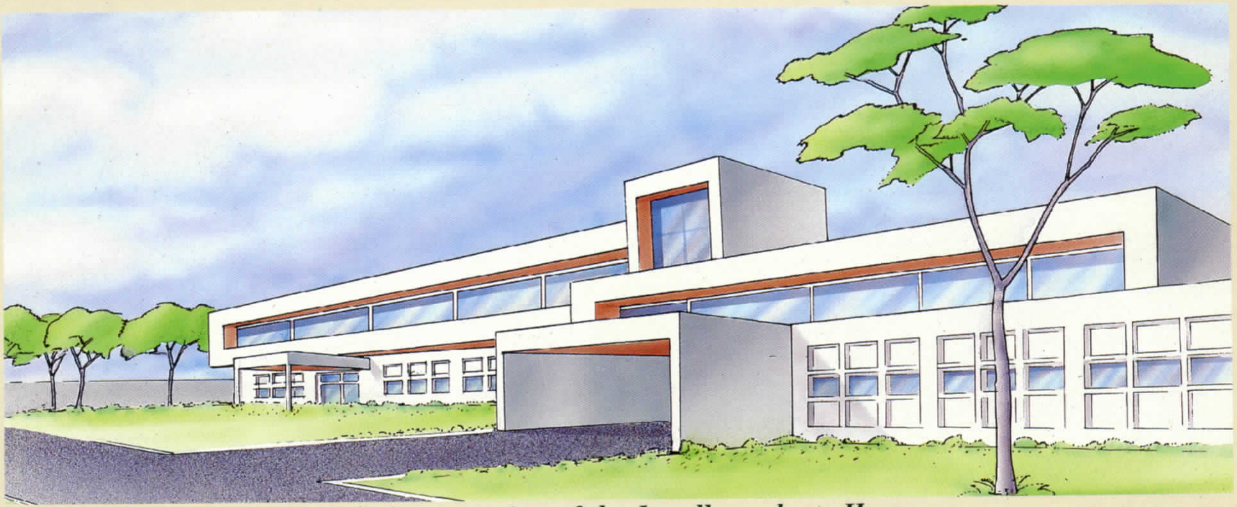
TITAN WATCHES LIMITED

NINTH ANNUAL REPORT 1992-93



Artist's impression of the Jewellery plant, Hosur.

The current year promises to be of very special significance for Titan Watches Limited. The first few major steps will be taken on the road to global success: establishing export-oriented plants for the manufacture of jewellery and upmarket watches, and starting up the international marketing network.

The future looks exciting as Titan aims for a share of the premium watch and jewellery market in Europe and the USA. Bringing both Titan and India, honour and glory.

The new corporate office building in Bangalore.

The electronic circuit plant of Titan Time Products, Goa.

Artist's impression of the new watch plant, Hosur.

Directors

A.L. Mudaliar Chairman

Xerxes Desai Vice Chairman & Managing Director

J.J. Bhabha

S. Arvind

Farrokh K. Kavarana

Ishaat Hussain

T.K. Balaji

A.C. Mukherji

A.N. Palwankar

B. Chandran

Executives

A.K. Manchanda Executive Vice President – International Operations

I.K. Amitha Senior Vice President – Business Development

C. Gaudot Technical Advisor

R.C. Hari Rao Vice President – Manufacturing

M.N. Ramdas Vice President – Finance & Company Secretary

Bhaskar Bhat Vice President – Sales & Marketing

Bankers

Canara Bank
ANZ Grindlays Bank

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Registered Office

3, SIPCOT Industrial Complex
Hosur 635 126

Share Department

Tata Share Registry Limited
Unit : Titan Watches Limited
Shalaka
Maharshi Karve Road
Bombay 400 021

Notice

The Ninth 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 Monday, 19th July 1993, 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 31st March 1993 and the Balance Sheet as at that date.

2. To declare a dividend on equity shares.

3. To appoint Directors in place of Mr. J.J. Bhabha, Mr. Ishaat Hussain and Mr. B. Chandran who retire by rotation and are eligible for reappointment.

4. To appoint a Director in place of Mr. Farrokh K. Kavarana who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with article 117 of the Articles of Association of the Company, who being eligible, offers himself for reappointment and in respect of whom the Company has received valid nominations in writing from some Members proposing his candidature for the office of Director.

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

   "RESOLVED that pursuant to the provisions of section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, approval is hereby accorded to the reappointment of Mr. Xerxes Desai as Managing Director of the Company for a period of five years from 1st October 1993 (i.e. the day following the date of the expiry of the current tenure), upon the principal terms and conditions set out in the explanatory statement attached hereto and the Agreement submitted to this meeting and initialled by the Chairman of the meeting for identification, which Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to increase, alter and vary, without further reference to the Shareholders, the terms and conditions of the said reappointment and/or Agreement in the event of change in the legislation, rules and regulations in this regard, in such manner as may be acceptable to Mr. Xerxes Desai."

6. 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 21 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals as may be required, approval is hereby accorded to a change in the name of the Company from "TITAN WATCHES LIMITED" to "TITAN LIMITED" or such other name as may be available and accepted by the Board of Directors and immediately upon the said change in the name of the Company becoming complete and effective, the new name be substituted for the existing name wherever it appears in the Memorandum and Articles of Association of the Company."

7. 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 reappointed 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 1993-94 on a remuneration of Rs.3,00,000/- 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. 4 to 7 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 Thursday, 1st July 1993 to Friday, 23rd July 1993, both days inclusive.

(d) The dividend on shares as recommended by the Directors for the year ended 31st March 1993, if declared at the meeting, will be payable on or after 26th July 1993, in accordance with the resolution to be passed by the Shareholders of the Company, to those Members whose names stand on the Register of Members of the Company as on 23rd July 1993.

(e) Members who are resident individuals/Companies as per the Income Tax Act, 1961, and who are eligible to receive dividend without deduction of tax at source, may file the relevant tax exemption certificates or declarations, in duplicate, to receive the dividend payment without deduction of tax at source. The tax exemption certificates/declarations should be filed with the Company's Registrars and Share Transfer Agents on or before 15th July 1993, at the following address :

Tata Share Registry Limited
Unit : Titan Watches Limited
Shalaka
Maharshi Karve Road
Bombay 400 021.

(f) Members are also requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, at the aforesaid address before 23rd July 1993 :

(i) the changes, if any, in their registered addresses alongwith the pin code number.

(ii) the permanent Income-Tax Account Number allotted to them by the Income-Tax authorities.

(g) For the convenience of Members, the Company will be providing a coach service from Bangalore on the day of the meeting. The coaches will leave for Hosur at 2.00 p.m. from Queens Statue (Cubbon Park main entrance), Bangalore, and bring the Members back to Bangalore after the meeting.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

24 May 1993

By Order of the Board of Directors,

M.N. Ramdas
Vice President – Finance
& Company Secretary

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 items nos. 4 to 7 of the accompanying Notice dated 24th May 1993.

2. Item no. 4 : Mr. Farrokh K. Kavarana was appointed as an Additional Director of the Company on 27th January 1993 by the Board of Directors. In terms of section 260 of the Companies Act,1956, read with article 117 of the Articles of Association of the Company, Mr. Farrokh K. Kavarana holds office upto the forthcoming Annual General Meeting.

   Notices under section 257 of the Companies Act, 1956, alongwith the requisite deposit of Rs. 500/- have been received from some Shareholders of the Company signifying their intention of proposing Mr. Farrokh K. Kavarana as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

   Mr. Farrokh K. Kavarana may be deemed to be interested in this item of business as it relates to his appointment.

3. Item no. 5 : Mr. Xerxes Desai's current tenure as Managing Director of the Company expires on 30th September 1993. The Company's remarkable achievements have been primarily due to the dynamic leadership of Mr. Xerxes Desai. The Directors have therefore reappointed him as the Managing Director of the Company for five years with effect from 1st October 1993, on the same terms and conditions as at present, being the permitted limit under the existing rules and regulations.

   The terms and conditions are incorporated in the draft Agreement between the Company and Mr. Xerxes Desai. The following are the principal terms and conditions :

(i) Period of Agreement	:	5 years with effect from 1st October 1993.
(ii) Remuneration	:	Salary Rs. 15,000/- per month or such other increased amount, as may be applicable from time to time. Commission at 1% per annum of the net profits subject to a maximum of Rs. 90,000/- per annum or such other increased percentage and/or limits as may be applicable from time to time.
(iii) Perquisites	:	Perquisites shall be restricted to an amount equal to the annual salary or Rs. 1,15,000/- per annum, whichever is less or such other increased amount as may be applicable from time to time in respect of the items mentioned below.

PART A :

(a) Housing I - The expenditure by the Company on hiring unfurnished accommodation will be subject to fifty per cent of the salary, over and above ten per cent payable by the Managing Director.

Housing II - In case the accommodation is owned by the Company, ten per cent of the salary of the Managing Director shall be deducted by the Company.

Housing III - In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance of fifty per cent of his salary.

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten per cent of the salary of the Managing Director.

(b) Medical reimbursement - Expenses incurred for the Managing Director and his family subject to a ceiling of three months' salary over a period of three years.

(c) Leave travel concession - For the Managing Director and his family, once in a year incurred in accordance with the Rules specified by the Company.

(d) Club fees - Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

(e) Personal Accident Insurance - Premium not to exceed Rs. 1,000/- per annum.

For the purposes of this Part 'family' means the spouse, dependent children and dependent parents of the Managing Director.

PART B :

(a) Gratuity not exceeding half a month's salary for each completed year of service subject to a ceiling of Rs. 1,00,000/-.

(b) Contribution to the Provident Fund, Superannuation Fund or Annuity Fund shall be as per the rules of the Company and will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

PART C :

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company to the Managing Director.

(a) In the event of loss or inadequacy of profits during the aforesaid period, the salary (to the exclusion of commission, to the extent it exceeds the limits) and the perquisites shall be same as above.

(b) The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to managing and whole-time Directors in accordance with the applicable limits, if any, from time to time, or any amendments made hereafter in this regard.

(c) The Agreement may be terminated by either party giving the other party six months' notice.

(d) The Managing Director shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

(e) The Managing Director shall not have the following powers :

- the power to make calls on Shareholders in respect of money unpaid on shares in the Company.
- the power to issue debentures.
- the power to invest the funds of the Company in shares, stocks and securities.

The draft Agreement between the Company and Mr. Xerxes Desai is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

This may be treated as an abstract of the draft Agreement between the Company and the Managing Director pursuant to section 302 of the Companies Act, 1956.

Mr. Xerxes Desai as Managing Director is interested in this item of business.

4. Item no. 6 : The Company was incorporated with the existing name of "TITAN WATCHES LIMITED", based on its plans at the time of incorporation to manufacture and sell watches. The Company is now diversifying into the manufacture of jewellery.

At present the Company's products are sold largely in the domestic market. Very shortly, the Company will be marketing jewellery as well as watches in Europe, followed by other parts of the world. In furtherance of its plans, the Company is in the process of establishing a wholly owned overseas subsidiary company for which the necessary approvals have been obtained.

As the existing name does not correctly reflect the Company's business activities and its image, and taking into account other diversification proposals, it is considered necessary to change the Company's name to "TITAN LIMITED" or such other name as may be approved and accepted by the Board of Directors.

The proposed change in name would be subject to the necessary approvals in terms of section 21 of the Companies Act, 1956.

None of the Directors of the Company has any concern or interest in this item of business.

5. Item no. 7 : Since the shareholding pattern of the Company is such that the provisions of section 224A of the Companies Act, 1956, are applicable, the reappointment of A.F. Ferguson & Co. as Auditors of the Company is required to be made by a special resolution.

None of the Directors of the Company has any concern or interest in this item of business.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

24 May 1993

By Order of the Board of Directors,

M.N. Ramdas
Vice President – Finance
& Company Secretary

Directors' Report

To the Members of Titan Watches Limited

The Directors are pleased to present the Ninth Annual Report and Audited Statement of Accounts for the year ended 31st March 1993.

Financial Results

The operating margins were under pressure throughout the year under review mainly due to the recession in sales of consumer durables, high interest rates, increase in operating costs and sharply raised excise levies. The unfortunate disturbances in many parts of the country during the crucial selling season had a significant impact on sales volumes. In spite of these factors, the Company has done well to end the year with sales turnover registering an increase of 23% and with profits only marginally lower than last year.

	Rupees in lakhs	
	1992-93	1991-92
Income	**19281.30**	15550.33
Expenditure	**15625.14**	11993.90
Gross profit	**3656.16**	3556.43
Interest	**1846.19**	1771.89
Depreciation	**722.76**	674.34
Profit before taxes	**1087.21**	1110.20
Provision for taxes	**-**	-
Profit after taxes	**1087.21**	1110.20
Less : Provision for taxes in respect of earlier year	**4.82**	-
Add : Profit brought forward	**123.92**	332.87
Amount available for appropriation	**1206.31**	1443.07
Appropriations :		
Debenture redemption reserve	**57.00**	57.25
Investment allowance reserve	**304.05**	693.01
Proposed dividend	**688.86**	536.89
Transfer to general reserve	**78.00**	32.00
Balance carried forward	**78.40**	123.92
	1206.31	1443.07

An amount of Rs. 10.63 crores was received during the year on cancellation of forward cover contracts relating to foreign currency term loans. The Directors have considered it prudent to treat this as a capital receipt, by crediting the fixed asset account, and not as income for the year.

Dividend

The Directors are pleased to recommend that dividend be enhanced from 20% to 22%, i.e. Rs. 2.20 per share, with the dividend being on a pro-rata basis on the shares allotted during the year. Accordingly, the dividend per share is recommended as under :-

Existing shares	Rs. 2.20
New shares allotted on	
1 October 1992	Rs. 1.10
22 December 1992	Re. 0.60

Payment is subject to deduction of tax and approval by the Shareholders at the Annual General Meeting.

Finance

As approved by the Shareholders, the Part B portion of the 12.5% debentures issued in 1989 was duly converted into equity shares, at a premium of Rs. 40 per share, on 1st October 1992, the first possible conversion date as per the terms of the issue.

The rights issue of equity shares at a premium of Rs. 40 per share, made during October/November 1992, evoked a very satisfactory response, with the issue being oversubscribed.

The following equity shares, at a price of Rs. 50 per share, were thus allotted during the year :-

On 1 October 1992 upon conversion of the convertible Part B portion of the 12.5% debentures	11,37,820 shares
On 22 December 1992 pursuant to the Letter of Offer for Rights Shares	1,42,93,900 shares

The share capital of your Company now stands at Rs. 42.28 crores and reserves at Rs. 77.82 crores, inclusive of a share premium reserve of Rs. 61.73 crores.

During the year under review, the Company availed of term loans aggregating Rs. 15 crores from the Industrial Credit and Investment Corporation of India and the Unit Trust of India out of the sanctioned amount of Rs. 23.91 crores. A term loan of Rs. 5 crores was also obtained from the Export-Import Bank of India during the year. Besides these, the Company received an interest free sales tax loan of Rs. 15 lakhs from the State Industries Promotion Corporation of Tamil Nadu Limited.

Additional fixed deposits accepted during the year aggregated Rs. 2.35 crores and, as on 31st March 1993, the Company held fixed deposits of Rs. 7.62 crores from the public, shareholders and employees. There were no overdue deposits.

During the year under review, the Company repaid Rs. 7.49 crores to the International Finance Corporation, Washington, and Rs. 1.20 crores to the Tamil Nadu Industrial Development Corporation Ltd. Bridge loans amounting to Rs. 35 crores taken during the year were repaid out of the proceeds of the rights issue.

New and substantial opportunities confronting the Company have necessitated a change in the new manufacturing facilities proposed to be established and, consequently, an increase in the Capital Investment Plan from Rs. 130 crores to Rs. 225 crores. It is proposed to raise the additional funds required by way of long-term borrowings.

An amount of Rs. 57 lakhs has been transferred to the debenture redemption reserve in accordance with statutory requirements.

The Company has created and transferred to the Investment Allowance Reserve Account an amount of Rs. 3.04 crores which represents the balance reserve to be provided in respect of plant and machinery installed during 1989-90.

Manufacturing

During the year under review, the Company produced 2.70 million movements, 1.54 million cases and 2.60 million watches, representing a growth over the previous year of 5%, 24% and 15% respectively. The Company's Case Plant at Hosur and Assembly Unit at Dehra Dun achieved full rated capacity this year as planned.

Further successes were achieved in the on-going efforts for import substitution : supplies of indigenously manufactured Electronic Circuit Blocks from Titan TimeProducts Ltd. commenced and the project for in-house manufacture of Step Motors was substantially implemented. The Company expects to become fully independent of imports of both these items during the current year. The CIF value of imported materials and components consumed during the year under review came down to Rs. 23.60 crores as against Rs. 25.31 crores in the previous year, a drop of 7% despite the higher costs of foreign currencies and increased production. Special efforts are being made to achieve significant reductions during the current year.

During 1991-92, the Company obtained accreditation for its R & D centre from the Department of Scientific and Industrial Research. The Company's efforts to obtain accreditation under ISO 9000 are progressing well and it is expected that certification will be obtained in the course of 1993-94.

The Company's manufacturing group continues to make good progress in developing new products, effecting improvements to product quality, increasing output and yield, minimising material consumption, lengthening tool life, upgrading machines, increasing automation and improving productivity through better training and man-management.

These developments have significantly strengthened the capabilities of our manufacturing group and their effects will be apparent in the results for the current year.

Sales

The year 1992-93 was marked by a deepening recession in the sale of consumer durables. It is estimated that total sales of mechanical, digital and quartz watches manufactured by the four key producers in India declined by about 15%. In spite of this, your Company has performed remarkably well, selling 2.57 million watches during the year under review as against 2.24 million watches in the previous year, thus achieving a growth of 15% over the previous year in terms of units sold and 23% in terms of revenues realised.

Sales would have been higher if the Canteen Stores Department's operating constraints had not precluded them from making purchases. The CSD had purchased 1.54 lakh watches in 1991-92. Volume and sales value were also affected by the sale of the Aqura brand to Timex Watches Limited.

At the end of March 1993, the Company had a market share of close to 60% of quartz analog watches made and sold in India. Together with the 15% market share of Timex watches (sold and marketed by your Company) our total share stood at close to 75% of Indian made quartz analog watches and about 15% of the estimated 18 million watches sold in India every year, including mechanical, quartz and digital watches from all indigenous and imported sources, both legal and otherwise.

Your Company now has a network of 4100 outlets through which its products are sold. Our 63 exclusive and high profile showrooms, along with 74 Titan Shops (which are multi-brand but with a primary allegiance to Titan), form the top end of watch retailing in India, and are constantly increasing in numbers.

Our after-sales-service network has been significantly expanded and is being upgraded to provide first-class service to our clients with the quality, speed and cost of repairs as also the handling of clients being our key concerns.

We continue to lead in the introduction of new models, designs and styles in watches and, in line with our strategy of moving upmarket, the Company will shortly be introducing a new range of jewellery watches. It is also planned to significantly increase the number and variety of upmarket steel and plated products during the current year.

Exports

During 1992-93, exports crossed Rs. 6 crores, showing a significant increase as compared to the previous year. The Company continued to expand its coverage of the Middle East and its products have gained growing acceptance from non-Indian buyers, so much so that the Titan brand is now emerging as an important competitor to the Japanese brands which dominate the Middle East market.

During the current year, efforts will be directed towards consolidating our presence in the Middle East and to making a beginning in the United Kingdom. Your Company expects to become a net earner of foreign exchange in 1994-95.

The export effort has been hampered by the lack of high quality folded sheet metal bracelets in the Titan offering, a situation brought about by the Government of India's utterly indefensible policy of reserving the manufacture of all types of straps for the small scale industry despite the fact that it is unable to produce high quality and complex bracelets within the asset constraints applicable to that sector. Important new initiatives have been taken to remedy this situation.

New Activities

The Company's on-going capital expenditure plan is estimated at Rs. 225 crores, of which Rs. 107 crores is earmarked for capacity expansion and indigenisation, Rs. 23 crores for jewellery watches, Rs. 33 crores for the jewellery manufacturing unit, Rs. 35 crores for infrastructural support and Rs. 27 crores for investment in associated companies including Timex, Titan Holdings BV, Titan TimeProducts Ltd. and Titan Properties Ltd. The total amount spent as at 31st March 1993 was a little over Rs. 70 crores.

During the year, the Company took steps to increase capacity in phases to 3.5 million watches, largely through productivity improvements and by the addition of balancing equipment. It is expected that 3 million watches will be produced in 1993-94 and 3.5 million watches in 1994-95. Plans to further increase the capacity to 4 million watches are under formulation. Case-manufacturing capacity has been enhanced during the year from 1.20 million to 1.60 million cases per annum and will be further raised to 2.20 million. The Case Plant will now concentrate on the more complicated and expensive cases, leaving simpler cases to be procured from indigenous vendors.

The project for the in-house manufacture of Step Motors is being successfully implemented and the Company expects to be fully independent of Step Motor imports very soon. The second Physical Vapour Deposition plant for highly durable gold plating has been successfully installed and is already operational, raising capacity from 0.3 to 1.3 million units per year.

The Jewellery and Jewellery Watch Plants at Hosur are now expected to go into production in the last quarter of 1993. These units will eventually have a capacity of 300,000 primary jewellery pieces and 25,000 jewellery watches per year. Specimens and designs of jewellery and jewellery watches were on display this year at the Inhorgenta Fair in Munich and also at the time of the Basel Fair. Concurrent with the construction of the manufacturing facilities, intensive design activities have been undertaken to develop product lines tailored to the different needs of the Indian and European markets. A systematic training programme has been drawn up for our skilled craftsmen both within India and abroad. It is expected that Titan's venture into jewellery will bring the Company not merely profit but also prestige and it is heartening to note the strong backing for our plans from international organisations in the fields of jewellery and precious stones.

The project to design and produce a new range of watches for the European and American markets has made significant progress. Manufacturing facilities, with a capacity for producing 200,000 sets of cases and bracelet parts per annum, are under construction at Hosur and production is now scheduled to commence in the last quarter of 1993. The watches are being designed in Europe by several eminent designers and the prototypes have evoked keen interest and appreciation.

In view of the fact that the products offered by your Company will now comprise of both watches and jewellery, and also in view of the fact that we are known as "Titan" to all with whom we deal, it is considered advisable to change the name of your Company to "Titan Limited". An appropriate resolution is being proposed at the forthcoming Annual General Meeting and is commended for your approval.

Associate Companies

In order to streamline our international operations, it was decided during the year to set up a wholly-owned subsidiary, Titan Holdings BV, in the Netherlands which was approved by the Shareholders at the Extraordinary General Meeting held on 9th January 1993. Approval by the Central Government for investment of the share capital of 2 million US dollars has also been received.

Timex Watches Ltd. commenced sales in November 1992 and, in the process, set new standards which will be difficult for any other new entrant in the Indian market to match. The initial launch was extremely successful, as expected, and 4 lakh watches were sold during the period ended 31st March 1993. In addition to the technology provided by the American promoters, Timex has the advantage of being distributed and serviced by the Titan sales network which has access to over 4000 outlets all over India, ranging from our prestigious Company showrooms in major cities to small dealers in mofussil towns. Your Company has a major stake in the equity of Timex Watches Ltd. Timex proposes to make a Partly Convertible Debenture issue to the public, and a preferential offer of these debentures will be made to the shareholders of Titan Watches.

Titan TimeProducts Ltd., our joint sector project with the Economic Development Council of Goa, Daman and Diu, commenced manufacture of Electronic Circuit Blocks in November 1992 at its beautifully designed factory at Verna in Goa. Upto March 1993, TTPL sold over 3 lakh ECBs to Titan and during 1993-94 sales of 25 lakh ECBs are expected. Titan Watches will thus become totally independent of ECB imports during 1993-94.

Titan Properties Ltd. was incorporated to undertake, among other things, a land development and housing scheme for our employees at Hosur. The township, designed by Charles Correa, will extend over 100 acres of land, of which 70 acres have already been purchased. The masterplan for this area has been finalised and submitted to the Director of Town Planning for approval. Simultaneously, an application has been made to the State Government for acquisition of the remaining 30 acres required to complete the project. In addition to the unique "cluster concept" design where houses are arranged in clusters around open spaces, the township will have community facilities like a school, a kindergarten, a medical centre, a community library, a social and sports club, a cable TV network, a shopping centre and parks. 280 of our employees have already enrolled and it is expected that the first phase of development would be completed by November 1994.

Employees

Our highly motivated and talented workforce continues to grow and now stands at 2630 employees, of whom 1983 are at Hosur, 77 at Dehra Dun, 319 in the field and 251 at the Corporate Head Office. During the year, a comprehensive revision of salaries and wages for employees at all levels was carried out, and a three-year settlement in respect of the industrial workforce was signed with employee representatives.

Relations with our employees continue to be cordial and the system of dialogue through forums for all important issues concerning the welfare and well-being of the workforce at Hosur has contributed in no small measure to this relationship.

Prospects

The future looks very bright for the Company. During 1993-94, sales are expected to be 3 million watches. Income, including proceeds from the sale of jewellery and jewellery watches is likely to be in excess of Rs. 300 crores.

The Company's thrust will be on exports, with further upmarket moves in the domestic sector.

Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company continues to receive from the Governments of India and Tamil Nadu, the participating financial institutions, the Company's bankers, the world watch trade and the press in India and abroad.

Directors

Mr. J.J. Bhabha, Mr. Ishaat Hussain and Mr. B. Chandran retire by rotation and are eligible for reappointment.

During the year under review, Mr. F. Perret and consequently Mr. Dara P. Mehta, Alternate Director to Mr. F. Perret, resigned from the Board of the Company. Your Directors have placed on record their appreciation of the services rendered by them during their tenure.

Mr. F.K. Kavarana was appointed as an Additional Director with effect from 27th January 1993. In terms of the Articles of Association and the Companies Act, 1956, Mr. F.K. Kavarana holds office upto the forthcoming Annual General Meeting. The Company has received notices from some Members signifying their intention to propose Mr. Kavarana as a candidate for the office of Director.

Mr. Xerxes Desai's current tenure as Managing Director ends on 30th September 1993. The

Directors have re-appointed him as Vice Chairman and Managing Director for a further period of five years and a resolution to this effect has been proposed for adoption at the forthcoming Annual General Meeting.

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 annexed to this report.

Section 217(1)(e) of the Companies Act

In accordance with the provisions of section 217 (1)(e) of the Companies Act, 1956, the required information relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is annexed.

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, 24 May 1993

Annexure to the Directors' Report

(Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs)

A. Conservation of Energy

1. A solar water heating system with a capacity to supply 10,000 litres of hot water (at 70 degrees centigrade) per day, was installed with an investment of Rs. 10 lakhs. This will result in a saving in power consumption of 15,000 kwH per month.

2. During 1991-92 and 1992-93, it was possible to achieve an average power factor of 0.95 and savings in power consumption of about 30,000 kwH per month.

3. At the new Corporate Office in Bangalore, a 'Building Automation System' for air-conditioning control has been installed at a cost of Rs. 9.69 lakhs. It is estimated that this will result in a 10% saving in power consumption.

B. Technology Absorption

(a) Research & Development

1. The Department of Scientific and Industrial Research (DSIR) has given accreditation to Titan for its R & D centre.

2. Research and Development is being carried out in the following areas :

   - Design and development of speciality and slim line movements.
   - Upgradation of the aesthetic and functional aspects of watches by developing new designs and processes.
   - Making design modifications in the product so as to simplify the manufacturing process and enhance productivity.
   - Developing special jigs, fixtures and devices to increase productivity.
   - Improvements to tool design.
   - Upgradation of machines.
   - Design and development of special machines required for increasing capacity.
   - Development of equipment required for testing product reliability at various stages.

3. Plans for 1993-94 include completion of the full-fledged prototype centre. The prototype centre will help bridge the gap between design conceptualisation and manufacturing technology and substantially reduce the time and cost involved in developing new products.

   A reliability laboratory is also envisaged to help establish ISO 9000 standards of quality required to successfully compete in the international markets.

(b) Technology absorption, adaptation and innovation :

1. Technology for the manufacture of watch components has been successfully absorbed. As regards movement manufacture, productivity improvements along with marginal investments in balancing equipments, have resulted in an increase in installed capacity.

2. In order to improve the quality and reliability of plating, the technology of physical vapour deposition for coating cases and straps has been adapted. This sophisticated technology provides a wear resistant coating with very high levels of finish and colour consistency.

3. The process of technology absorption for step motor manufacture has already begun. In-house manufacture of step motors will result in substantial savings in cost and foreign exchange outflows.

4. Jewellery manufacture is being taken up with European technical support. A pilot plant has been operational since September 1992 and the staff are undergoing training in India and abroad.

C. Foreign Exchange earned and used

The Company has earned Rs. 664.53 lakhs in foreign exchange and used Rs. 4489.66 lakhs.

On behalf of the Board of Directors,

A.L. Mudaliar
Chairman

Bangalore, 24 May 1993

Auditors' Report

To the Members of Titan Watches Limited

We have audited the attached balance sheet of Titan Watches Limited as at 31st March, 1993 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, 1988, 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 31st March, 1993; and
      (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 24 May 1993

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 31st March, 1993.

1. The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets. Most of the fixed assets have been physically verified by the management during the year. As explained to us, no serious discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
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 at reasonable intervals. The stocks in possession of third parties have been verified by the management with reference to certificates obtained from them and/or other relevant documents.
4. The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not significant and have been properly dealt with in the books of account.
6. In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. 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, where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 of the Companies Act, 1956.
9. In respect of advances due from companies amounting to Rs. 1074 lakhs included in loans and advances, we have been informed that the Company intends to adjust the advances against equity shares to be issued by those companies. In respect of other loans and advances in the nature of loan given by the Company, the parties are repaying the principal amounts as stipulated and are also regular in the payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and comparable alternative quotations are not available, 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, and for the sale of goods.
11. In our opinion and according to the information and explanations given to us and, having regard to our comments in 10 above, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials

or services as available with the Company, or the prices at which transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for the same has been made in the accounts.

13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted.

14. As explained to us, the Company's operations do not generate any by-products and in our opinion, reasonable records have been maintained by the Company for the sale of scrap.

15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

16. We are informed that 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.

17. According to the records of the Company, provident fund and employees state insurance dues have been regularly deposited during the year with the appropriate authorities.

18. There are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty as at 31st March, 1993 which are outstanding for a period of more than six months from the date they became payable.

19. In our opinion and according to the information and explanations given to us, personal expenses have not been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of its service activities, the Company has a reasonable system of recording receipts, issues and consumption of components and stores commensurate with its size and the nature of its business. The system provides for a reasonable allocation of materials to the relative jobs but it is not considered necessary by the management to allocate man-hours consumed to relative jobs. In our opinion, there is a reasonable system for authorisation at proper levels, and adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of stores to jobs.

22. In respect of the Company's trading activity, we are informed that there are no damaged stocks.

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 24 May 1993

Balance Sheet

as at 31 March 1993

	Schedule		Rupees in lakhs 31-3-1993	31-3-1992
Sources of funds				
Shareholders' funds				
Share capital	A		**4227.63**	2684.46
Reserves and surplus	B		**7781.71**	1215.49
Convertible portion of 12.5% debentures			-	568.91
Loan funds				
Secured loans	C		**10181.65**	8703.26
Unsecured loans	D		**1262.33**	3368.79
Total			**23453.32**	16540.91
Application of funds				
Fixed assets	E			
Gross block, at cost		**14793.07**		11259.23
Less : Depreciation		**2751.17**		2045.87
Net block		**12041.90**		9213.36
Advances on capital account and capital work in progress, at cost		**1094.61**		306.30
			13136.51	9519.66
Investments	F		**6.00**	6.00
Current assets, loans and advances	G			
Inventories		**8639.40**		7163.27
Sundry debtors		**1406.46**		565.18
Cash and bank balances		**850.35**		683.67
Loans and advances		**3018.94**		1594.57
		13915.15		10006.69
Less :				
Current liabilities and provisions	H			
Current liabilities		**2885.30**		2434.35
Provisions		**719.04**		557.09
		3604.34		2991.44
Net current assets			**10310.81**	7015.25
Total			**23453.32**	16540.91
Notes	K			

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 24 May 1993

M.N. Ramdas
Vice President - Finance
& Company Secretary

For and on behalf of the Board,

A.L. Mudaliar — Chairman

Xerxes Desai — Vice Chairman & Managing Director

Profit and Loss Account

for the year ended 31 March 1993

	Schedule		Rupees in lakhs Current Year	Previous Year
Income				
Sales			**19121.45**	15500.95
Other income	I		**159.85**	49.38
Total			**19281.30**	15550.33
Expenditure				
Operating and other expenses	J		**15625.14**	11993.90
Depreciation			**722.76**	674.34
Interest			**1846.19**	1771.89
Total			**18194.09**	14440.13
Profit for the year			**1087.21**	1110.20
Taxes			-	-
Profit after taxes			**1087.21**	1110.20
Provision for taxes in respect of earlier year			**4.82**	-
Profit brought forward			**123.92**	332.87
Amount available for appropriation			**1206.31**	1443.07
Appropriations				
Transfer to debenture redemption reserve		**57.00**		57.25
Transfer to investment allowance reserve account		**304.05**		693.01
Proposed dividend (subject to deduction of tax)		**688.86**		536.89
Transfer to general reserve		**78.00**		32.00
			1127.91	1319.15
Balance carried to balance sheet			**78.40**	123.92
Notes	K			

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 24 May 1993

M.N. Ramdas
Vice President - Finance
& Company Secretary

For and on behalf of the Board,

A.L. Mudaliar — Chairman

Xerxes Desai — Vice Chairman & Managing Director

Schedules forming part of the accounts

"A" Share capital

		Rupees in lakhs 31-3-1993	31-3-1992
Authorised			
5,00,00,000 equity shares of Rs. 10 each		**5000.00**	5000.00
Issued and subscribed			
4,22,76,270 (1992 : 2,68,44,550) equity shares of Rs. 10 each, fully paid up		**4227.63**	2684.46
		4227.63	2684.46

"B" Reserves and surplus

		31-3-1993	31-3-1992
Capital reserve			
As per last balance sheet		**13.23**	13.23
Share premium account		**6172.69**	–
Debenture redemption reserve			
As per last balance sheet	**216.58**		159.33
Transfer from profit and loss account	**57.00**		57.25
		273.58	216.58
Investment allowance reserve account			
As per last balance sheet	**734.76**		41.75
Transfer from profit and loss account	**304.05**		693.01
		1038.81	734.76
General reserve			
As per last balance sheet	**127.00**		95.00
Transfer from profit and loss account	**78.00**		32.00
		205.00	127.00
Balance in profit and loss account		**78.40**	123.92
		7781.71	1215.49

Schedules forming part of the accounts

"C" Secured loans

	Rupees in lakhs 31-3-1993	31-3-1992
15% debentures of Rs. 100 each, fully paid up (includes premium on redemption Rs. 20.00 lakhs)	**420.00**	420.00
13.5% debentures of Rs. 200 each, fully paid up	**1312.50**	1312.50
12.5% debentures of Rs. 200 each, fully paid up	**568.91**	568.91
Foreign currency term loans from the International Finance Corporation, Washington	**4316.07**	3862.05
Term loans from financial institutions	**1500.00**	–
Interest free sales tax loan	**99.96**	84.85
Other term loans	**860.00**	480.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**1104.21**	1974.95
	10181.65	8703.26

"D" Unsecured loans

	31-3-1993	31-3-1992
Fixed deposits	**762.33**	527.75
Short term loan from a financial institution	**500.00**	500.00
Deposits from companies	–	2188.00
Unsecured short-term loan from a bank	–	153.04
	1262.33	3368.79

Schedules forming part of the accounts

"E" Fixed assets

Rupees in lakhs

	Gross block				Depreciation	Net block	
	Cost as at 1-4-1992	**Additions**	**Deductions**	**Cost as at 31-3-1993**	**As at 31-3-1993**	**As at 31-3-1993**	As at 31-3-1992
Land-freehold	29.96	-	-	**29.96**	-	**29.96**	29.96
Land-leasehold	3.67	**37.01**	-	**40.68**	-	**40.68**	3.67
Buildings	979.90	**11.69**	-	**991.59**	**137.27**	**854.32**	873.77
Plant, machinery and equipment	9635.50	**3104.40**	**26.08**	**12713.82**	**2519.53**	**10194.29**	7761.78
Furniture, fixtures and equipment	525.12	**366.59**	**8.31**	**883.40**	**75.12**	**808.28**	472.59
Vehicles	85.08	**54.41**	**5.87**	**133.62**	**19.25**	**114.37**	71.59
Total	11259.23	**3574.10**	**40.26**	**14793.07**	**2751.17**	**12041.90**	
As at 31st March 1992	9702.67	1565.85	9.29	11259.23	2045.87		9213.36
Advances on capital account and capital work in progress, at cost						**1094.61**	306.30
						13136.51	9519.66

"F" Investments

	Rupees in lakhs	
	31-3-1993	31-3-1992
Trade investments - unquoted, at cost		
6,000 fully paid equity shares of Rs. 100 each in Tata Share Registry Ltd	**6.00**	6.00
1 fully paid equity share of Rs. 10 in Titan TimeProducts Ltd		
	6.00	6.00

Schedule forming part of the accounts

"G" Current assets, loans and advances

		Rupees in lakhs	
		31-3-1993	31-3-1992
Inventories			
Consumable stores		**438.33**	276.03
Loose tools		**64.88**	71.37
Stock-in-trade			
Raw materials and bought-out components	**2167.80**		1370.23
Work in progress	**3710.12**		3551.97
Finished goods	**2258.27**		1893.67
		8136.19	6815.87
		8639.40	7163.27
Sundry debtors (unsecured and considered good)			
Over six months	**23.93**		0.82
Others	**1382.53**		564.36
		1406.46	565.18
Cash and bank balances			
Cash and cheques on hand	**600.74**		506.04
With scheduled banks - in current accounts	**68.61**		24.03
- on deposit	**59.54**		
- in transit	**121.46**		153.60
		850.35	683.67
Loans and advances (unsecured and considered good)			
Deposits with companies	**405.00**		1.75
Advances recoverable in cash or in kind or for value to be received	**2576.23**		1572.41
Income-tax deducted at source,net of provision for tax	**9.39**		12.86
Balances with excise and customs authorities	**28.32**		7.55
		3018.94	1594.57
		13915.15	10006.69

Schedules forming part of the accounts

"H" Current liabilities and provisions

		Rupees in lakhs 31-3-1993	31-3-1992
Current liabilities			
Acceptances	-		503.71
Sundry creditors	**2696.97**		1682.79
Unclaimed dividends	**10.39**		8.17
Interest accrued but not due on loans	**177.94**		239.68
		2885.30	2434.35
Provisions			
Retiring gratuities	**30.18**		20.20
Proposed dividend	**688.86**		536.89
		719.04	557.09
		3604.34	2991.44

"I" Other income

	Current Year	Previous Year
Interest - gross (tax deducted at source on interest received Rs. 1.15 lakhs; 1992 : Rs. 5.75 lakhs)	**55.14**	42.09
Income from trade investments - gross (tax deducted at source Rs. 0.21 lakh; 1992 : Rs. 0.21 lakh)	**0.84**	0.84
Miscellaneous income	**103.87**	6.45
	159.85	49.38

Schedule forming part of the accounts

"J" Operating and other expenses

			Rupees in lakhs Current Year	Previous Year
Raw materials and components consumed			**8145.38**	7397.78
Stores and spare parts consumed			**1445.95**	1130.71
Purchase of finished goods			**47.69**	-
Payments to and provisions for employees				
Salaries and wages		**1008.68**		625.06
Company's contribution to provident and other funds		**63.57**		41.93
Welfare expenses		**200.30**		143.42
Gratuity		**11.16**		8.44
			1283.71	818.85
Other expenses				
Power and fuel		**154.43**		114.44
Repairs to buildings		**27.29**		12.55
Repairs to plant and machinery		**26.22**		21.97
Advertising		**1315.81**		952.21
Selling and distribution expenses		**222.11**		163.46
Commission		**67.77**		-
Insurance		**123.64**		92.51
Rent		**258.00**		211.81
Rates and taxes, net of modvat		**1904.82**		1017.55
General expenses		**1359.05**		1052.39
			5459.14	3638.89
Auditors' remuneration				
Audit fees		**2.00**		2.00
Fees for taxation matters		**0.65**		0.70
Fees for company law matters		**0.10**		-
Management consultancy services		**-**		0.63
Fees for other services		**1.36**		0.05
Reimbursement of expenses		**0.31**		0.31
			4.42	3.69
Directors' fees			**0.26**	0.15
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	**3710.12**			3551.97
Finished goods	**2258.27**			1893.67
		5968.39		5445.64
Opening stocks				
Work in progress	**3551.97**			2887.24
Finished goods	**1893.67**			1562.23
		5445.64		4449.47
			(522.75)	(996.17)
			15863.80	11993.90
Less : Expenses capitalised			**238.66**	-
			15625.14	11993.90

Schedule forming part of the accounts

"K" Notes to the accounts

1. Accounting policies :

The accounts are prepared under the historical cost convention and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India. The significant accounting policies followed by the Company are as stated below :

i) Fixed assets : Capitalised at acquisition cost including directly attributable cost of bringing the assets to their working condition for intended use.

ii) Depreciation : Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956.

iii) Foreign currency transactions : Foreign currency liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last working day of the accounting year or forward cover rates, as applicable. The net variation arising out of the said translation and roll over charges, if any, are adjusted to the cost of fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in the manner stated in (ii) above.

Other foreign currency assets and liabilities are similarly translated and the net loss arising out of such translation (after considering roll over charges, if any) is adjusted to the profit and loss account.

iv) Investments : Investments are valued at acquisition cost.

v) Inventories : Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The method of valuation of various categories of inventory is as follows :

(a) Consumable stores, loose tools, raw materials and components are valued on a monthly moving weighted average rate.

(b) Work in progress and finished goods are valued on full absorption cost method based on the average cost of production.

vi) Product warranty expenses : Product warranty costs are determined based on past experience and provided for in the year of sale.

vii) Retirement benefits : Contribution to the provident fund is made monthly at a predetermined rate to the Provident Fund Trust and debited to the profit and loss account on an accrual basis.

Gratuity liability is provided on an actuarial basis.

Contribution to the superannuation fund is made annually at a predetermined rate to the Superannuation Trust and debited to the profit and loss account on an accrual basis.

Schedule forming part of the accounts

2. The following equity shares were allotted at a premium of Rs. 40 per share during the year :

   a) 11,37,820 equity shares on 1st October 1992 on conversion of the convertible portion of the 12.5% debentures.

   b) 1,42,93,900 equity shares on 22nd December 1992 pursuant to the terms of the letter of offer dated 9th October 1992.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 826.38 lakhs (1992 : Rs. 525.42 lakhs).

4. a) The 15% debentures of Rs. 100 each and the 13.5% debentures of Rs. 200 each are secured by a legal mortgage on an immovable property of the Company.

   b) Further, the Company has also created an additional security :

      (i) by way of an equitable mortgage of the Company's immovable property situated at Hosur and

      (ii) by hypothecation of its movable assets (save and except book debts) both present and future, subject to a prior charge on inventories in favour of banks for providing working capital.

5. a) The 15% debentures are redeemable in three equal annual instalments with the first instalment payable on 3rd March 1994. A premium of 5% of the face value is payable together with the first instalment.

   b) The 13.5% debentures are redeemable at par at the end of ten years from the date of allotment (i.e. 15th 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 on any other basis.

6. The 12.5% debentures are secured by :

   a) a legal mortgage on an immovable property of the Company and

   b) an equitable mortgage on the immovable property of the Company located at Hosur.

7. The 12.5% debentures, fully paid up, are redeemable at par on 30th September 1999.

8. The foreign currency term loans from the International Finance Corporation, Washington, are secured by the securities stated in 4(b) above.

9. The term loans from financial institutions shown under secured loans are secured by the securities stated in 4(b)(ii) above.

10. The interest free sales tax loan is secured by a second charge by way of an equitable mortgage on the immovable property of the Company located at Hosur and hypothecation of assets except inventories and book debts.

11. The other term loans shown under secured loans include :

    a) loan of Rs. 360 lakhs (1992 : Rs. 480 lakhs) secured by way of an equitable mortgage on the immovable property of the Company and

    b) loan of Rs. 500 lakhs (1992 : Nil) which is in the process of being secured by a first charge on an asset purchased out of this amount.

Schedule forming part of the accounts

12. The security covered under notes 4(b)(i), 6(b), 8 and 11(a) above rank pari passu.

13. Loans and advances include Rs. 1074 lakhs (1992 : Rs. 622.45 lakhs) advanced to companies which are proposed to be adjusted against issue of equity shares by them.

14. Sundry creditors include Rs. 33.79 lakhs payable to small scale and ancillary industries.

15. a) Income from sales includes Rs. 237.55 lakhs (1992 : Rs. 249.04 lakhs) being the income from sale of components. The Company considers watch components 'as meant for sale' only when it is actually sold.

    b) Income from sales includes Rs. 379.52 lakhs (1992 : Rs. 234.01 lakhs) being the income from sale of process scrap and from after-sales-service.

16. Interest debited to the profit and loss account is net of Rs. 187.55 lakhs (1992 : Nil), being the amount capitalised.

17. Interest on fixed loans and debentures amounts to Rs. 1781.07 lakhs (1992 : Rs. 1495.69 lakhs).

18. The Managing Director's remuneration (including commission of Rs. 0.90 lakh; 1992 : Rs. 0.90 lakh) is Rs. 3.91 lakhs (1992 : Rs. 3.67 lakhs). Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under :

	Rupees in lakhs	
	1993	1992
Profit before taxes as per Profit & Loss Account	**1087.21**	1110.20
Add : Managing Director's remuneration	**3.91**	3.67
Directors' fees	**0.26**	0.15
Depreciation provided in the accounts for the current year	**722.76**	674.34
Loss on sale of fixed assets as per books	**11.18**	0.46
Profit on sale of fixed assets as per section 349 of the Companies Act, 1956	**-**	1.96
	1825.32	1790.78
Less : Depreciation as per section 350 of the Companies Act, 1956 for the current year	**1279.05**	1314.10
Loss on sale of fixed assets as per section 349 of the Companies Act, 1956	**2.59**	-
Excess of expenditure over income in respect of earlier years as per section 349 (4)(1) of the Companies Act, 1956. (Based on legal advice and a High Court decision, depreciation of earlier years has not been considered as an expenditure)	**-**	-
Net profit	**543.68**	476.68
Commission @ 1% on the above	**5.44**	4.77
Restricted to 50% of salary	**0.90**	0.90

Schedule forming part of the accounts

19. The provisions of the Industries (Development and Regulations) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 3 million watches per annum (1992 : 3 million watches). The installed capacity is as certified by the management and relied upon by the auditors, being a technical matter.

20. The Company produced 26,00,000 watches (1992 : 22,60,014), sold 25,69,641 watches (1992 : 22,41,612), and had a closing stock of 4,13,682 watches (1992 : 3,83,323 watches; 1991 : 3,64,921 watches).

21. The Company purchased 10,784 watches (1992 : Nil), sold 5,282 watches (1992 : Nil) and had a closing stock of 5,502 watches (1992 : Nil).

22. Analysis of raw materials and components consumed :

	Rupees in lakhs 1993	1992
Components	**7371.67**	6895.03
Other materials	**712.49**	453.42
Sundry charges	**61.22**	49.33
	8145.38	7397.78

23. Value of imports on CIF basis :

	1993	1992
Raw materials and components	**2643.23**	2277.98
Stores and spáres	**47.01**	48.40
Capital goods	**1058.46**	-
	3748.70	2326.38

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

	1993	1992
Royalty and technical fees	**176.94**	91.54
Interest	**350.56**	334.21
Others	**171.64**	42.73

25. Amount remitted in foreign currency on account of dividends :

	1993	1992
(i) Number of Shareholders	**208**	218
(ii) Number of equity shares on which dividend was paid	**25,51,560**	27,08,460
(iii) Year to which the dividend related	**1991-92**	1990-91
(iv) Amount remitted, net of tax (Rs. in lakhs)	**41.82**	40.14

26. Earning in foreign exchange on receipt basis :

	Rupees in lakhs 1993	1992
Export of goods on FOB basis	**664.02**	378.54
Interest	**0.51**	-

Schedule forming part of the accounts

27. Value of imported and indigenous materials and components consumed and the percentage of each to the total consumption :

	1993		1992	
	Rupees in lakhs	**%**	Rupees in lakhs	%
Imported				
CIF value	**2360.09**	**29**	2530.93	34
Customs duties	**2216.55**	**27**	2335.97	32
	4576.64	**56**	4866.90	66
Indigenous	**3568.74**	**44**	2530.88	34
	8145.38	**100**	7397.78	100

28. Expenditure directly attributable to research and development is estimated at Rs. 21.31 lakhs.

29. The figures of the previous year, have been regrouped/recast where necessary.

Signatures to Schedules "A" to "K"

For and on behalf of the Board,

A.L. Mudaliar — Chairman

M.N. Ramdas
Vice President - Finance
& Company Secretary

Xerxes Desai — Vice Chairman & Managing Director

Bangalore, 24 May 1993

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The Titan Showroom - the ideal way to shop for watches.

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