or other parties in which Directors are interested as listed in the register maintained under section 301 of the Companies Act, 1956, according to information and explanations given to us, the items are of a specialised nature for which there is no alternative source of supply to enable a comparison of prices paid.
8. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores and raw materials. Adequate provision has been made in the accounts for the loss arising on the items so determined.
9. The Company has not accepted fixed deposits from the public to which the provisions of section 58A of the Companies Act, 1956, and the rules made thereunder would apply.
10. As explained to us, the Company's present operations do not generate any by-products or scrap.
11. As the Company's paid-up share capital as at the beginning of the year did not exceed Rs. 25 lakhs, clause 4(A)(xi) of the Order relating to internal audit system is not applicable.
12. Maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products.
13. According to the records of the Company, provident fund dues have been regularly deposited during the year with the appropriate authorities.

For A. F. Ferguson & Co.
Chartered Accountants

R. K. Puri
Partner

Bombay, 12 November 1987

Balance Sheet

as at 30 June 1987

Sources of funds	Schedule	Rupees in lakhs	
		30-6-1987	30-6-1986
Shareholders' funds			
Share capital	"A"	1743.75	355.25
Loan funds			
Secured loans	"B"	2365.55	—
Total		<u>4109.30</u>	<u>355.25</u>

Application of funds

Fixed assets	"C"		
Gross block, at cost		586.20	43.26
Less: Depreciation		20.90	0.47
Net block		<u>565.30</u>	<u>42.79</u>
Advances on capital account and capital work in progress, at cost		1638.11	226.30
			<u>269.09</u>
		2203.41	
Current assets, loans and advances	"D"		
Inventories		437.02	—
Sundry debtors		4.07	—
Cash and bank balances		180.75	127.15
Loans and advances		2099.32	15.56
		<u>2721.16</u>	<u>142.71</u>
Less:			
Current liabilities and provisions	"E"		
Current liabilities		820.31	57.34
Net current assets			<u>85.37</u>
Miscellaneous expenditure to the extent not written off or adjusted			
Preliminary expenses		—	0.79
Profit and loss account		5.04	—
Total		<u>4109.30</u>	<u>355.25</u>

Notes "I"

Per our report attached

For and on behalf of the Board,

For A. F. Ferguson & Co.
Chartered Accountants

R. K. Puri
Partner

Bombay, 12 November 1987

M. N. Ramdas
General Manager (Finance)
& Company Secretary

A. L. Mudaliar Chairman

M. H. Mody Vice-Chairman

Xerxes Desai Managing Director

Bangalore, 9 November 1987

Profit and Loss Account

for the year ended 30 June 1987

Income	Schedule	Rupees in lakhs
Sales		243.10
Other income	"F"	45.43
Total		<u>288.53</u>

Expenditure

Materials consumed	"G"	126.36
Operating and other expenses	"H"	143.92
Interest (including Rs. 0.71 lakh on a fixed loan)		8.01
Depreciation		15.28
Total		<u>293.57</u>
Loss for the year, carried to the balance sheet		<u>5.04</u>

Notes "I"

Per our report attached
to the balance sheet

For A. F. Ferguson & Co.
Chartered Accountants

R. K. Puri
Partner

Bombay, 12 November 1987

M. N. Ramdas
General Manager (Finance)
& Company Secretary

For and on behalf of the Board,

A. L. Mudaliar Chairman

M. H. Mody Vice-Chairman

Xerxes Desai Managing Director

Bangalore, 9 November 1987

Schedules forming part of the Balance Sheet

	Rupees in lakhs	
	30-6-1987	30-6-1986
“A” Share capital		
Authorised		
3,50,00,000 (1986: 2,00,00,000) equity shares of Rs. 10 each ..	<u>3500.00</u>	<u>2000.00</u>
Issued and subscribed		
85,05,000 (1986: 2,500) equity shares of Rs. 10 each, fully paid up	850.50	0.25
Share application money received, pending allotment (since allotted on 15 September 1987) ...	<u>893.25</u>	<u>355.00</u>
	<u>1743.75</u>	<u>355.25</u>
“B” Secured loans		
Debentures		
15% non-convertible debentures of Rs. 100 each, fully paid up (includes premium on redemption Rs. 20.00 lakhs)	420.00	—
13.5% convertible debentures of Rs. 300 each, fully called up (net of unpaid allotment money Rs. 429.26 lakhs)	1539.49	—
Foreign currency term loan from the International Finance Corporation, Washington	<u>406.06</u>	<u>—</u>
	<u>2365.55</u>	<u>—</u>

Schedule forming part of the Balance Sheet

“C” Fixed assets

Rupees in lakhs

	Gross block		Depreciation		Net block	
	Cost as at 1-7-1986	Additions	Cost as at 30-6-1987	As at 30-6-1987	As at 30-6-1987	As at 30-6-1986
Land—freehold	—	0.82	0.82	—	0.82	—
Land—leasehold	3.67	—	3.67	—	3.67	3.67
Buildings	—	219.34	219.34	2.94	216.40	—
Plant, machinery and equipment	11.29	261.94	273.23	12.44	260.79	11.09
Furniture, fixtures and equipment	20.86	48.22	69.08	3.71	65.37	20.77
Vehicles	7.44	12.62	20.06	1.81	18.25	7.26
Total	43.26	542.94	586.20	20.90	565.30	
30 June 1986	—	43.26	43.26	0.47		42.79
Advances on capital account and capital work in progress, at cost.					1638.11	226.30
					<u>2203.41</u>	<u>269.09</u>

Schedules forming part of the Balance Sheet

	Rupees in lakhs	
	30-6-1987	30-6-1986
“D” Current assets, loans and advances		
Inventories		
Consumable stores, at cost	0.18	—
Loose tools	7.76	—
Stock-in-trade, at cost or net realisable value whichever is lower		
Raw materials and components	196.10	—
Work in progress	151.09	—
Finished goods	81.89	—
	<u>429.08</u>	<u>—</u>
	437.02	—
Sundry debtors (unsecured and considered good)		
Under six months	4.07	—
Cash and bank balances		
Cash and cheques on hand	2.22	0.14
With scheduled banks— in current accounts	164.49	127.01
— in transit	14.04	—
	<u>180.75</u>	<u>127.15</u>
Loans and advances (unsecured, unless otherwise stated and considered good)		
Deposits with companies— secured	700.00	—
— others	1260.00	—
Interest accrued on above	17.02	—
Advances recoverable in cash or in kind or for value to be received	116.87	15.56
Income-tax deducted at source	4.46	—
Balances with excise and customs authorities	0.97	—
	<u>2099.32</u>	<u>15.56</u>
	<u>2721.16</u>	<u>142.71</u>
“E” Current liabilities and provisions		
Current liabilities		
Sundry creditors	809.74	57.34
Interest accrued but not due on loans	10.57	—
	<u>820.31</u>	<u>57.34</u>

Schedules forming part of the Profit and Loss Account

	Rupees in lakhs
“F” Other income	
Interest—gross (tax deducted at source on interest received Rs. 4.46 lakhs)	40.11
Miscellaneous income	5.32
	<u>45.43</u>
 “G” Materials consumed	
Raw materials and components consumed	357.04
Consumable stores	2.30
	<u>359.34</u>
Less: Closing stocks:	
Work in progress	151.09
Finished goods	81.89
	<u>232.98</u>
	<u>126.36</u>
 “H” Operating and other expenses	
Payments to and provisions for employees	
Salaries and wages	9.15
Company's contribution to provident and other funds ...	1.20
Welfare expenses	2.95
	<u>13.30</u>
Power and fuel	0.60
Repairs	
Buildings	0.02
Plant and machinery	0.02
	<u>0.04</u>
Advertising and selling expenses	89.09
Insurance	1.95
Rent	5.89
Rates and taxes	7.39
Travel	5.22
Training and recruitment	3.23
Royalty	2.93
General expenses	13.33
Auditors' remuneration	
Audit fees	0.12
Directors' fees	0.04
Preliminary expenses written off	0.79
	<u>143.92</u>

Schedule forming part of the accounts

"I" Notes to the accounts

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 1494.60 lakhs (1986: Rs. 402.31 lakhs).
2. The 15% non-convertible debentures of Rs. 100 each have been secured by way of a mortgage on certain immovable properties of the Company and the Company proposes to create a further charge on its other immovable and/or movable assets. These debentures are redeemable in 3 equal annual instalments from the expiry of the 7th year from the date of allotment (i.e. 3 March 1987) at a premium of 5% of the face value, payable together with the first instalment.
3. The 13.5% convertible debentures of Rs. 300 each comprise of a non-convertible part of Rs. 200 and a convertible part of Rs. 100 which has since been converted into ten fully-paid equity shares of Rs. 10 each, at par, on 15 September 1987. These debentures have been secured by way of a mortgage on certain immovable assets of the Company and the Company proposes to create a further charge on its other immovable and/or movable assets. The non-convertible portion of the convertible debentures will be redeemed at par at the end of ten years from the date of allotment (i.e. 15 June 1987), with the Company having an option to redeem the same at any time after the end of seven years from the date of allotment either fully or partly on a pro rata basis or by draw of lots or any other basis.
4. The foreign currency term loan from the International Finance Corporation, Washington is secured by way of an equitable mortgage of the Company's immovable properties situated at Hosur, both present and future, and hypothecation of its movable assets, situated at Hosur, both present and future, save and except book debts, subject to a prior charge on certain movables forming part of current assets in favour of Banks for providing working capital. This charge will rank *pari passu* with the charge to be created in favour of the Trustees for the debentureholders.

5. Incidental expenditure during construction capitalized:	Rupees in lakhs	
	1987	1986
Salaries and wages	30.80	6.06
Contribution to provident and other funds	2.35	0.86
Employees' welfare	7.31	0.77
Rent	13.07	4.04
Rates and taxes	0.15	0.08
Power and fuel	4.21	0.09
Insurance	6.66	0.19
Auditors' remuneration:		
Audit fees	—	0.03
Fees for other services	0.43	—
Out of pocket expenses	0.04	—
Directors' fees	0.03	0.02
Travel	36.61	13.26
Other expenses	82.50	16.83
Depreciation	5.15	0.47
Interest (including on debentures and other fixed loans Rs. 32.52 lakhs)	34.30	—
Other financial charges	32.43	—
Issue expenses	104.24	—
Premium on redemption of debentures	20.00	—
	380.28	42.70
Add: Brought forward from previous year	54.12	11.42
	434.40	54.12
Less: Amount appropriated to fixed assets	25.27	—
Balance in capital work in progress	409.13	54.12

Schedule forming part of the accounts

6. In respect of plant and machinery installed prior to 31 March 1987, the Company is eligible to claim an investment allowance of Rs. 55.66 lakhs. A corresponding reserve of Rs. 41.75 lakhs will have to be created prior to the investment allowance being claimed as a deduction from future taxable income.

7. Break-up of expenditure on employees who were:

	employed throughout the year on a remuneration of at least Rs. 36,000		employed for a part of the year on an aggregate remuneration at a rate of at least Rs. 3,000 per month	
	1987	1986	1987	1986
Number of employees	25	1	45	23
	Rupees in lakhs		Rupees in lakhs	
Salaries and wages	14.12	0.90	10.58	4.88
Company's contribution to provident and other funds	2.17	0.17	0.88	0.67

8. Managing Director's remuneration is Rs. 1.43 lakhs (1986: Rs. 0.67 lakh, which pertains to the period from 3 January 1986, being the date of his appointment, to 30 June 1986).

9. The provisions of the Industries (Development and Regulations) Act, 1951, relating to the licensed capacity are not applicable to the Company. As the project is still under implementation, the installed capacity is not determinable.

10. The Company produced 76,860 watches, sold 48,521 watches and had a closing stock of 28,339 watches.

11. Analysis of raw materials and components consumed during the year:

	Rupees in lakhs
Components	344.36
Other materials	7.19
Sundry charges	5.49
	<u>357.04</u>

12. C.I.F. value of imports of:

	Rupees in lakhs	
	1987	1986
Raw materials and components	369.73	—
Stores and spares	0.65	—
Capital goods	842.06	—
	<u>1212.44</u>	<u>—</u>

13. Expenditure in foreign currency (on payment basis) on account of:

	1987	1986
Know-how fees	—	25.00
Interest	6.57	—
Others	52.69	3.15

14. Value of imported and indigenous materials, spare parts and components consumed and the percentage of each to the total consumption during the year:

	Rupees in lakhs	%
Imported	334.01	94
Indigenous	23.03	6
	<u>357.04</u>	<u>100</u>

Schedule forming part of the accounts

15. The Company has commenced commercial operations during March 1987 and hence there is no profit and loss account for the previous year.
16. Previous year's figures have been recast wherever necessary.

Signatures to Schedules "A" to "I"

For and on behalf of the Board,

A. L. Mudaliar *Chairman*

M. H. Mody *Vice-Chairman*

Xerxes Desai *Managing Director*

M. N. Ramdas
General Manager (Finance)
& *Company Secretary*

Bangalore, 9 November 1987