TITAN INDUSTRIES



16th Annual Report
1999-2000

A view of a section of the Watch plant. The total built up area is 42,421 square meters.

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Titan Industries is a **TATA** Enterprise
in association with The Tamil Nadu Industrial Development Corporation

Titan Industries Limited

Board of Directors

A.L. Mudaliar *(Chairman)*
Xerxes Desai *(Vice Chairman & Managing Director)*
J.J. Bhabha
R. Gopalan
Farrokh Kavarana
Ishaat Hussain
T.K. Balaji
A.C. Mukherji
H.K. Sinha

Senior Vice Presidents

Bhaskar Bhat
K.F. Kapadia

Vice Presidents

B.G. Dwarkanath
N. Kailasanathan
Jacob Kurian
Bijou Kurien
V. Rajaram
M.S. Shantharam

Senior General Manager

H.K. Azeez Khan

General Managers

Rafeekh Ahmed
Manoj Chakravarti
S.K. Nandy
N.V. Narayana
H.G. Raghunath
S. Ramadoss
S. Sreenivasa Babu
C. Srinivasan
K.S. Subramanian
R. Talati
C.K. Venkataraman
C.S. Vishwanath
C.G. Yathiraju

Bankers

Canara Bank
ANZ Grindlays Bank
Bank of Baroda
Bank of America
Hongkong Bank
Standard Chartered 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 Industries Limited,
Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001.

Notice

The Sixteenth Annual General Meeting of Titan Industries Limited will be held at the Registered Office of the Company, at 3 SIPCOT Industrial Complex, Hosur 635 126, on Wednesday, 27th September 2000, at 3.30 p.m. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 2000, and the Balance Sheet as at that date.
2. To approve the declaration and payment of interim dividend as final dividend on Equity Shares.
3. To approve the declaration and payment of interim dividend as final dividend on Preference Shares.
4. To appoint Directors in place of Mr. R. Gopalan, Mr. T. K. Balaji and Mr. A. C. Mukherji who retire by rotation and are eligible for reappointment.
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 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 2000-01 on a remuneration of Rs. 15,00,000/- plus service tax, out of pocket, travelling and living expenses."

Notes :

(a) The relative explanatory statement pursuant to section 173 of the Companies Act, 1956, in respect of business under item no. 5 above is 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, 19th September 2000 to Wednesday, 27th September 2000, both days inclusive.

(d) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, the changes, if any, in their registered addresses along with the PIN code number.

(e) Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March 1995, have been transferred to the General Revenue Account of the Central Government. Members who have a valid claim to the unclaimed dividend referred to above may claim the same from the Registrar of Companies, Tamil Nadu, Bank of Baroda Building, 5th Floor, 82 Bank Road, Coimbatore 641 018.

(f) As per the provisions of the amended Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz., Tata Share Registry Limited.

(g) The equity shares of the Company are listed at the following Stock Exchanges in India:

(1) The Madras Stock Exchange Ltd.
(Regional Stock Exchange)
Exchange Building, 11 Second Line Beach
P.O. Box No. 183, Chennai 600 001.

(2) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001.

The Company has paid the annual listing fees to the above Stock Exchanges for the financial years 1999-2000 and 2000-01.

Titan Industries Limited

(i) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 2.00 p.m. from Golden Palm Station (Old BRV Theatre), Cubbon Road, Bangalore, and will bring the Members back to Bangalore after the Meeting.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

Date : 27th July 2000

By order of the Board of Directors,

X. S. Desai
Vice Chairman & Managing Director

Annexure to Notice

1. As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under item no.5 of the accompanying Notice dated 27th July 2000.
2. Item No. 5 : 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. Accordingly it is proposed to reappoint A. F. Ferguson & Co. on the remuneration set out in the Resolution as auditors of the Company for the financial year 2000-01.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

Date : 27th July 2000

By order of the Board of Directors,

X. S. Desai
Vice Chairman & Managing Director

DIRECTORS' REPORT

To the Members of Titan Industries Limited

The Directors are pleased to present the Sixteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2000.

Financial Results

		Rs. in crores
	1999-2000	1998-1999
Income	**643.34**	484.45
Expenditure	**550.62**	393.48
Gross profit	**92.72**	90.97
Interest	**50.88**	51.92
Cash operating profit	**41.84**	39.05
Depreciation	**20.40**	20.14
Profit before taxes	**21.44**	18.91
Provision for taxes	**2.16**	1.87
Profit after taxes	**19.28**	17.04
Add : Transfer from debenture redemption reserve	**2.84**	—
Add : Transfer from investment allowance reserve	**3.04**	6.93
Add : Profit brought forward	**32.28**	27.82
Amount available for appropriation	**57.44**	51.79
Appropriations :		
Debenture redemption reserve	—	0.42
Dividend paid on preference shares	**4.14**	4.09
Interim dividend on equity shares	**10.99**	—
Proposed dividend on equity shares	—	10.99
Tax on dividends	**1.66**	1.62
Transfer to general reserve	**2.52**	2.40
Balance carried forward	**38.13**	32.27

Total income increased by 33% from Rs. 484.45 crores to Rs. 643.34 crores. Despite increased intensity of competition, volume sales of watches grew from 5.11 million to 5.90 million accounting for a new high of Rs. 468.22 crores and a larger market share. Income would have been higher, had it not been for a temporary dislocation of production and distribution as a result of the transition to SAP based Enterprise Resource Planning which went live in the first quarter of the financial year. The jewellery business continued to grow with turnover more than doubling from Rs. 76.11 crores to Rs. 154.07 crores despite delays in the opening of new boutiques. For the first time, income growth from the jewellery business exceeded that from the watch business. Exports were encouraging, increasing from Rs. 31.56 crores to Rs. 42.70 crores.

Expenditure increased by Rs. 157.14 crores to Rs. 550.62 crores, including a rise of Rs. 94.76 crores in material costs corresponding to higher sales. Significant elements in the increase in operating costs were: the higher level of excise duty; enhanced payroll expenditure following the signing of a three-year agreement with the Company Union; larger outlays on overseas and domestic marketing; and a negative exchange difference of Rs. 9.45 crores on borrowings, advances and export receivables compared with a positive impact of Rs. 4.70 crores in the previous year.

Titan Industries Limited

Gross profit before interest and depreciation, at Rs. 92.72 crores, was 2% higher than in the previous year. Despite a decision to carry safe levels of stock for new ranges of watches, interest cost was marginally lower, coming down from Rs. 51.92 crores to Rs. 50.88 crores. Cash operating profit before depreciation and taxes was, resultantly, 7% higher than in the previous year.

Profit before taxes increased by 13% from Rs. 18.91 crores in 1998-99 to Rs. 21.44 crores and profit after taxes also went up by 13% from Rs.17.04 crores to Rs. 19.28 crores.

The year's profit includes a profit of Rs. 9.63 crores from the sale of 5 million shares of Timex Watches Limited, as also a write off of claims on that company totalling Rs. 1.46 crores.

Dividend

At the Board Meeting held on 11th March 2000, the Directors declared an interim dividend on preference shares and, accordingly, preference dividend amounting to Rs. 4.14 crores has been paid during the financial year. No further dividend is proposed on the preference shares as the interim dividends paid cover the contractual requirement.

After payment of dividend on preference shares, and dividend tax thereon, the distributable profit is Rs. 14.68 crores (Rs. 12.54 crores in the previous year). At the Board Meeting held on 31 March 2000, the Directors declared an interim dividend of Rs. 2.60 per equity share (26%), free of tax, equivalent to the dividend declared on such shares in the previous financial year. The Directors have decided not to recommend any further dividend. Consequently, the accretion to Reserves is Rs. 2.49 crores (previous year: Rs 0.34 crore).

Finance

Working capital requirements rose by Rs. 27.37 crores during the year as a result of a significant increase in the level of jewellery operations and increased stocks of finished watches, but inventory turns and the ratio of debtors to sales nevertheless recorded an improvement. Rs. 12.56 crores was incurred as capital expenditure of which close to Rs. 5.40 crores was related to the ERP/SAP initiative. Expenditure on the acquisition of manufacturing assets was minimised. The total capital employed in the Company rose marginally from Rs. 593.83 crores to Rs. 610.76 crores.

During the year, the Company availed of term loans aggregating Rs. 33.60 crores from financial institutions, Rs. 25.48 crores from commercial banks, and other borrowings amounting to Rs. 72.54 crores. Foreign currency loans, availed to take advantage of low interest rates, resulted in a negative exchange difference of Rs. 9.63 crores on revenue account, primarily because of forward cover contract costs, as compared to a positive difference of Rs. 1.32 crores in the previous year. Nevertheless, these borrowings proved cheaper than the cost of rupee loans which averaged 12.60%. In the aggregate, the Company raised a total of Rs. 134.12 crores from various sources and repaid Rs. 117.19 crores. The Company also redeemed and raised Rs. 2.50 crores of preference shares.

As on 31st March 2000, the Company held fixed deposits of Rs. 19.23 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs. 19.48 lakhs.

During the year under review, the Company made payments aggregating to Rs. 128.38 crores by way of central, state and local taxes and duties as against Rs. 103.78 crores in the previous year.

Operational Reorganisation

During the year under review, the business operations of the Company were organised into two strategic business units so as to be better able to deliver customer and stakeholder satisfaction as also to be better equipped to seize new opportunities or ward off any threats. Each unit is headed by a Chief Operating Officer.

Domestic Operations

Watches

The domestic watch business continued to be successful with a return on capital employed of about 20% despite keener competition. The average capital employed in the business during the year was Rs. 325 crores of which Rs. 170 crores was in fixed assets and Rs. 155 crores in working capital.

One of the biggest assets of your Company – not reflected in its balance sheet – is the TITAN brand, which is one of the most powerful brands in the Indian market and was recently polled the most admired brand in India in a survey conducted by ORG-MARG for The Economic Times. Your Company continues to invest considerable human and financial resources in the creation and promotion of its products to ensure market leadership. The year saw the introduction of two new sub-brands – Nebula, the solid gold collection and Dash, a range for children. A range of digital watches was added to the highly successful Fastrack range aimed at youth, and the Raga, Regalia and Classique collections were significantly expanded. The Sonata plastic collection forged ahead while the Sonata metal collection lost some of its initial momentum for reasons which have since been successfully corrected. Your Company continues to explore new market segments for exploitation and is resolutely committed to its objective of being a full pyramid player. Plans are in the making for a major thrust to both satisfy and stimulate rural demand. Your Company has now sold a cumulative total of more than 37 million watches : on an average, ten Titan watches are sold every minute, around the world.

The Company now has 115 exclusive Titan showrooms, *The World of Titan*, across 71 towns and a chain of 110 *Time Zone* multi-brand outlets covering 65 towns, in addition to being present in over 5800 dealer outlets in 1580 towns across the country.

We continue to be the sixth-largest global player in the category of "manufacturer brands" after Casio, Citizen, Seiko, Swatch and Timex of America. Your Company remains at the forefront of developments in technology in the watch industry worldwide, and the recent launch of the ultra-slim movement, developed indigenously by our own Research & Development group, evoked surprise and admiration at the Basel Fair held in March 2000.

Efforts to achieve greater operating efficiencies by adopting global best practices contributed significantly to the increased output of watches, lower costs and better alignment to market demand. The priority continues to be to resolutely drive down unit costs through up-time maximisation, cycle time reduction, product and process modifications and aggressive sourcing. Good progress has been made with the re-engineering of Titan movements for ensuring greater cost advantage.

It is an integral part of your Company's consumer-focussed marketing philosophy to lay a great deal of emphasis on after-sales service. In terms of coverage, speed, cost and customer handling, it is the industry benchmark. Even so, the Company is constantly exploring ways and means of further upgrading the highly appreciated service that it provides to its customers.

The first quarter of the year under review saw the new SAP R/3 based Enterprise Resource Planning (ERP) system go live. The ERP/SAP system incorporates a supply chain management process across the watch division. This is a major initiative from which significant benefits are expected. An expenditure of Rs. 5.33 crores incurred on software and implementation costs, including licence fees, is being amortised over a period of five years and an amount of Rs. 4.27 crores appears in the Balance Sheet as Deferred Revenue Expenses.

Jewellery

The jewellery business continued to power ahead during the year under review. We produced 2.93 lakh jewellery pieces, up from 1.75 lakh pieces produced last year, a growth of 67%. Sales turnover more than doubled to Rs. 153.20 crores from Rs. 74.38 crores in 1998-99. The number of outlets grew from 21 to 36. The average capital employed in the business during the year was Rs. 144 crores of which Rs. 34 crores was in fixed assets and Rs. 110 crores in working capital, the latter consisting mostly of the jewellery stocks in the Tanishq Boutiques. The ROCE which was of the order of about 4% is now expected to exceed the cost of capital in the next two years. Last year's ROCE would have been much better but for the interest cost of, and capital employed in, slow moving stock accumulated over several years which is proposed to be liquidated this year. Interestingly, excluding the burden of this legacy, the jewellery division came close to break-even last year despite the high debt content of the capital employed. Shareholders will be pleased to know that the jewellery division started the current year on a happy note by registering a profit for the first quarter.

Your directors believe that the jewellery business will provide valuable top line and bottom line support to your company even as the watch business enters more competitive times. It is already earning crucially important foreign exchange under the EEFC scheme to support international watch sales and is playing an important role in meeting the Company's EPCG commitments. The jewellery plant produces gold watches for the Nebula range and gold inputs for the watch division's plating operations. A very significant number of employees of the watch division have been deployed in the jewellery division enabling the former to reduce the head count and payroll costs. Interestingly, the global phenomenon of watches and jewellery going hand in hand has recently gained momentum with the entry of LVMH (Moet Hennessy Louis Vuitton) into both categories, the decision of the Swatch Group to make a major entry into jewellery and Bulgari's purchase of two famous Swiss brands. These brands join the likes of the Richemont (Cartier) Group, Citizen and a host of fashion and jewellery names that have straddled both businesses for very many years.

Tanishq is India's only fine jewellery brand operating at a national level and has successfully made the transition from a niche and elitist positioning to a more mainstream one, offering its customers more of a traditional fare, accompanied by a large variety of styles, price points and applications as also a rigid adherence to quality standards that are the hallmark of your Company – symbolised by the now-famous Karatmeter which features in many of our outlets. Tanishq stands for a level of dependability which is unrivalled. The brand Tanishq now also has an overseas presence, the result of a strategic partnership with Damas, the leading jeweller in the UAE. Tanishq has also been working closely with the World Gold Council and De Beers in serving both the Indian and the international markets. A special word of thanks is due to both these organisations.

The Company's jewellery manufacturing facility operated close to currently rated capacity but excellent progress continues to be made in terms of improved productivity, cost containment, product quality, speed of response and timely delivery. The technical staff are working closely with the Bureau of Industrial Standards to introduce new reliability criteria in the Indian jewellery industry so long characterised, in the absence of hallmarking, by unethical practices targeted at the unwitting customer.

The challenges of the future will be to continue the vigorous rate of expansion of outlets and customer traffic and to ensure that the bulk of growth in existing outlets comes from increased stock-turns through effective product selection, pricing, promotion, staff training and customer relationship management. During the current year, it is planned to increase the number of outlets to over 50 and sales turnover is expected to cross Rs. 225 crores. Consequently, we have recently reorganised the jewellery operations and staffed the sales and marketing group with highly qualified personnel with experience in areas relevant to our future tasks. Even as we compete with the traditional jeweller, your Company will utilise its resources to the fullest to combat new upstart entrants purporting to emulate the Tanishq model.

Table Clocks

During the year under review, your Company made significant progress in converting clock manufacturing into a "virtual manufacturing" operation. The business emphasis is largely on decorative table clocks for which the prospects look very good given your Company's design, brand and distribution strengths and the absence of significant competition. Several of the clocks designed by us have won professional recognition and aroused interest among overseas buyers. As a result of the new focus, the sales turnover predictably contracted to Rs. 7.64 crores during the year under review. The capital employed in the newly defined business is planned to be low and the return thereon promises to be very satisfactory.

International Operations

The Company's exports grew by 35% from Rs. 31.56 crores to Rs. 42.70 crores, primarily due to an increase in exports to the Middle East, which saw consumer spending grow with the stimulus of rising oil prices. Titan International (Middle East) FZE, the company which supplies the Middle Eastern and African markets, made a handsome profit and Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd., the company which serves the South Asian, South East Asian and Pacific markets, made a modest profit.

Significantly, Titan International Marketing Limited, the European marketing company, made a small operating profit on its current operations, reflecting the positive impact of new initiatives including revamping of the product offering, tactical repricing, revitalised advertising, drastic cuts in overheads and, in several countries, replacement of distributors. In the United Kingdom, the distribution of our watches, jewellery and clocks has now been entrusted to one of the best known names in the business: Time Products Plc. Over the next two years or so, the European Marketing Company should be able also to cease reliance on the Indian parent for its advertising programme in the European theatre and, therefore, wipe out accumulated losses. Your management continues to believe that Europe is important for Titan's future growth in the world market. The year under review saw an outlay of Rs. 7.20 crores on brand building in Europe, inclusive of Rs. 1.83 crores for participation by your Company at the Basel Fair held twice during the year in April 1999 and in March 2000. During the current year an outlay of Rs. 10 crores has been budgeted for brand building in Europe and for participation in the annual Basel Fair.

Professional Recognition

In addition to being adjudged the most admired brand in India, Titan continues to be the most admired consumer durables company in the annual A&M - MARG poll.

Your Company continues to participate actively in the Tata Business Excellence Programme which measures companies on a holistic basis and covers both financial and non-financial measures including Leadership, Strategic Planning, Customer Focus, Human Resource Focus, Business Processes and Business Results. Last year, your Company secured the second highest score, after Tata Steel.

Your Company was recently conferred the award for excellence in Electronics 1998 by the Ministry of Information Technology in the Consumer Electronics category.

Associate Companies

Titan International Holdings B.V. (TIHBV), the Company's wholly owned subsidiary in the Netherlands, whose accounts are annexed, ended the year with a small profit. However, its subsidiary, Titan Brand Holdings N.V. which holds the overseas rights to our brands, ended the year with a small loss. As of March 31, 2000, US$ 37 million was employed in the European operation — chiefly as a result of brand-building and in stocks - of which US$ 20.50 million was provided by Titan Industries in the form of equity, loans and credit, while the balance was raised abroad.

Negotiations for the sale of the shares held by your Company and its associates in Timex Watches Ltd. were successfully concluded during the year under review, at a sale price of Rs. 29.25 per share, giving the Company a profit of Rs. 9.63 crores and an annual return of over 16% on this investment. The sale quantity of your Company's Sonata brand exceeded that of Timex last year.

RDI Print & Publishing Pvt. Ltd., publisher of the Reader's Digest monthly magazine in India, continued to perform very well, achieving a profit after tax of Rs. 4.37 crores on an income of Rs. 19.06 crores. It declared a dividend of Rs. 110 per share resulting in a hefty 35% yield on the investment made by your Company. However, since publishing is not a core business of your Company, steps are being taken to transfer its holding in RDI to affiliates. During the first quarter of the current year, 65,000 shares were sold, resulting in a profit of Rs. 9.66 crores. The remaining 20,000 shares are also expected to be sold during the current year.

Titan Time Products Limited sold 4.82 million electronic circuit boards during the year under review and made a profit of Rs.28.77 lakhs. A dividend of 12% was paid. Its products continue to be of exceptionally high quality and costs are well controlled.

Titan Properties Limited had a relatively quiet year, compared to the previous year which was marked by the occupation of over 200 houses in the Company's new township at Mathigiri. However, with the start of the second phase of development at the township getting off to a good start, there has been a surge of interest among employees and members of the public for the purchase of residential plots. Till now a total of 136 plots and 219 houses have been sold. Work on the social infrastructure is progressing satisfactorily.

Human Resources

The Company currently has 3,674 employees, including 10 trainees, of whom 3,057 are in manufacturing, 398 at various sales offices and 239 at the corporate head office. Payroll costs increased by Rs. 18.13 crores primarily on account of the wage agreement signed with the Titan Employees' Union for a further period of three years. With the signing of this agreement, our workforce continues to be among the best paid in Hosur. The spirit of partnership between the Management and the Company Union, of which we are all proud, is now a key factor in our efforts to raise productivity and drive down costs.

The year saw several new initiatives to further professionalise the management of the human resource capital of the Company, undeniably its most important asset. Your Company is currently addressing the twin issues of attracting and retaining talent in the context of a market where financial expectations have undergone a radical change in recent years. At the same time, your Company is very conscious of the need not only to control the headcount but also to reduce it. To this end, departing employees are replaced only if that is unavoidable and reliance is largely placed on retraining and redeploying the existing staff. The dedication and commitment of the many talented men and women who work in your Company requires a very special word of praise.

Mr R C Hari Rao, Senior Vice President — Manufacturing, retired at the end of June this year, but continues with us under a consultancy arrangement. Mr Hari Rao was among the first to join the Company in 1985 and has made an enormous contribution to the establishment, growth and success of your Company. Your Directors acknowledge his contribution with gratitude.

It is with deep regret that we condole the death of Mr I K Amitha, a former Senior Vice- President of the Company, in October 1999. Mr Amitha joined the Company at the very start and played a vital role in constituting the Manufacturing Group and steering it to the successes it has achieved. Mr Amitha was also a highly respected member of the horological fraternity in India and was often referred to as the 'Father of the Indian Watch Industry' having played a key role earlier in developing the HMT Watch Division. Your Directors place on record their gratitude and appreciation of Mr Amitha's very valuable services to the Company that he helped to found.

Year 2000

The transition to the year 2000 was successfully completed without any problems, primarily on account of the revamping of the Company's information technology systems consequent to implementation of the ERP/SAP initiative and the role played by its most vigilant IT group.

Community Initiatives

Your company and its employees continue to assist the community through various initiatives.

The cause of children and of education provides the focus for several of these initiatives. During the year, the Employees' Community Development Forum organised professionals to conduct sessions on creativity for the children of schools in the Hosur area, including a program for the children of a school for the blind. The Forum has identified several schools in and around our Hosur plant in which the infrastructure is in need of improvement and assistance has already been rendered to forty such schools. The Titan Scholarship Scheme continues to make an impact on the needy and deserving. The number of Titan scholars now approaches 400 dating from its inception a decade ago. The Company also continues to take an active interest in the activities of CRY.

Your Company continued to partner the Tamil Nadu Government in maintaining two primary health centres in Dharmapuri District. The assistance provided by Titan has greatly improved the basic infrastructure of these centres.

The Eye Clinic in Hosur supported by your Company, continues to benefit the community. Since its inception in 1994, the clinic has rendered out patient assistance to over twenty thousand beneficiaries. Over the same period, over five hundred surgeries have been performed in the clinic. Assistance has also been provided in the staging of eye care camps in villages in Dharmapuri district.

Your company has responded generously to the call for assistance to the victims of Kargil and the Orissa cyclone, two major calamities that befell our country in the last year. In Orissa, besides funds contributed by our employees, volunteers went to the affected areas to assist in the relief operations organised by the Tata Group.

In Bangalore, your Company continues to play an active role in the initiatives taken by the Tata Council for Community Initiatives. A major project for the benefit of the children of the city is being planned at Cubbon Park in concert with other Tata companies.

In recognition of its contribution in promoting the employment of disabled people, your Company was among the first recipients of the Helen Keller award conferred by the National Centre for the Promotion of Employment for Disabled People.

Environment

While the products of the Company are not of a nature which could cause harm to the environment, care is taken to see that avoidable harm or damage is not caused by the processes used for the manufacture of its products. Titan ensures that any future concerns over the impact of its products and services are pre-empted. Examples of such measures include:

- Commissioning of effluent treatment equipment for treating waste water at the factory and at the Titan Township, which is then recycled. The quality of the treated effluent exceeds the statutory standards set by the Tamilnadu Pollution Control Board ;
- Minimising the use of cyanides in plating by adopting the PVD coating technology, which is non-toxic ;
- Eliminating the use of ozone-depleting substances ahead of the Montreal Protocol deadline ;
- Replacing plastic packaging with eco-friendly material.

In acknowledgement of its environment-friendly practices, Titan has won recognition from the Hosur Industries Association and the Tamilnadu Pollution Control Board.

Titan also attaches a great deal of importance to the landscaping of its industrial properties and these have been lovingly converted into gardens of great beauty and ecological value. Thus, we have given back to nature more than we have taken from it through our industrial activities.

Government Policy

As anticipated, the Exim policy announced on 31st March 1999 led to visible changes at retail. Most affected by these changes have been watch majors with significant idle capacity, the smaller and weaker brands and a host of component suppliers to such brands.

Your Company views the new policy as an opportunity to enhance its competitive advantage. Titan has taken the fullest advantage of it by significantly widening its product offering, deepening its market penetration and being more responsive than was possible in the previous regime to the opportunities that constantly arise in the marketplace.

During the year under review, a number of States implemented the scheme for uniform rates of sales tax rates across the country. However, several states have retained the earlier, higher rates of sales tax on watches. Your Company continues to represent against high rates of sales taxes and other state or local levies which, like high rates of Excise Duty, significantly benefit the smugglers and unscrupulous operators.

Despite representations seeking relief from already high levels of Excise Duty, the Union Budget for 2000 - 2001 increased the duty on watches with a retail price in excess of Rs. 500 from the level of 8% to 16% and removed Excise Duty on watches with a retail price below Rs. 500. However, Excise Duty on all inputs for the latter category was not exempted. Your Company, along with others, has represented to Government to exempt all inputs for watches with an M R P below Rs. 500 in order that the full measure of the intended benefit can be passed on to consumers.

Your Company continues to represent against false country of origin and country of manufacture claims made by certain brands for products which have a miniscule content from the claimed country of manufacture.

Corporate Governance

Your Company has always believed in the concepts that are termed "good corporate governance", a belief that is reflected in the detailed discussion and analysis of the Company's businesses contained in the Directors' Report and the Chairman's Statement. From next year onwards, the Annual Report will accord even more closely with good governance requirements as spelt out in the newly executed agreement with the Bombay Stock Exchange.

The Audit Committee of the Board, comprising of three directors, Mr Ishaat Hussain (Chairman), Mr R Gopalan and Mr A C Mukherji, met three times during the past year.

Titan Industries Limited

The Company signed a Brand Equity and Business Promotion Agreement with Tata Sons in January of this year. This Agreement sets out the rights and obligations of both parties related to the use and promotion of the TATA brand name and symbol as also the conduct of business affairs so as to accord well with Tata values and global best practices.

The Year Ahead

Your Company expects to increase turnover and market shares in all its businesses through innovative and aggressive marketing policies as also to improve profitability through volume increases, a continuing and strong focus on cost reduction and superior management of its asset base, be it fixed assets, working capital or human resources.

Directors

Mr. R Gopalan, Mr. T K Balaji and Mr. A C Mukherji retire by rotation and are eligible for reappointment.

Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, financial institutions, bankers, the watch trade, suppliers and customers, the press and, most importantly, our employees.

Subsidiary Company

The statement under section 212 of the Companies Act, 1956, is annexed together with the Annual Report of the wholly owned subsidiary of the Company, Titan International Holdings BV, together with the Annual Reports of its wholly owned subsidiaries, Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd. and Titan Brand Holdings NV.

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, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any Shareholder interested in obtaining a copy of the said statement may write to the Assistant Company Secretary at the registered Office of the Company.

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 to fix their remuneration.

By Order of the Board of Directors,

A. L. Mudaliar
Chairman

Bangalore, 27th July 2000

Annexure to the Directors' Report

(Additional information given in terms of Notification 1029 of 31-12-1988 issued by the Department of Company Affairs)

CONSERVATION OF ENERGY

Four specific projects were executed during the year under review and energy saving to the tune of Rs. 50 lakhs was realised.

TECHNOLOGY ABSORPTION

Research & Development

The Research & Development Group has successfully designed and developed an Ultra Slim movement with an astonishing low thickness of 1.15mm. Watches incorporating the movement have been launched in the domestic and the international markets. This movement has been benchmarked with the best in class and company intends to sell this movement in the international market.

As a cost reduction measure, two economy movements have been designed to replace the existing range of movements for ladies and unisex watches. A pilot batch was released to the market during the last quarter of this financial year. Full changeover to these new movements will be made during 2000-01.

An in-house developed Electroluminescent Watch with light intensity better than that of competition was launched in the market. A number of other innovative products are at the development stage and will hit the market during the next financial year.

The company incurred an expenditure of Rs 1.95 crores during the year towards Research & Development.

Technology absorption, adaptation and innovation

- Technology has been acquired for production of micro precision components in plastic as part of value engineering initiatives for reducing the cost of movements.
- We have upgraded our surface coating equipment for improving productivity and effecting cost reduction.
- To strengthen the implementation of Total Productive Maintenance programme, we have acquired the techniques and instruments for condition monitoring of all high value equipment.
- Various production machines and devices were designed and developed in-house through a dedicated Machine Building and Automation Group. During the year under review, 13 projects were designed and commissioned at a cost of Rs 50 lakhs, which otherwise have a market value of about Rs. 190 lakhs, thus effecting a saving of Rs. 140 lakhs. During the coming year, it is planned to design and develop projects worth over Rs 200 lakhs, which would provide savings of more than Rs 500 lakhs.

FOREIGN EXCHANGE EARNED AND USED

The Company has earned Rs.45.75 crores in foreign exchange and spent Rs.87.96 crores (consisting of Rs.2.38 crores on capital imports and Rs.76.91 crores on revenue imports).

By Order of the Board of Directors,

A. L. Mudaliar
Chairman

Bangalore, 27th July 2000

Titan Industries Limited

Annexure to the Directors' Report

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES:

1.	Name of Subsidiary	Titan International Holdings B.V.	Titan Brand Holdings N.V	Titan Watches & Jewellery (Asia-Pacific) Pte Ltd
2.	Financial year of the Subsidiary	31st March 2000	31st March 2000	30th June 2000
3.	Share of the Subsidiary held by Titan Industries Limited on the above date :-			
	a) Number of shares and face Value	10,000 equity shares of NLG 1000 each (fully paid up)	*2,500 equity shares of NLG 10 each (fully paid up)	*100,000 equity shares of SGD 1 each (fully paid up)
	b) Extent of Holding	100%	*100%	*100%
4.	Net aggregate amount of profit/ (loss) of the Subsidiary so far as they concern the members of Titan Industries Limited			
	a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2000	Nil	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31st March 2000	NLG 4,361	(NLG 16,888)	SGD 15,422
5.	Net aggregate amount of profit / (loss) for previous financial year of the Subsidiary since it became a subsidiary so far as as they concern the members of Titan Industries Limited			
	a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2000	Nil	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31st March 2000	NLG 100,101	Nil	(SGD 59,816)

* held by Titan International Holdings BV

By Order of the Board of Directors,

A. L. Mudaliar
Chairman

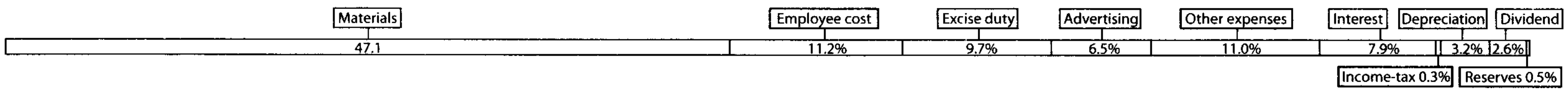
Bangalore, 27 July 2000

FINANCIAL STATISTICS

BALANCE SHEET	FINANCIAL YEAR 1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	*Rs. in crores* **1999-2000**
Share Capital - Equity	23.95	23.96	26.84	26.84	26.84	42.28	42.28	42.28	42.28	42.28	42.28	42.28	**42.28**
Share Capital - Preference	-	-	-	-	-	-	-	7.50	10.00	33.00	37.50	40.00	**40.00**
Reserves and surplus	0.21	1.38	2.11	6.42	12.15	77.82	86.34	98.74	111.46	117.25	115.73	116.07	**118.56**
Loans	37.76	42.45	57.86	66.52	75.46	114.43	151.15	191.63	303.34	368.14	381.80	395.48	**409.92**
SOURCES OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	**610.76**
Net fixed assets	53.76	60.34	79.66	86.09	95.20	131.37	166.65	205.91	229.67	232.86	238.38	236.63	**223.80**
Investments	0.03	0.06	0.06	0.06	0.06	0.06	14.92	21.82	28.32	27.00	27.00	27.00	**25.12**
Inventories	8.17	14.94	29.93	62.65	71.63	86.39	101.85	112.07	152.54	226.19	172.67	172.19	**183.44**
Debtors	0.24	2.41	3.27	4.03	5.65	14.06	14.32	33.58	77.85	78.10	83.25	101.40	**121.05**
Cash and bank balances	3.34	2.38	0.96	2.22	1.70	8.50	12.65	9.63	13.85	4.58	7.64	5.04	**17.53**
Loans and advances	5.16	2.41	4.51	10.38	15.95	30.19	18.61	18.93	43.89	68.42	106.47	121.45	**115.48**
Total of Current Assets	16.91	22.14	38.67	79.28	94.93	139.14	147.43	174.21	288.13	377.29	370.03	400.08	**437.50**
Less : Current Liabilities & Provisions	8.78	14.75	31.58	65.65	75.74	36.04	49.23	61.79	79.04	76.48	58.10	69.88	**79.93**
Net Current Assets	8.13	7.39	7.09	13.63	19.19	103.10	98.20	112.42	209.09	300.81	311.93	330.20	**357.57**
Deferred revenue expenditure	-	-	-	-	-	-	-	-	-	-	-	-	**4.27**
APPLICATION OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	**610.76**

PROFIT & LOSS ACCOUNT	FINANCIAL YEAR 1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	Rs. in crores **1999-2000**
Sales Volumes (nos. in lakhs) Watches	3.44	5.13	12.52	18.33	22.42	25.75	28.07	32.58	38.75	39.45	43.53	51.11	**58.54**
Jewellery	-	-	-	-	-	-	-	0.09	0.20	0.37	1.20	1.68	**3.00**
Table Clocks	-	-	-	-	-	-	-	-	0.67	3.64	3.05	4.30	**3.29**
Sales Income	16.80	27.59	74.06	106.26	155.01	191.21	226.23	282.49	350.72	408.52	442.06	482.04	**630.33**
Expenditure	16.40	21.09	59.02	79.29	119.94	156.25	183.78	223.93	276.19	320.73	357.20	393.48	**550.62**
Interest	1.36	3.51	6.51	11.82	17.72	18.46	16.16	21.80	34.22	56.40	52.96	51.92	**50.88**
Depreciation	0.85	2.16	3.98	6.57	6.74	7.23	9.78	13.11	15.68	16.52	18.82	20.14	**20.40**
Operating Profit	(1.81)	0.83	4.55	8.58	10.61	9.27	16.51	23.65	24.63	14.87	13.08	16.50	**8.43**
Add : Other Income	2.11	0.45	0.56	0.52	0.49	1.60	2.58	1.44	2.94	12.93	3.16	2.41	**13.01**
Profit Before Taxes	0.30	1.28	5.11	9.10	11.10	10.87	19.09	25.09	27.57	27.80	16.24	18.91	**21.44**
Taxes	0.04	0.21	0.78	-	-	-	-	-	-	3.58	1.60	1.87	**2.16**
Profit After Taxes	0.26	1.07	4.33	9.10	11.10	10.87	19.09	25.09	27.57	24.22	14.64	17.04	**19.28**
Equity Dividend (%)	-	-	15%	18%	20%	22%	25%	30%	33%	33%	25%	26%	**26%**
(%)	-	-	3.60	4.83	5.37	6.89	10.57	12.69	13.95	13.95	10.57	10.99	**10.99**

DISTRIBUTION OF REVENUE (1999-2000)



Titan Industries Limited

DISTRIBUTION OF SHAREHOLDING

Number of Ordinary Shares held	Number of Shareholders 31/03/2000	Number of Shareholders 31/03/1999
	%	%
1 to 500	96.48	96.42
501 to 1000	2.50	2.51
1001 to 10000	0.80	0.95
Over 10000	0.14	0.12
	100.00	100.00

CATEGORIES OF SHAREHOLDERS

Category	Number of Shareholders		Voting Strength %		Number of Ordinary Shares held	
	31/03/2000	31/03/1999	31/03/2000	31/03/1999	31/03/2000	31/03/1999
Tamilnadu Industrial Development Corpn. Ltd.	1	1	27.88	27.88	11,784,606	11,784,606
Tata Group Companies	19	19	27.19	27.19	11,495,021	11,495,021
Other Companies	594	488	1.87	1.33	790,813	563,569
Unit Trust of India	1	1	0.96	4.20	4,06,985	1,775,319
Life Insurance Corpn. of India	1	1	0.89	0.96	378,232	404,426
Government & Other Public Financial Institutions	4	4	0.31	0.25	132,200	104,600
Nationalised Banks, Mutual Funds and Trusts	36	46	7.10	3.87	2,999,727	1,637,413
Foreign Institutional Investors	23	21	8.79	5.55	3,716,581	2,345,545
Individuals & Others	66,249	69,818	25.01	28.77	10,572,105	12,165,771
Total	66,928	70,399	100.00	100.00	42,276,270	42,276,270

Auditors' Report

To the Members of Titan Industries Limited

We have audited the attached balance sheet of Titan Industries Limited as at 31st March 2000 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 annexe 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, the profit and loss account and the balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e) 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 2000; 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

Date : 31 May 2000
Bangalore

H. L. Shah
Partner

Titan Industries Limited

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Industries Limited on the Accounts for the year ended 31st March 2000.

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 subsequent to the year end. As explained to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.

2. None of the fixed assets have 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 regular intervals. The stocks in possession of third parties have been verified by the management, in most cases, with reference to certificates obtained from third parties.

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 (1B) 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 (1B) of the Companies Act, 1956.

9. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are repaying the principal amounts as stipulated or as rescheduled 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 for which 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 purchase 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 register 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. 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, 2000 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 an 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

Date : 31 May 2000
Bangalore

H. L. Shah
Partner

Titan Industries Limited

Balance Sheet as at 31 March 2000

	Schedule		Rupees in lakhs 31-3-2000	31-3-1999
SOURCES OF FUNDS				
Shareholders' funds				
Share capital	A		**8227.63**	8227.63
Reserves and surplus	B		**11856.51**	11607.71
Loan funds				
Secured loans	C		**17803.40**	20367.79
Unsecured loans	D		**23188.72**	19179.98
Total			**61076.26**	59383.11
APPLICATION OF FUNDS				
Fixed assets	E			
Gross block, at cost		**35996.17**		34925.32
Less : Depreciation		**13914.88**		11980.34
Net block		**22081.29**		22944.98
Advances on capital account and capital work in progress, at cost		**299.15**		718.58
			22380.44	23663.56
Investments	F		**2512.47**	2699.72
Current assets, loans and advances	G			
Inventories		**18344.26**		17218.99
Sundry debtors		**12105.06**		10140.12
Cash and bank balances		**1752.44**		503.78
Loans and advances		**11548.22**		12145.12
		43749.98		40008.01
Less:				
Current liabilities and provisions	H			
Current liabilities		**7451.84**		5564.60
Provisions		**541.33**		1423.58
		7993.17		6988.18
Net current assets			**35756.81**	33019.83
Miscellaneous expenditure (To the extent not written off or adjusted)				
Deferred revenue expenditure			**426.54**	—
Total			**61076.26**	59383.11
Notes	K			

PER OUR REPORT ATTACHED
FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

For and on behalf of the Board,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 31 May 2000

Profit and Loss Account for the year ended 31 March 2000

	SCHEDULE		Rupees in lakhs Current Year	Previous Year
INCOME				
Sales			**63033.23**	48203.96
Other income	I		**1301.47**	241.49
Total			**64334.70**	48445.45
EXPENDITURE				
Operating and other expenses	J		**48810.32**	35019.43
Excise duty			**6252.00**	4328.38
Depreciation			**2040.42**	2014.12
Interest			**5088.32**	5192.27
Total			**62191.06**	46554.20
PROFIT FOR THE YEAR			**2143.64**	1891.25
TAXES			**215.69**	186.90
PROFIT AFTER TAXES			**1927.95**	1704.35
Transfer from debenture redemption reserve			**284.46**	—
Transfer from investment allowance reserve			**304.05**	693.01
Profit brought forward			**3227.53**	2781.54
Amount available for appropriation			**5743.99**	5178.90
Appropriations				
Transfer to debenture redemption reserve		—		41.88
Dividend paid on preference shares		**413.57**		408.77
Interim dividend on equity shares		**1099.18**		—
Proposed dividend on equity shares		—		1099.18
Tax on dividends		**166.40**		161.79
Transfer to general reserve		**251.70**		239.75
			1930.85	1951.37
Balance carried to balance sheet			**3813.14**	3227.53
Notes	K			

Per our report attached
to the Balance Sheet
FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

For and on behalf of the Board,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 31 May 2000

Titan Industries Limited

Schedules forming part of the accounts

		Rupees in lakhs	
		31-3-2000	31-3-1999
" A " Share capital			
Authorised			
8,00,00,000 equity shares of Rs. 10 each		**8000.00**	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each		**4000.00**	4000.00
		12000.00	12000.00
Issued and subscribed			
4,22,76,270 equity shares of Rs. 10 each, fully paid up		**4227.63**	4227.63
5,00,000 (1999 : 5,00,000) 11% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**500.00**	500.00
2,50,000 (1999 : 2,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**250.00**	250.00
Nil (1999 : 2,50,000) 9.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up		—	250.00
2,00,000 (1999 : 2,00,000) 10.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**200.00**	200.00
23,00,000 (1999 : 23,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**2300.00**	2300.00
7,50,000 (1999 : 5,00,000) 10% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**750.00**	500.00
		8227.63	8227.63

		Rupees in lakhs	
		31-3-2000	31-3-1999
" B " Reserves and surplus			
Capital reserve			
As per last balance sheet		**13.23**	13.23
Share premium account		**6172.69**	6172.69
Debenture redemption reserve			
As per last balance sheet	**284.46**		242.58
Transfer from profit and loss account	—		41.88
	284.46		284.46
Transfer to profit and loss account	**284.46**		—
		—	284.46
Investment allowance reserve account			
As per last balance sheet	**304.05**		997.06
Transfer to profit and loss account	**304.05**		693.01
		—	304.05
General reserve			
As per last balance sheet	**1605.75**		1366.00
Transfer from profit and loss account	**251.70**		239.75
		1857.45	1605.75
Balance in profit and loss account		**3813.14**	3227.53
		11856.51	11607.71

Schedules forming part of the accounts

Rupees in lakhs

" C " Secured loans	31-3-2000	31-3-1999
12.5% debentures, fully paid up	—	568.91
Foreign currency term loans from the International Finance Corporation, Washington	—	291.00
Term loans from financial institutions	**9100.00**	7475.00
Term loans from banks	**6825.00**	6925.00
Interest free sales tax loan	**66.64**	83.30
Other term loans	**232.88**	512.63
International Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**1578.88**	4511.95
	17803.40	20367.79

Rupees in lakhs

"D" Unsecured loans		31-3-2000	31-3-1999
Fixed deposits		**1922.63**	1904.39
Short term loans and advances			
Loans from banks	**11130.21**		6232.73
Loans from others	**2000.00**		1500.00
Deposits from companies	**5670.00**		6400.00
		18800.21	14132.73
Other loans and advances			
Term loans from banks		**2465.88**	3142.86
		23188.72	19179.98

Titan Industries Limited

Schedule forming part of the accounts

" E " Fixed Assets

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-1999	**Additions**	**Deductions**	**Cost as at 31-3-2000**	**For the year**	**As at 31-3-2000**	**As at 31-3-2000**	As at 31-3-1999
Land - freehold	85.51	—	**5.91**	**79.60**	—	—	**79.60**	85.51
Land - leasehold	42.24	—	—	**42.24**	—	—	**42.24**	42.24
Buildings	3875.44	**13.34**	—	**3888.78**	**106.53**	**699.72**	**3189.06**	3282.24
Plant, machinery and equipment	28353.54	**1101.84**	**108.96**	**29346.42**	**1769.13**	**12205.72**	**17140.70**	17840.22
Furniture, fixtures and equipment	2293.89	**86.21**	**48.80**	**2331.30**	**135.80**	**904.82**	**1426.48**	1507.56
Vehicles	274.70	**54.79**	**21.66**	**307.83**	**28.96**	**104.62**	**203.21**	187.21
TOTAL	34925.32	**1256.18**	**185.33**	**35996.17**	**2040.42**	**13914.88**	**22081.29**	
As at 31st March 1999	33682.65	1390.66	147.99	34925.32	2014.12	11980.34		22944.98
Advances on capital account and capital work in progress, at cost							**299.15**	718.58
							22380.44	23663.56

Schedule forming part of the accounts

	31-3-2000	31-3-1999
" F " Investments - long term		
Trade investments		
Quoted		
Nil (1999: 50,00,000) fully paid equity shares of Rs. 10 each in Timex Watches Limited	—	500.00
Unquoted		
Nil (1999: 1,00,000) fully paid equity shares of Rs. 100 each in Tata Industries Limited	—	100.00
5,00,000 (1999: 5,00,000) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited	**50.00**	50.00
1,00,000 (1999: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited	**10.00**	10.00
5,010 (1999: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited	**0.50**	0.50
2,510 (1999: 2,510) fully paid equity shares of Rs. 10 each in Titan Holdings Limited	**0.25**	0.25
60,000 (1999: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited	**18.00**	18.00
85,000 (1999: 85,000) fully paid equity shares of Rs. 10 each in RDI Print & Publishing Pvt. Ltd.	**266.72**	266.72
15,000 (1999: 15,000) fully paid equity shares of Rs. 10 each in Tanishq India Ltd.	**1.50**	1.50
	346.97	446.97
Investment in subsidiary company - unquoted 10,000 (1999: 8,108) fully paid equity shares of NLG 1,000 each in Titan International Holdings BV	**2050.78**	1638.03
Others - unquoted		
7,46,328 (1999: 7,46,328) units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs. 107.10 lakhs; 1999: Rs. 110.46 lakhs)	**114.72**	114.72
	2512.47	2699.72
Aggregate amount of quoted investments	—	500.00
Aggregate amount of unquoted investments	**2512.47**	2199.72
Market value of quoted investments	—	850.00

Rupees in lakhs

Titan Industries Limited

Schedule forming part of the accounts

			Rupees in lakhs
		31-3-2000	31-3-1999
"G" Current assets, loans and advances			
Inventories			
Consumable stores		**534.75**	458.25
Loose tools		**147.28**	109.28
Stock-in-trade			
Raw materials and bought-out components	**4583.83**		4575.28
Work in progress	**4348.71**		4652.02
Finished goods	**8729.69**		7424.16
		17662.23	16651.46
		18344.26	17218.99
Sundry debtors (unsecured and considered good)			
Over six months	**2297.80**		3844.01
Others	**9807.26**		6296.11
		12105.06	10140.12
Cash and bank balances			
Cash and cheques on hand	**86.47**		60.87
With scheduled banks - in current accounts	**142.85**		4.27
- on deposit	**1228.82**		318.81
- in transit	**294.30**		119.83
		1752.44	503.78
Loans and advances (unsecured and considered good)			
Advances recoverable in cash or in kind or for value to be received	**6263.79**		8194.10
Due from subsidiaries	**5211.41**		3819.74
Tax payments, net of provision	—		77.30
Balances with customs and excise authorities	**73.02**		53.98
		11548.22	12145.12
		43749.98	40008.01

Schedules forming part of the accounts

"H" Current liabilities and provisions

		Rupees in lakhs 31-3-2000	31-3-1999
Current liabilities			
Sundry creditors			
Due to small scale industrial undertakings	**182.91**		191.01
Others	**5544.72**		4823.36
	5727.63		5014.37
Interim dividend	**1099.18**		—
Unclaimed dividends	**42.25**		29.52
Interest accrued but not due on loans	**582.78**		520.71
		7451.84	5564.60
Provisions			
Provision for taxation	**21.07**		—
Proposed dividend	—		1099.18
Retiring gratuities	**428.03**		299.97
Others	**92.23**		24.43
		541.33	1423.58
		7993.17	6988.18

"I" OTHER INCOME

	Rupees in lakhs Current Year	Previous Year
Interest from staff loans and bank deposits - gross (tax deducted at source on interest received Rs. 5.81 lakhs; 1999: Rs. 2.76 lakhs)	**89.50**	54.99
Income from trade investments - gross	**111.32**	91.60
Dividend from units of Unit Trust of India (tax deducted at source Nil; 1999: Rs. 2.99 lakhs)	**10.07**	14.93
Profit on sale of investments	**1037.50**	—
Miscellaneous income	**53.08**	79.97
	1301.47	241.49

Titan Industries Limited

Schedule forming part of the accounts

			Rupees in lakhs Current Year	Previous Year
" J " Operating and other expenses				
Raw materials and components consumed			**29608.18**	20773.94
Loose tools, stores and spare parts consumed			**1480.18**	1074.68
Purchase of finished goods			**242.70**	5.61
Payments to and provisions for employees				
Salaries and wages		**5977.58**		4498.66
Company's contribution to provident and other funds		**403.57**		331.97
Welfare expenses		**692.25**		538.82
Gratuity		**144.03**		34.82
			7217.43	5404.27
Other expenses				
Power and fuel		**781.01**		704.61
Repairs to buildings		**65.51**		42.62
Repairs to plant and machinery		**134.43**		125.64
Advertising		**4169.06**		2736.35
Selling and distribution expenses		**1078.36**		879.79
Insurance		**292.91**		236.90
Rent		**399.15**		408.31
Rates and taxes		**1008.09**		935.73
Travel		**529.81**		573.47
Exchange difference		**945.10**		(470.12)
General expenses		**1893.36**		1717.06
			11296.79	7890.36
Auditors' remuneration				
Audit fees		**11.00**		10.00
Fees for taxation matters		**4.26**		3.42
Fees for other services		**0.85**		0.60
Reimbursement of expenses & levies		**0.84**		0.87
			16.95	14.89
Directors' fees			**0.68**	0.66
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	**4348.71**			4652.02
Finished goods	**8729.69**			7424.16
		13078.40		12076.18
Opening stocks				
Work in progress	**4652.02**			4433.28
Finished goods	**7424.16**			7602.07
		12076.18		12035.35
			(1,002.22)	(40.83)
			48860.69	35123.58
Less : Expenses capitalised			**50.37**	104.15
			48810.32	35019.43

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 applicable accounting standards. The significant accounting policies followed by the Company are as stated below:

   i. Revenue recognition : Revenue from sale of goods is recognised when the goods are billed/despatched from the stock points.

      Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.

      Dividend income is recognised when the Company's right to receive the payment is established.

   ii. Fixed Assets : Capitalised at acquisition cost including directly attributable cost.

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

   iv. Foreign currency transactions : Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

      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 is adjusted to the cost of fixed assets.

      Outstanding foreign currency assets and liabilities are restated at year end rates. The net loss or gain arising on restatement / settlement is adjusted to the profit and loss account.

   v. Investments : Long term investments are valued at acquisition cost.

   vi. Inventories : Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined 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 manufactured goods are valued on full absorption cost method based on the annual average cost of production.

      c) Traded goods are valued at annual average cost of purchases.

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

   viii. Retirement benefits : Contribution to the provident fund is made monthly at a pre-determined rate to the Provident Fund Trust and debited to the profit and loss account on an accrual basis.

      Gratuity liability and leave encashment benefit is provided on an actuarial basis.

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

   ix. Deferred revenue expenditure : Software and implementation costs of the Enterprise Resource Planning (ERP) system, including user's licence fees, are amortised over a period of five years.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.279.08 lakhs (1999 : Rs.448.04 lakhs).

Titan Industries Limited

3. Contingent liabilities not provided for :

   i) Guarantees given by the Company - Rs.7619 lakhs (1999 : Rs.2123 lakhs).

   ii) Letter of comfort given to a bank - Rs.3457 lakhs (1999 : Rs.5303 lakhs).

   iii) Bills discounted by trade - Rs.1839 lakhs (1999 : Rs.5524 lakhs).

   iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.4063 lakhs (1999 : Rs.3872 lakhs).

4. a) The 11% redeemable cumulative preference shares aggregating Rs.500 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 31st March 1995). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 24 months from the date of allotment.

   b) The 9.50% redeemable cumulative preference shares aggregating Rs.250 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 15th September 1997). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   c) The 10.25% redeemable cumulative preference shares aggregating Rs.200 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e. 1st October 1997). However, they may be redeemed either at the option of the Company or by the Holder(s) on expiry of 18 months from the date of allotment. Yearly call and put option is exercisable thereafter on the 1st working day of April every year. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   d) The 10.50% redeemable cumulative preference shares aggregating Rs.1700 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :-

   Rs. 200 lakhs - 1st July 1998

   Rs.1000 lakhs - 8th July 1998

   Rs. 300 lakhs - 9th September 1998

   Rs. 200 lakhs - 28th September 1998

   However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   e) The 10.50% redeemable cumulative preference shares aggregating Rs.600 lakhs are redeemable at par at the end of 3 years from the date of allotment (i.e., 7th December 1998). However, they may be redeemed either at the option of the Company or by the Holder(s) after the expiry of 12 months from the date of allotment and at the end of 24 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   f) The 10% redeemable cumulative preference shares aggregating Rs.500 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 10th March 1999). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   g) The 10% redeemable cumulative preference shares aggregating Rs.250 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :-

Rs 175 lakhs	:	18^{th} October 1999
Rs 75 lakhs	:	20^{th} October 1999

   However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 1 month from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

5. The term loans from financial institutions shown under secured loans include :

   a) Loan of Rs.5000 lakhs (1999 : Rs.4975 lakhs) which is secured by the securities stated below :

      (i) secured by a first mortgage and charge of all the Company's immovable properties, both present and future ; and

      (ii) secured by a first charge by way of hypothecation of all the Company's movables, both present and future (save and except current assets), subject to the prior charges created in favour of the Company's Bankers for the working capital requirement of the Company and subject to a prior charge on the specific assets covered under note 8 (a) below.

   b) Loan of Rs.2500 lakhs (1999: Rs.2500 lakhs) secured by a first charge by way of hypothecation of current assets including book debts, receivables and inventories both present and future.

   c) Loan of Rs.1600 lakhs (1999 : Rs.Nil lakh) secured by a second charge by way of hypothecation of current assets including book debts and inventories both present and future.

6. The term loans from banks shown under secured loans include :

   a) loan of Rs.125 lakhs (1999 : Rs.375 lakhs) secured by a first charge on the movable assets of the Company, both present and future (save and except current assets and book debts).

   b) loan of Rs.2200 lakhs (1999 : Rs.3300 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

   c) loan of Rs.250 lakhs (1999 : Rs.500 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

   d) loan of Rs.1750 lakhs (1999 : Rs.2750 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

   e) Loan of Rs.2500 lakhs (1999 : Rs.Nil lakh) secured by a first charge on the movable and immovable properties of the Company, both present and future (save and except current assets).

   All the above charges are subject to prior charge on the specified assets covered under note 8(a) below.

7. The interest-free sales tax loan is secured by a second charge by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur and hypothecation of assets except inventories and book debts.

8. The other term loans shown under secured loans, include :

   a) loans of Rs.46.88 lakhs (1999 : Rs.140.63 lakhs) secured by a first charge on assets purchased out of these amounts.

   b) loan of Rs.186 lakhs (1999 : Rs.372 lakhs) which is secured / to be secured as follows :

      (i) a first charge by way of hypothecation of all the movable assets and mortgage of all lands and immovable properties of the Company, both present and future.

      (ii) a pledge of the shares of its wholly owned subsidiary.

      (iii) all receivables to the Company from its subsidiary.

9. The security covered under notes 5, 6 and 8 (b) above rank pari passu.

10. The small scale industrial undertakings to whom the Company owes a sum exceeding Rs.1 lakh which is outstanding for more than 30 days are Bangalore Mechatronics, Cony Bands Private Limited, Hind High Vaccum, Hitech Times, Kammajee Industries, Karnataka Crystals Limited, Medicon Leathers Private Limited, P & S Presitech, Ratesh International, Sona Bands, Sona Horological Private Limited, Sree Lakshmi Enterprises and Vardhan Banda Private Limited.

Titan Industries Limited

11. Exchange fluctuation on foreign currency loans taken for acquisition of fixed assets capitalised is Rs.16.65 lakhs (1999 : Rs.304.98 lakhs).

    Exchange loss (net), included in profit and loss account is Rs.945.10 lakhs (1999 : Exchange gain Rs.470.12 lakhs).

    Exchange loss (net), in respect of forward exchange contracts to be recognised in the profit and loss account of the subsequent year i.e. financial year 2000-2001 is Rs.82.82 lakhs (1999-2000 : Rs.69.00 lakhs).

12. Sales includes sale of scrap Rs.199.48 lakhs (1999 : Rs.200.82 lakhs), sale of accessories Rs.2233.79 lakhs (1999 : Rs.1784.79 lakhs), income from services provided Rs.100.96 lakhs (1999 : Rs.144.72 lakhs) and is net of all discounts including cash discount of Rs.190.19 lakhs (1999 : Rs.156.84 lakhs).

13. Interest expense disclosed in the profit and loss account is net of Rs.393.89 lakhs (1999 : Rs.599.57 lakhs) being interest received on advances.

14. Interest on fixed loans and debentures amounts to Rs.4972.72 lakhs (1999 : Rs.5015.51 lakhs).

15. Maximum amount due by the Company's Officers at any time during the year was Rs.Nil lakh (1999 : Rs.0.09 lakh). Balance as on 31st March, 2000 Rs. Nil lakh (1999 : Rs.Nil lakh).

16. The Managing Director's remuneration of Rs.30.69 lakhs (1999 : Rs.27.98 lakhs) is inclusive of contribution to provident and other funds Rs.2.43 lakhs (1999 : Rs.2.43 lakhs), perquisites Rs.5.31 lakhs (1999 : Rs.5.30 lakhs) and commission Rs.12.75 lakhs (1999 : Rs.11.25 lakhs).

    Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under :

	Rupees in lakhs	
	2000	1999
Profit before taxes as per Profit and Loss Account	**2143.64**	**1891.25**
Add : Managing Director's remuneration	**30.69**	**27.98**
Director's fees	**0.68**	**0.66**
Depreciation provided in the accounts for the current year	**2040.42**	**2014.12**
Loss on sale of fixed assets as per books (net)	**26.29**	**34.49**
Profit on sale of fixed assets as per section 349 of the Companies Act, 1956	**13.02**	**0.46**
	4254.74	**3968.96**
Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year	**2484.19**	**2567.65**
Profit on sale of investment	**1037.50**	—
Net profit	**733.05**	**1401.31**

17. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 5.43 million watches (1999 : 4.53 million watches), 0.20 million jewellery pieces (1999 : 0.15 million jewellery pieces) and 0.65 million Table Clocks (1999 : 0.65 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

18. The Company produced 60,23,536 watches (1999 : 50,17,870 watches) sold 58,53,872 watches – Rs.44,089.85 lakhs (1999 : 51,04,664 watches - Rs.37509.71 lakhs) and had a Closing Stock of 6,70,925 watches - Rs.6482.38 lakhs (1999 : 5,01,261 watches – Rs.4745.52 lakh; 1998 : 5,88,055 watches – Rs.5,236.70 lakhs).

    The Company produced 2,93,555 jewellery pieces (1999 : 1,74,915 jewellery pieces), sold 3,00,261 jewellery pieces – Rs.15,319.78 lakhs (1999 : 1,67,744 jewellery pieces - Rs.7,438.28 lakhs) and had a closing stock of 25,340 jewellery pieces – Rs.1,611.89 lakhs (1999 : 32,046 jewellery pieces – Rs.1978.37 lakhs; 1998 : 24,875 jewellery pieces - Rs.1566.42 lakhs).

    The Company produced 2,94,700 Table Clocks (1999 : 5,03,152) sold 3,28,903 Table Clocks – Rs.763.95 lakhs (1999 : 4,25,967 Table Clocks - Rs.1071.68 lakhs) and had a closing stock of 1,56,587 Table Clocks – Rs.447.92 lakhs (1999 : 1,90,790 Table Clocks - Rs. 545.13 lakhs; 1998 : 1,13,605 Table Clocks - Rs.605.25 lakhs).

19. The Company purchased 52,050 watches (1999 : 189 watches), sold 46,243 watches – Rs.311.54 lakhs (1999 : 5,990 watches - Rs.40.44 lakhs) and had a closing stock of 32,892 watches – Rs.164.33 lakhs (1999 : 27,085 watches - Rs.138.84 lakhs; 1998 : 32,886 watches - Rs.172.43 lakhs).

20. The Company purchased 7,691 clocks (1999 : 11 clocks), sold 3,314 clocks – Rs.13.88 lakhs (1999 : 3,703 clocks - Rs.13.52 lakhs) and had a closing stock of 10,312 clocks – Rs.23.17 lakhs (1999 : 5,935 clocks – Rs.16.30 lakhs; 1998 : 9,627 clocks - Rs.21.27 lakhs).

21. Analysis of raw materials and components consumed :

		Rupees in lakhs
	2000	1999
Precious metals - Gold (2000 : 2494 Kgs.)(1999 : 1350 Kgs.)	**10903.86**	5790.20
- Others	**292.61**	317.83
Components	**14500.18**	10086.42
Other materials	**3703.56**	4044.04
Sundry charges	**207.97**	535.45
	29608.18	20773.94

22. Value of imports on CIF basis :

		Rupees in lakhs
	2000	1999
Raw materials and components	**7389.42**	4083.71
Stores and spares	**301.44**	331.23
Capital goods	**237.68**	46.96
	7928.54	4461.90

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

		Rupees in lakhs
	2000	1999
Interest	**78.00**	37.39
Professional and consultancy services	**35.00**	22.84
Others	**753.45**	182.38

24. Amount remitted by the Company in foreign currency on account of dividends :

		Rupees in lakhs
	31-3-2000	31-3-1999
(i) Number of Shareholders	**12**	17
(ii) Number of equity shares on which dividend was paid	**33,242**	86,922
(iii) Year to which the dividend related	**1998-99**	1997-98
(iv) Amount remitted (net of tax) (Rs in lakhs)	**0.86**	2.17

25. Earnings in foreign exchange:

		Rupees in lakhs
	2000	1999
Export of goods on FOB basis	**4270.32**	3155.91
Interest	**305.23**	199.50

Titan Industries Limited

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

	2000		1999	
	Rupees in Lakhs	**%**	Rupees in Lakhs	%
Imported				
CIF Value	**7307.20**	**24**	4352.18	21
Customs duties	**826.21**	**3**	464.03	2
	8133.41	**27**	4816.21	23
Indigenous	**21474.77**	**73**	15957.73	77
	29608.18	**100**	20773.94	100

27. Expenditure directly attributable to research and development [including capital expenditure of Rs.26.69 lakhs; (1999 : Rs.5.25 lakhs)] is estimated at Rs.195.05 lakhs (1999 : Rs.109.78 lakhs).

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

29. Balance Sheet Abstract and Company's General Business Profile :

I. REGISTRATION DETAILS

REGISTRATION NO. 18-001456

STATE CODE 18

BALANCE SHEET DATE

DATE	MONTH	YEAR
31	03	2000

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

PUBLIC ISSUE NIL

RIGHTS ISSUE NIL

BONUS ISSUE NIL

PREFERENTIAL ALLOTMENT NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

TOTAL LIABILITIES 6906943

TOTAL ASSETS 6906943

SOURCE OF FUNDS

PAID-UP CAPITAL 822763

RESERVES & SURPLUS 1185651

SECURED LOANS 1780340

UNSECURED LOANS 2318872

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
223 8044	2512 47

NET CURRENT ASSETS	MISC. EXPENDITURE
3575681	42654

ACCUMULATED LOSSES
NIL

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

TURNOVER	TOTAL EXPENDITURE
6433470	6219106

+ -	PROFIT/LOSS BEFORE TAX	+ -	PROFIT/LOSS AFTER TAX
✓	214364	✓	192795

EARNING PER SHARE IN RS.	DIVIDEND RATE %
3.47	26

V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS OF THE COMPANY

ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
91.02	WATCHES
91.03	CLOCKS
71.13	JEWELLERY

SIGNATURE TO SCHEDULES "A" TO "K"
FOR AND ON BEHALF OF THE BOARD,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman &
Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 31 May 2000

Titan Industries Limited

Cash Flow Statement for the Year Ended March 31, 2000

		Current Year	Previous year
A.	**Cash flow from operating activities**		
	Net profit before tax	**2,143.64**	1,891.25
	Adjustments for :		
	— Depreciation	**2,040.42**	2,014.12
	— Exchange difference	**945.10**	(470.12)
	— Financial lease payments	**—**	2.94
	— Loss/(profit) on sale of fixed assets(net)	**26.29**	34.49
	— Profit on sale of investments(net)	**(1,037.50)**	—
	— Interest received	**(89.50)**	(54.99)
	— Dividend received	**(121.39)**	(106.53)
	— Interest paid	**5,088.32**	5,192.27
	Operating profit before working capital changes	**8,995.38**	8,503.43
	Adjustments for :		
	— (Increase)/Decrease in sundry debtors	**(1,964.94)**	(1,815.27)
	— (Increase)/Decrease in inventories	**(1,125.27)**	48.17
	— (Increase)/Decrease in loans and advances	**519.60**	(1,469.56)
	— Increase/(Decrease) in current liabilities	**909.12**	914.53
	— (Increase)/Decrease in miscellaneous expenditure	**(426.54)**	—
	Cash generated from operations	**6,907.35**	6,181.30
	— Interest received	**89.50**	54.99
	— Interest paid	**(5,026.25)**	(4,959.27)
	— Direct taxes paid	**(283.72)**	(377.55)
	Net cash from/(used in) operating activities	**1,686.88**	899.47
B.	**Cash flow from investing activities**		
	Additions to fixed assets(including capital work in progress and advances on capital account)	**(836.75)**	(1,914.78)
	Proceeds from sale of fixed assets	**53.16**	41.08
	Purchase of investments	**(412.75)**	—
	Proceeds from sale of investments	**1,637.50**	—
	Dividend received	**121.39**	106.53
	Net cash from/(used in) investing activities	**562.55**	(1,767.17)
C.	**Cash flow from financing activities**		
	Proceeds from issue of preference share capital	**250.00**	3,300.00
	Redemption of preference share capital	**(250.00)**	(3,050.00)
	Proceeds from new borrowings	**13,163.16**	15,839.20
	Repayment of borrowings	**(11,718.81)**	(14,472.05)
	Financial lease payments	**—**	(2.94)
	Dividends paid	**(1,500.02)**	(1,476.85)
	Exchange difference	**(945.10)**	470.12
	Net cash from/(used in) financing activities	**(1,000.77)**	607.48
	Net cash flows during the year(A+B+C)	**1,248.66**	(260.22)
	Cash and cash equivalents (opening balance)	**503.78**	764.00
	Cash and cash equivalents (closing balance)	**1,752.44**	503.78

For and on behalf of the Board,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

Bangalore, 31 May 2000

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of Titan Industries Limited for the year ended 31 March,2000. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report of 31 May 2000 to the members of the Company.

For A. F. Ferguson & Co.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 31 May 2000

Accounts of Subsidiary Companies

Titan International Holdings B. V.	39
Titan Brand Holdings N. V.	42
Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd.	44

MANAGEMENT REPORT

The Board of Directors is pleased to present the Annual Report and Accounts of the Company for the financial year ended March 31, 2000.

OVERVIEW OF ACTIVITIES

The state of affairs of the Company at the closing of the financial year is adequately presented in the Balance Sheet and the Profit and Loss Account attached hereto.

FUTURE DEVELOPMENTS

The Management does not anticipate any major changes during the coming financial year.

POST BALANCE SHEET EVENTS

No material matters or circumstances of importance have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

THE MANAGING DIRECTORS

Mr F K Kavarana   Mr A L Mudaliar
Mr M N Ramdas   Mr X S Desai

Amsterdam, July 21, 2000

AUDITORS' REPORT

Introduction

We have audited the financial statements for the purposes of filing with the Chamber of Commerce of TITAN INTERNATIONAL HOLDINGS B.V., Amsterdam (The Netherlands) for the year ended March 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2000 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of The Netherlands Civil Code, applying certain restrictions allowed by Article 396 of that Part.

Emphasis of matter

Without qualifying our opinion above, we draw attention to the following matters:

* As explained in notes 5 and 6, the company has invested significant amounts in a subsidiary that has incurred significant losses over the past few years; realizability of this investment depends on the uncertain outcome of the measures undertaken to generate future profits in that subsidiary.
* Note 8 explains that the company's financial position would have been significantly different without the parent company agreeing to assume certain of the company's (so far primarily unrealized) currency losses.
* As explained in note 4, realizability of the amounts invested in design and development expenses depends on the flow of royalty income in the future.

Rotterdam, The Netherlands, August 17, 2000   ARTHUR ANDERSEN

Balance Sheet as of March 31, 2000

(after proposed appropriation of results)

	Notes	2000 NLG	1999 NLG
ASSETS			
Fixed Assets			
Intangible assets	(4)	4,769,394	5,429,277
Investments	(5)	15,153,749	15,153,749
		19,923,143	20,583,026
Current Assets			
Receivable from subsidiaries and affiliated companies	(6)	28,297,482	18,893,955
Interest receivable from affiliated companies		292,068	34,723
Other receivables and prepaid expenses		100,179	65,936
Cash at banks		1,016,483	180,693
		29,706,212	19,175,307
TOTAL ASSETS		49,629,355	39,758,333
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Issued and fully paid-in share capital	(7)	10,000,000	10,000,000
Retained earnings		104,462	100,101
		10,104,462	10,100,101
Long-term Liabilities	(8)	25,886,045	20,234,106
Current Liabilities			
Short-term bank loans	(9)	11,011,462	0
Due to group and affiliated companies	(10)	0	8,391,110
Corporate tax payable		527,213	428,740
Interest payable		2,068,673	542,182
Accounts payable and accrued expenses		31,500	62,094
		13,638,848	9,424,126
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		49,629,355	39,758,333

The accompanying notes form part of these accounts.

Profit and Loss Account for the Year Ended March 31, 2000

	Notes	2000 NLG	1999 NLG
Operating Income (Expenses)			
Royalty income		1,868,039	2,291,098
General and administrative expenses		(4,000)	(17,193)
Amortization expense		(679,367)	(2,657,070)
Net operating income (loss)		1,184,672	(383,165)
Financial Income (Expenses)			
Interest expenses, net	(11)	(1,000,562)	(1,188,900)
Currency exchange differences		160,214	(24,622)
Net financial income (expenses)		(840,348)	(1,213,522)
Result from ordinary activities before taxes		344,324	(1,596,687)
Income taxes	(12)	(339,963)	449,000
Result from ordinary activities after taxes		4,361	(1,147,687)
Extraordinary result		0	1,785,092
Income taxes on extraordinary result		0	(625,000)
Extraordinary result after taxes		0	1,160,092
NET PROFIT FOR THE YEAR		4,361	12,405

The accompanying notes form part of these accounts.

Titan International Holdings B.V.,

Notes to the Annual Accounts - March 31, 2000
(expressed in Dutch guilders)

1a Group Affiliation and Principal Activities
The Company, incorporated on November 23, 1993, is a limited liability company with its statutory seat in Amsterdam, The Netherlands.

During the fiscal year, the principal activity of the Company was primarily the holding and financing of group companies. The Company is a wholly owned subsidiary of Titan Industries Limited, India ("the parent company"), to whose accounts the annual accounts of the Company are appended.

1b Related Party Transactions
Royalty income is generated and incurred primarily through group and affiliated companies. Significant financing to and from entities ultimately controlled by the parent company take place. As explained in note 8, the parent company assumes potential currency riks regarding certain UDS denominated liabilities. The parent company issued a credit note to cover certain costs for an amount of NLG 50,000.

2 Basis of Presentation
The accompanying annual accounts have been prepared in accordance with principles of accounting generally accepted in The Netherlands.

3 Significant Accounting Policies

a General
Assets and liabilities are stated at face value unless indicated otherwise.

b Intangible Assets
The initial expenses incurred in connection with the incorporation of the Company are capitalized and amortized on a straight-line basis over a period of five years. Design and development costs are amortized on a straight line basis over a period of ten years.

c Investments
Since no significant influence can be exercised, the investments in subsidiaries are stated at historical cost price or, in case of a permanent impairment of the value of the investment, at market value.

d Foreign Currencies
Assets and liabilities denominated in foreign currencies are translated into Dutch Guilders at rates of exchange applicable at the balance sheet date, unless stated differently as in, for example, note 8. Transactions in foreign currencies are translated at the rates in effect at the dates of transactions. Exchange gains or losses are reflected in the profit and loss account.

		2000	1999
Exchange rates used at year-end are:	GBP 1	3.669	3.298
	USD 1	2.306	2.047
	SGD 1	1.347	1.185

e Recognition of Income and Expense
Income and expenses, including taxation, are recognized and reported on an accrual basis. Dividend income is recognized upon receipt.

4 Intangible Assets
At March 31, 2000 the amount represents incorporation expenses and design and development expenses, and is specified as follows:

	2000	1999
Incorporation expenses	52,019	52,019
Accumulated depreciation	(36,883)	(33,099)
Book value of incorporation expenses	15,136	18,920
Design and Development expenses - Total cost	6,560,761	6,560,761
Accumulated amortization	(1,806,503)	(1,150,404)
Book value at the end of the year	4,754,258	5,410,357
Total intangible assets	4,769,394	5,429,277

Capitalized expenses associated with design and development expenses are expected to be recovered through royalty income from affiliates. The management is confident that sufficient royalties will be earned to cover the costs incurred.

5 Investments

	% held	2000	1999
Titan International Marketing Ltd., U.K. Representing all of the 6% redeemable non-cumulative preference shares	91	14,554,587	14,554,587
Titan International Investments B.V., the Netherlands, 45,276 shares at NLG 10 each	49	452,760	452,760
Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd., Singapore, 100,000 shares of S$ 1 each	100	121,402	121,402
Titan Brand Holdings N.V., Netherlands Antilles 2,500 shares of NLG 10 each	100	25,000	25,000
Total investments stated at cost		15,153,749	15,153,749

Titan International Marketing Ltd., U.K. ("TIML"):
The shareholders' equity as of March 31, 2000 consisted of 5,000,000, 6% redeemable non-convertible preferred shares and 480,000 ordinary shares with a par value of GBP 1 each.
Additional information of Titan International Marketing Ltd., is based on unaudited financial statements as of December 31, 1999;

	GBP	NLG
Shareholders' equity	(465,690)	(1,708,655)
Net loss for the period (12 months)	(332,058)	(1,218,348)

A significant gap exists between the amounts invested by the Company in this entity and its share in that entity's shareholders' equity, primarily caused by losses incurred over the past few years.
In addition, the Company has a significant receivable from this subsidiary as indicated in Note 6. A reasonable level of success has resulted from measures taken to initiate a turnaround in the entity's results (including, for example, changes in personnel, product offering, distributors, and advertising campaigns). Although there is uncertainty with respect to the recovery of funds invested, management believes that the value of the Company's investment in that entity is not permanently impaired. The Company's parent company has expressed its intention to continue to support that entity to enable it to operate as a going concern, until at least March, 2002.

Titan International Investments B.V., the Netherlands ("TII"):
The shareholders' equity of Titan International Investments B.V. as of December 31, 1999 and the net loss for the period then ended are NLG 547,272 and NLG (82,135) respectively based on unaudited financial statements.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd., Singapore ("TAPL"):
Additional information of Titan Watches & Jewellery International is based on unaudited financial statements as of March 31, 2000;

	SGD	NLG
Shareholder's equity	51,987	70,026
Net profit for the period (9 months)	11,803	15,900

Titan Brand Holdings N.V. Netherlands Antilles ("TBH"):
The shareholder's equity of this entity as of March 31, 2000 and the loss for the period then ended are NLG 8,112 and NLG (4,248) respectively, based on unaudited financial statements.
NLG equivalents are stated at year-end exchange rate for presentation purposes.

6 Receivable from Subsidiaries and Affiliated Companies

	2000	1999
Titan International (Middle East) FZE, UAE	547,669	0
TAPL, Singapore	35,843	0
TIML, U.K.	11,742,104	351,752
TBH, Netherlands Antilles	10,800,000	18,300,000
TII, the Netherlands, including interest	5,171,866	242,203
	28,299,482	18,895,955

Notes to the Annual Accounts (Continued)

(expressed in Dutch guilders)

Redemption terms have generally not been agreed; it is probable that not all receivables will be collected within one year.
With respect to the receivable from TIML, we refer to Note 5.

7 **Shareholder's Equity**

The authorized share capital of the Company is NLG 10,000,000 divided into 10,000 shares of NLG 1,000 each.
Movements in the shareholder's equity accounts are as follows:

	2000	1999
Share capital		
Authorized share capital	10,000,000	10,000,000
Not issued	0	0
Issued and paid-in share capital	10,000,000	10,000,000
Retained earnings:		
Retained earnings carried forward	100,101	87,696
Result for the year	4,361	12,405
Retained earnings	104,462	100,101
Total shareholder's equity	10,104,462	10,100,101

8 **Long-term Liabilities**

	2000	1999
Parent Company:		
EUR account (2,000,000) bearing interest at 8%	4,407,420	0
USD account (1,000,000) bearing interest at 8%	2,176,720	0
NLG loan bearing interest at 8% p.a.	10,000,000	10,000,000
	16,584,140	10,000,000
Other Loans		
KBC Bank Nederland N.V. (EUR 1,125,000)	2,479,173	0
HSBC Bank (USD 5,000,000)	10,234,100	10,234,106
Less: one-third short-term portion	(3,411,367)	0
	25,886,045	20,234,106

Although the above NLG loan from the parent company was originally received in USD, the parent company will require redemption of the stated NLG amount. Also, the parent company has indicated that it will require redemption of its above USD 1 million loan at a fixed rate of 2.177. In addition it has indicated that it will cover any currency losses on the above USD 5 million bank loan, above the rate of 2.046 (in view of this these liabilities are recorded at the afore-mentioned exchange rates). If the above funds had remained payable at regular USD rates, the total liability as of March 31, 2000 would have been approximately NLG 3,057,000 higher.

An arrangement fee of USD 50,000 paid in respect of the above USD 5 million loan, has been capitalized under "other receivables and prepaid expenses" and is being amortized over 5 years (the maturity of the loan).
The bank loans (including those detailed in note 9) have been guaranteed by the parent company.

9 **Short-term Liabilities -Bank Loans**

	2000	1999
Short term portion of HSBC Bank loan	3,411,367	0
Bank of America (USD 2,500,000)	5,765,554	0
Standard Chartered Bank (GBP 500,000)	1,834,542	0
	11,011,462	0

10 **Due to Group and Affiliated Companies**

	2000	1999
Titan International (Middle East) FZE, UAE	0	891,110
Titan Industries Limited, India	0	7,500,000
	0	8,391,110

11 **Interest Expense**

During the fiscal year, approximately half the interest expense was related to third party financing. Almost all interest income was related to intercompany financing

12 **Income Taxes**

The effective tax rate differs from the statutory rate because of certain non-deductible expenses.

13 **Directors and Employees**

The Company has no employees. The Company had five unremunerated directors during the year. No loans or advances have been given or received from the directors.
The Company has no supervisory directors. On May 12th, 2000 Mr Vasant Nangia resigned from his directorship of the Company due to other personal commitments.

OTHER INFORMATION

Proposed Appropriation of Results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the Annual General Meeting of Shareholders in accordance with Article 27 of the Company's Articles of Incorporation.

The Management proposes not to declare a dividend and to add the net result for the year to the retained earnings.

Titan Brand Holdings N.V.

MANAGING DIRECTOR:

CURAÇAO CORPORATION COMPANY N.V.
De Ruyterkade 62
Curaçao
Netherlands Antilles

DIRECTOR'S REPORT:

Management herewith submits the Interim Report for the period from January 1, 2000 through March 31, 2000.

During the period under review, the Company recorded a net loss of NLG 4,248.24 details of which are set out in the attached Statement of Income and Expenses.

The financial statements have been prepared in accordance with the existing Netherlands Antilles regulations and generally accepted accounting policies and guidelines.

Management has no intention of changing either activities or policies of the Company as disclosed in the financial statements.

July 27, 2000

Curaçao Corporation Company N.V.
(Managing Director)

AUDITOR'S REPORT

Introduction

We have audited the financial statements of Titan Brand Holdings N.V. Curacao for the period from January 1, 2000 through March 31, 2000. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with international generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2000 and of the result for the period from January 1, 2000, through March 31, 2000 in accordance with International Accounting Standards.

De Paus Vesseur & Hernandez N.V.
Drs T K Hernandez R.A.

Curacao, August 17, 2000

(Expressed in Dutch Guilders)

Balance Sheet at March 31, 2000.

			03/31/2000	12/31/1999
ASSETS				
FIXED ASSETS				
Trademarks	(1)		18,300,000.00	18,300,000.00
CURRENT ASSETS				
Royalty receivable	(2)	37,931.13		465,295.63
Prepaid expenses		2,767.47		5,256.58
Cash at bank	(3)	2,638.18		2,638.18
			43,336.78	473,190.39
			18,343,336.78	18,773,190.39
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital paid up	(4)	25,000.00		25,000.00
Deficit	(5)	(16,887.71)		(12,639.47)
			8,112.29	12,360.53
Loans payable	(6)		10,800,000.00	10,800,000.00
Other payables	(7)		7,500,000.00	7,500,000.00
CURRENT LIABILITIES				
Interest payable		0.00		433,400.00
Intercompany account	(8)	7,021.02		6,667.92
Accounts payable and accrued expenses	(9)	28,203.47		20,761.94
			35,224.49	460,829.86
			18,343,336.78	18,773,190.39

July 27, 2000

(Expressed in Dutch Guilders)

Statement of Income and Expenses for the period from January 1, 2000 through March 31, 2000.

		03/31/2000	12/31/1999
INCOME		128,057.77	438,274.52
Royalty income			
EXPENSES			
Bank account expenses	0.00		361.82
Notarial expenses	0.00		3,118.19
Accounting fees	1,674.63		1,546.93
Audit fees	4,465.67		3,093.85
Domiciliary and administrative expenses	2,679.40		10,312.83
General expenses	0.00		2,808.97
Interest expenses	146,465.75		455,400.00
		155,285.45	476,642.59
Income before realized gains/(losses)		(27,227.68)	(38,368.07)
Realized currency exchange gain/(loss)		22,979.44	25,728.60
Net result before taxes		(4,248.24)	(12,639.47)
N.A. profit tax		0.00	0.00
Net result for the period		(4,248.24)	(12,639.47)

July 27, 2000

Notes to the Financial Statements for the period from January 1, 2000 through March 31, 2000.

(Expressed in Dutch Guilders)

GENERAL:

The Company was incorporated under the laws of the Netherlands Antilles by Deed of a Civil-Law Notary dated December 24, 1998 with an authorized share capital of NLG 100,000.-divided into10,000 shares of NLG 10.- each. At balance sheet date, 2500 shares are issued and paid for.

The Ministerial Decree of No-Objection was issued on December 22, 1998 by the Minister of Justice of the Netherlands Antilles, under number 2669/N.V.

As and from the day falling two days after that of the filing of a resolution of the Managing Board with the trade register to the effect, the authorized and issued capital of the company shall be re-stated in Euros.

The Company is a wholly-owned subsidiary of Titan International Holdings B.V., Amsterdam.

1) The purpose of the Company is:

a) to invest its assets in securities, including shares and other certificates of participation and bonds, as well as other claims for interestbearing debts however denominated and in any and all forms, as well as the borrowing and lending of monies;

b) to acquire:

(i) revenues, derived from the alienation or leasing of the right to use copyrights, patents, designs, secret processes or formulae, trademarks and other analogous property;

(ii) royalties, including rentals, in respect of motion picture films or for the use of industrial, commercial or scientific equipment, as well as relating to the operation of a mine or a quarry or of any other extraction of natural resources and other immovable properties;

(iii) considerations paid for technical assistance;

c) to invest its assets directly or indirectly in real property, to acquire, own, hire, let, lease, rent, divide, drain, reclaim, develop, improve, cultivate, build on, sell or otherwise alienate, mortgage or otherwise encumber real property and to construct infrastructural works like roads, pipes and similar works on real estate;

d) to guarantee or otherwise secure, and to transfer in ownership, to mortgage, to pledge or otherwise to encumber assets as security for the obligations of the company and for the obligations of third parties.

2) The Company is entitled to do all that may be useful or necessary for the attainment of its objects or that is connected therewith in the widest sense, including the participation in any other venture or company.

EXCHANGE RATES:	Closing	Average
US Dollars	0.43361	0.44786
Pound Sterling	0.27255	0.27881
Neth. Antillean Guilders	0.77183	0.79719

BALANCE SHEET:

(1) Trademarks: 18,300,000.00

Represents:
The full and exclusive rights to and beneficial ownership of the TITAN trademark and certain other trademarks in various countries as specified in the sale and purchase agreement dated March 31, 1999 together with beneficial ownership of the applications for registration pending in other countries.

The value of the trademarks has not been amortized as amortization of trademarks is not compulsory under existing Netherlands Antilles regulations, and the management is of the view that the book value of the trademarks represents the current fair value.

(2) Royalty Receivable: 37,931.13

Represents the net amount receivable from trademarks after deduction of interest payable.

(3) Cash at Bank: 2,638.18

Represents the balance on the current account held at Citco Banking Corporation N.V., Curacao.

(4) **Share capital paid up:** 25,000.00

Authorized Share Capital		
-10,000 common shares @ NLG 10.-	100,000.00	
Unissued Shares - 7,500 common shares @ NLG 10	(75,000.00)	
	25,000.00	

(5) **Deficit:** (16,887.71)

Balance as at January 1, 2000	(12,639.47)	
Gain/(Loss) for the period	(4,248.24)	
Balance as at March 31, 2000	(16,887.71)	

(6) **Loans payable:** 10,800,000.00

Represents the loan payable to the shareholder
The loan is at an interest rate of 5.5% p.a.

(7) **Other payables:** 7,500,000.00

Amount payable to Titan Industries Ltd.

(8) **Intercompany account:** 7,021.02

Represents the balance in Intercompany account held with Titan Industries Ltd	USD	3,044.38	7,021.02

(9) **Accounts payable and accrued expenses:** 28,203.47

- CITCO invoice dated 12.31.99	USD	7,229.30	16,672.37
- Accrued audit expenses	USD	2,250.00	5,189.00
- Accrued accounting fees	USD	2,750.00	6,342.10
			28,203.47

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd

(Incorporated in the Republic of Singapore)

DIRECTORS' REPORT

The Directors submit their report together with the audited accounts of the Company for the year ended 30 June 2000.

1 DIRECTORS

The names of the Directors in office at the date of this report are:-

XERXES DESAI - Chairman
PATRICK R. McGOLDRICK
K.F. KAPADIA
BHASKAR BHAT

2 PRINCIPAL ACTIVITIES

The principal activities of the Company are that of importers and exporters, traders in watches and jewellery items.

There have been no significant changes in the nature of these activities during the year.

3 SUBSIDIARIES

During the financial year, the Company did not acquire or dispose of any subsidiary companies.

4 ACCOUNTS

Net profit for the year after taxation	S$15,422

5 RESERVES OR PROVISIONS

There were no material transfers to or from provisions and reserves during the year.

6 ISSUE OF SHARES

There were no shares or debentures issued during the year.

7 ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

8 DIRECTORS' INTEREST IN SHARES

None of the Directors of the Company who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, any interest in shares of the Company.

9 DIVIDENDS

No dividend has been paid or proposed since the end of the Company's last financial year.

10 BAD AND DOUBTFUL DEBTS

Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary. At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off any debts or make a provision for doubtful debts in respect of these accounts.

11 CURRENT ASSETS

Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise in the ordinary course of business their book values have been written down to their estimated realisable values. At the date of this report, the Directors are not aware of any circumstances which would render the values attributable to current assets in these accounts misleading.

12 CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at the date of this report:-

(i) there are no charges on the assets of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(ii) there are no contingent liabilities which have arisen since the end of the financial year.

13 CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

14 OTHER CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in the report or accounts which would render any amount stated in the accounts misleading.

15 UNUSUAL ITEMS

In the opinion of the Directors, the results of the operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

16 SUBSEQUENT EVENTS

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

17 DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit by reason of a contract made by the Company with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

18 SHARE OPTIONS GRANTED

No options were granted during the year to take up unissued shares of the Company.

19 SHARE OPTIONS EXERCISED

During the year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company.

20 UNISSUED SHARES UNDER OPTION

There were no unissued shares under option as at the end of the financial year.

21 AUDITORS

The auditors, Messrs. H. WEE & CO., Certified Public Accountants, Singapore, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

XERXES DESAI	PATRICK R McGOLDRICK	K.F. KAPADIA	BHASKAR BHAT
CHAIRMAN	DIRECTOR	DIRECTOR	DIRECTOR

Dated : 27 July, 2000

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying Balance Sheet, Profit and Loss Account together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2000 and of the results of the business of the Company for the year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

XERXES DESAI	PATRICK R McGOLDRICK	K.F. KAPADIA	BHASKAR BHAT
CHAIRMAN	DIRECTOR	DIRECTOR	DIRECTOR

Dated : 27 July, 2000

AUDITORS' REPORT TO THE MEMBERS OF

TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD

We have audited the accompanying balance sheet of **TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD** as at 30 June 2000, and the profit and loss account for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of:-

  (i) the state of affairs of the Company as at 30 June 2000 and of the results of the Company for the year then ended on that date; and

  (ii) the other matters required by section 201 of the Act to be dealt with in the accounts;

(b) the accounting and other records, and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

H. WEE & CO.

CERTIFIED PUBLIC ACCOUNTANTS,
SINGAPORE

DATED : 27 July 2000

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

	NOTE	2000 S$	1999 S$
TURNOVER	2	**3,467,269**	3,078,281
NET PROFIT FOR THE YEAR		**15,422**	26,515
After charging / (crediting) :—			
Auditors' remuneration			
— statutory		**3,500**	3,500
— non-statutory		**523**	440
Depreciation	3	**5,103**	10,343
Foreign exchange fluctuation		**59,694**	(5,607)
Amortisation of deferred trademark royalty		**14,847**	11,640
Interest income		**(720)**	—
TAXATION	10	—	53
NET PROFIT FOR THE YEAR AFTER TAXATION		**15,422**	26,568
ACCUMULATED (LOSSES) BROUGHT FORWARD		**(59,816)**	(86,384)
ACCUMULATED (LOSSES) CARRIED FORWARD		**(44,394)**	(59,816)

The attached notes to the accounts form
An integral part of the accounts

BALANCE SHEET AS AT 30 JUNE 2000

	NOTE	2000 S$	1999 S$
SHARE CAPITAL			
Authorised			
1,000,000 ordinary shares of S$1 each		**1,000,000**	1,000,000
Issued and fully paid up			
100,000 ordinary shares of S$1 each		**100,000**	100,000
ACCUMULATED (LOSSES)		**(44,394)**	(59,816)
		55,606	40,184
Represented by:-			
FIXED ASSETS	3	—	2,974
DEFERRED EXPENDITURE	4	**66,114**	—
DEFERRED TRADEMARK ROYALTY EXPENDITURE	5	**823,513**	838,360
CURRENT ASSETS			
Stocks		**1,969,049**	526,928
Trade debtors		**885,836**	676,103
Other debtors	6	**79,010**	17,475
Fixed deposit	7	**16,720**	16,000
Cash and bank balances		**177,277**	59,830
		3,127,892	1,296,336
Less: **CURRENT LIABILITIES**			
Trade creditors and accruals	8	**3,090,479**	1,243,139
Amount due to related company	9	**871,434**	854,347
		3,961,913	2,097,486
NET CURRENT (LIABILITIES)		**(834,021)**	(801,150)
		55,606	40,184

The attached notes to the accounts form an integral part of the accounts.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd

NOTES TO THE ACCOUNTS - 30 JUNE 2000

1 SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of Accounting**
The accounts expressed in Singapore dollars are prepared in accordance with the historical cost convention.

B. **Depreciation**
Depreciation is calculated on the straight line method to write off the cost of the assets over their estimated useful lives. The rates used are : -

	Per Annum
Computer hardware	33-1/3%
Computer software	100%
Furniture and fittings	100%
Telephone	33-1/3%

C. **Deferred Trademark Royalty Expenditure**
This is a lump sum payment in lieu of reduction of trademark royalty from 3% to 2% for a period of 25 years commencing from 1 July 1998. It is amortised in proportion to the forcasted sales over the 25 years period.

D. **Stocks**
Stocks are stated at the lower of cost (cost being determined on a first-in-first-out basis) and net realisable value.

E. **Income Tax**
The tax expense is determined on the basis of tax effect accounting, using the liability method and is applied to all significant timing differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

F. **Deferred Expenditure**
Deferred expenditure comprises of expenses incurred for trade fairs and product launches in exploring new markets to establish its brand of products and are being amortised over a two or three-year period in which income would be expected to be derived .

G. **Foreign Currencies Transactions**
Transactions in foreign currencies are measured and recorded in Singapore dollars using the exchange rate in effect at the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date. All exchange adjustments are taken to the profit and loss account.

2 GENERAL
The principal activities of the Company are that of importers and exporters, traders in watches and jewellery items. Turnover represents invoiced trading sales.

3 FIXED ASSETS

COST	As @ 1.7.99 S$	Addition S$	Disposal S$	As @ 30.6.00 S$
Computer hardware	4,806	1,365	—	6,171
Computer software	990	—	—	990
Furniture & fittings	9,205	764	—	9,969
Telephone	1,539	—	—	1,539
	16,540	2,129	—	18,669

	As @ 1.7.99 S$	Addition S$	Disposal S$	As @ 30.6.00 S$	Depreciation 1999 S$
ACCUMULATED DEPRECIATION					
Computer hardware	3,133	3,038	—	6,171	1,461
Computer software	990	—	—	990	-
Furniture & fittings	9,205	764	—	9,969	8,155
Telephone	238	1,301	—	1,539	727
	13,566	5,103	—	18,669	10,343
NET BOOK VALUE	2,974			—	—

4 DEFERRED EXPENDITURE

	2000 S$	1999 S$
Cost 107,258	67,259	
Amount amortised	(41,144)	(67,259)
Balance carried forward	66,114	—

5 DEFERRED TRADEMARK ROYALTY EXPENDITURE

	2000 S$	1999 S$
Lump sum payment	850,000	850,000
Amount amortised	(26,487)	(11,640)
Balance carried forward	823,513	838,360

6 OTHER DEBTORS

	2000 S$	1999 S$
Advance payment of car lease rental	1,830	7,320
Advance payment of royalty	4,347	4,347
Amount due from immediate holding company	—	3,808
Staff advance	1,800	2,000
Prepayments	68,461	—
Rental deposit	2,572	—
	79,010	17,475

7 FIXED DEPOSIT
This is pledged to a bank against a banker's guarantee in favour of Comptroller of Income Tax.

8 TRADE CREDITORS AND ACCRUALS
These include amounts due to the following:-

	2000 S$	1999 S$
Amount due to ultimate holding company	1,666,825	1,147,527
Amount due to related party	903,310	5,664

9 AMOUNT DUE TO RELATED COMPANY
This is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

10 TAXATION

	2000 S$	1999 S$
Previous year's overprovision	—	53

No provision for taxation has been made on this current year's profit as a result of tax saving amounting to S$20,400 due to utilisation of previous year's tax losses brought forward.

The Company has estimated tax losses of S$38,000 (1999: S$119,000) available for offsetting against future taxable income subject to agreement by the tax authorities and compliance with relevant provisions of the Income Tax Act.

11 HOLDING COMPANIES
The Company is a subsidiary of TITAN INTERNATIONAL HOLDINGS B.V., a company incorporated in the Netherlands. Its ultimate holding company is Titan Industries Limited, a company incorporated in India.

12 RELATED PARTIES TRANSACTIONS
During the financial year, significant transactions on terms agreed with its holding companies are as follows:-

	2000 S$	1999 S$
Purchases	2,649,121	2,091,656
Trademark royalty	29,104	54,794
Design royalty	17,227	17,000
Purchase — Merchandising materials	79,309	61,705
— Spare parts	43,624	38,307

TITAN INDUSTRIES LIMITED

Regd. Office : 3, SIPCOT INDUSTRIAL COMPLEX, HOSUR 635 126.

Attendance Slip

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Company at 3, Sipcot Industrial Complex, Hosur 635 126 at 3.30 p.m. on Wednesday, 27th September 2000.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

NOTES : 1. Shareholder/Proxyholder wishing to attend the meeting must bring this Attendance Slip to the meeting and hand it over at the entrance duly signed.

2. Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

TITAN INDUSTRIES LIMITED

Regd. Office : 3, SIPCOT INDUSTRIAL COMPLEX, HOSUR 635 126.

Proxy

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 attend and vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting of the Company, to be held on Wednesday, 27th September 2000 and at any adjournment thereof.

Signed this .... day of 2000

Reference Folio

DP ID/BEN ID

No. of Shares held

Signature

Affix
30 Paise
Revenue
Stamp

This form is to be used * in favour of / * against the resolution. Unless otherwise instructed the Proxy will act as he thinks fit.

* Strike out whichever is not desired.

NOTE : This Proxy must be returned so as to reach the Registered Office of the Company, 3, Sipcot Industrial Complex, Hosur 635 126, not less than FORTY EIGHT HOURS before the meeting.

A view of a section of the Jewelry plant. The total built up area is 13,500 square meters.

TITAN INDUSTRIES LIMITED

3 SIPCOT Industrial Complex Hosur 635 126

TATA DONNELLEY