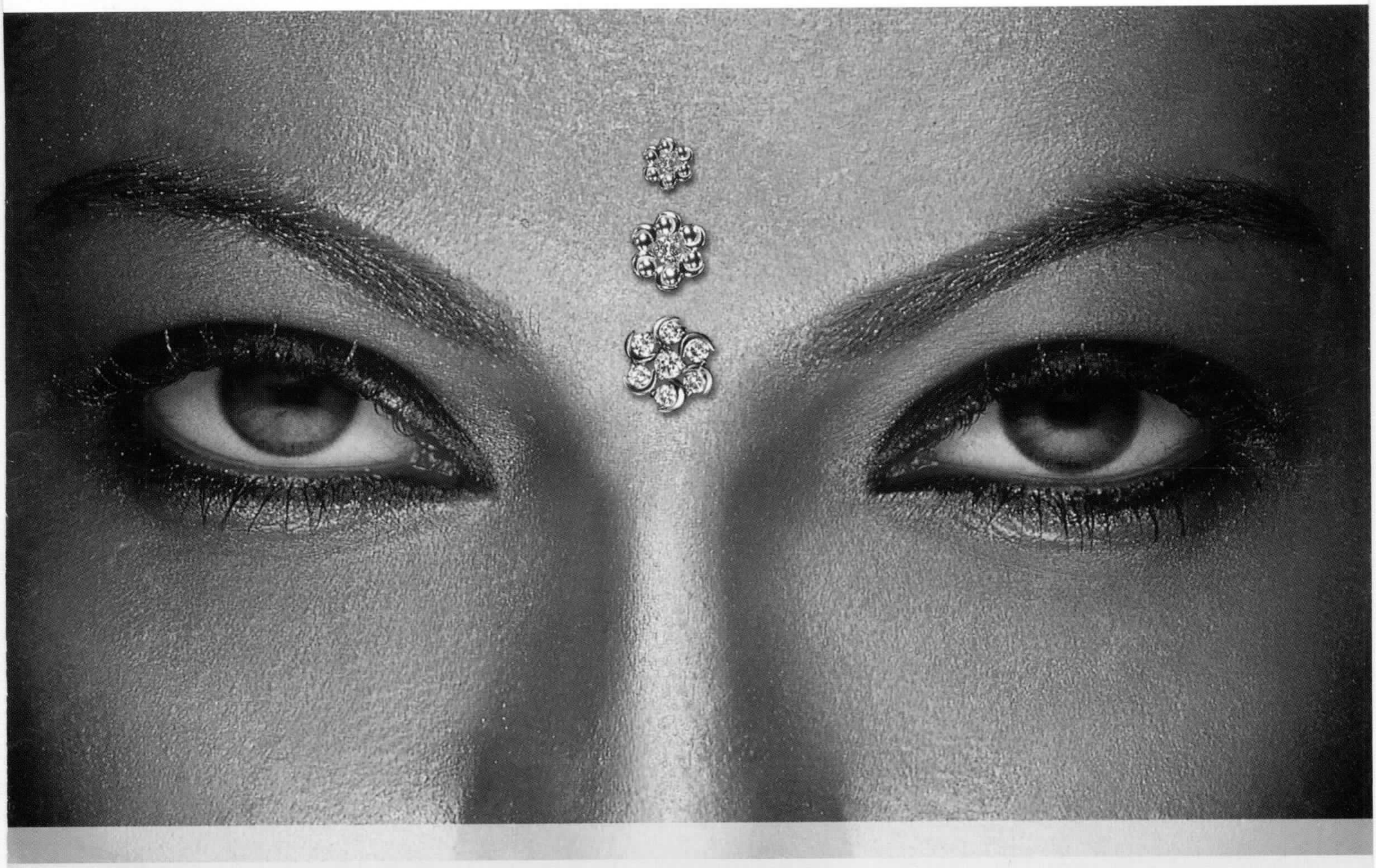
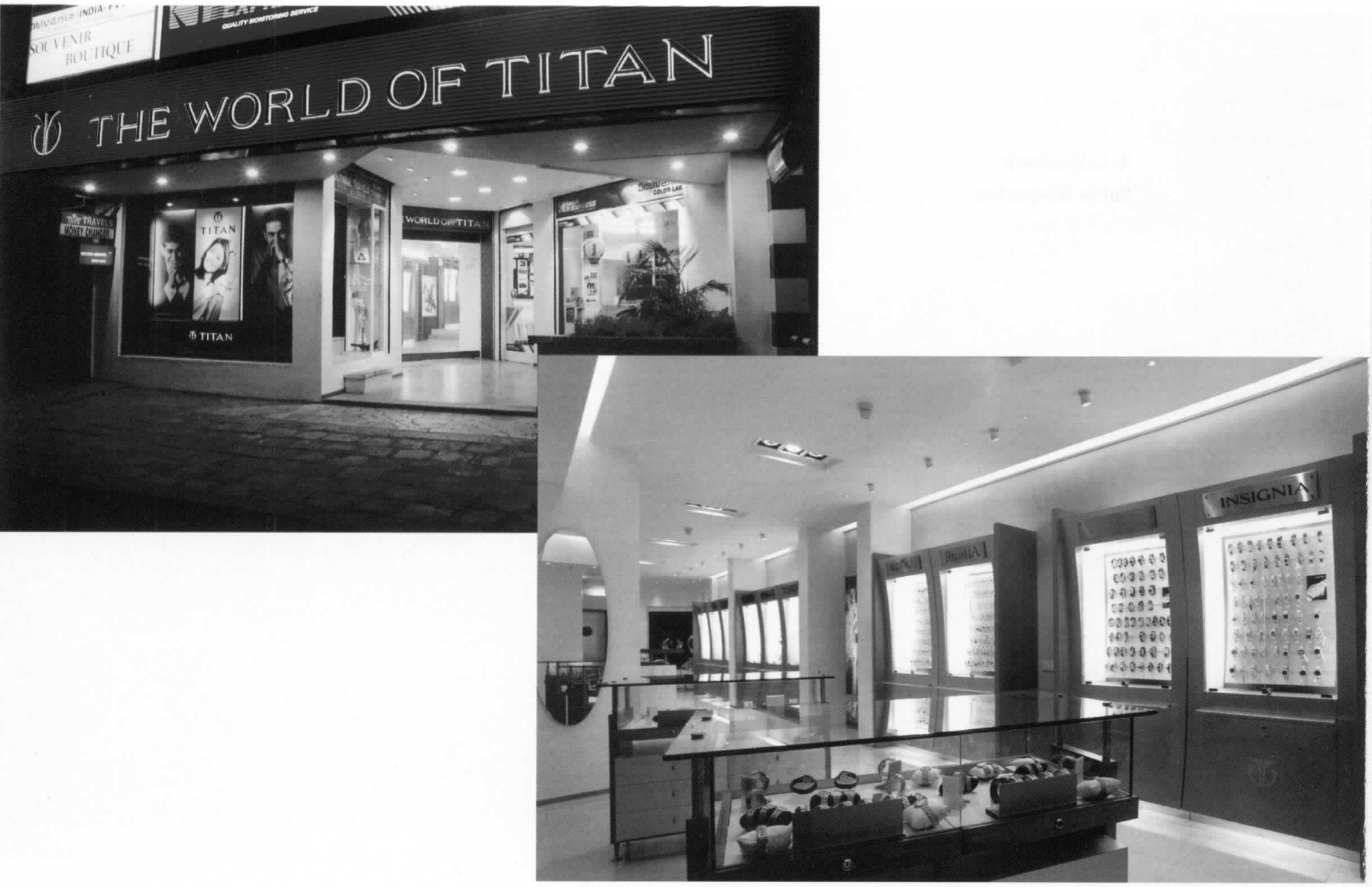
# TITAN INDUSTRIES



# 18th Annual Report
## 2001 - 2002




Titan's new retail identity

## Board of Directors

**Arun Ramanathan** (Chairman)
**Bhaskar Bhat** (Managing Director)
**J. J. Bhabha**
**M. Madhavan Nambiar**
**Farrokh Kavarana**
**Ishaat Hussain**
**T. K. Balaji**
**A. C. Mukherji**
**Rama Bijapurkar**
**C G Krishnadas Nair**
**R. Vijaykumar**

## Company Secretary

V. Madan

## Auditors

A. F. Ferguson & Co.
(Chartered Accountants)

## Bankers

Canara Bank
Bank of Baroda
Bank of America
Hongkong Bank
Standard Chartered Bank

## 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

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

## Contents

**Titan Industries Limited**

# Notice

The Eighteenth 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 Tuesday September 24, 2002, 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 2002 and the Balance Sheet as at that date together with the report of the Auditors thereon.
2. To declare a 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 M Madhavan Nambiar, Mr T K Balaji and Mr A C Mukherji who retire by rotation and are eligible for reappointment.
5. To appoint a Director in the place of Dr Krishnadas Nair who was appointed as an Additional Director by the Board of Directors with effect from 2nd May 2002, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.
6. To appoint a Director in the place of Dr Vijaykumar who was appointed as an Additional Director by the Board of Directors with effect from 26th June 2002, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.
7. To appoint a Director in the place of Mr Arun Ramanathan who was appointed as an Additional Director by the Board of Directors with effect from 31st July 2002, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.
8. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

   "RESOLVED that in accordance with the provisions of Sections 269,309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the appointment and terms of remuneration of Mr Bhaskar Bhat as the Managing Director of the Company for a period of five years from 1st April 2002 upon the terms and conditions set out in the draft agreement submitted to this meeting and for identification signed by a Director thereof, which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and / or agreement in such manner as may be agreed to between the Board of Directors and Mr Bhaskar Bhat.
9. 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 2002-03 on a remuneration of Rs. 18,00,000/- plus service tax, out of pocket, travelling and living expenses."
10. To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:

    "RESOLVED that pursuant to the provisions of Section 149(2A) and other applicable provisions of the Companies Act, 1956, approval of the shareholders be and is hereby accorded to the Company for commencement of new businesses included in " the other objects of the Company" at serial numbers 2 and 6 in Paragraph III (c) of the Memorandum of Association of the Company."

**Notes:**

(a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item nos. 5 to 10 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, 3 September 2002 up to Tuesday, September 24, 2002 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 205 of the Companies Act, 1956 all unclaimed/unpaid dividends upto the financial year ended 31st March 1995, have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period are requested to forward their claims in prescribed Form No. II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to —

Office of Registrar of Companies
Coimbatore Stock Exchange Building,
683-686, Trichy Road,
Singanallur, Coimbatore 641 005
[Telephone No. : 0422-319640]

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March 1996 onwards, are requested to make their claims to the Company accordingly, without any delay.

(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 each of the above Stock Exchanges for the financial year 2002-03.

(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.

BY ORDER OF THE BOARD OF DIRECTORS,

V Madan
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126

31 July 2002

**Titan Industries Limited**

## Annexure to Notice

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 Nos 5 to 10 of the accompanying Notice dated 31 July 2002.

**Item No. 5:** Dr Krishnadas Nair was appointed as an additional director of the Company at the Board Meeting held on 2 May 2002.

Dr Krishnadas Nair is a graduate in Metallurgy from IIT- Madras and Ph.D. (Metal Fatigue) from Canada. Dr Nair has had a distinguished career in Hindustan Aeronautics Limited (HAL). Dr Nair joined HAL in 1971 and served as General Manager for a number of Divisions before becoming its Managing Director in August 1997. Dr Nair retired as Chairman of HAL.

Notice in writing has been received from a Shareholder of the Company signifying his intention proposing Dr Krishnadas Nair as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

Other than Dr Nair, none of the other Directors, are in any way, concerned or interested in this resolution.

**Item No. 6:** Dr Vijaykumar was appointed as an additional director of the Company at the Board Meeting held on 26 June 2002 as a nominee of TIDCO.

Dr Vijaykumar Ph. D, IAS is the Executive Director of TIDCO.

Notice in writing has been received from a Shareholder of the Company signifying their intention proposing Dr Vijaykumar as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

Other than Dr Vijaykumar, none of the other Directors, are in any way, concerned or interested in this resolution.

**Item No. 7:** Mr Arun Ramanathan was appointed as an additional director of the Company at the Board Meeting held on 31 July 2002 as a nominee of TIDCO.

Mr Arun Ramanathan, IAS is Secretary to Government, Industries Department.

Notice in writing has been received from a Shareholder of the Company signifying their intention proposing Mr Arun Ramanathan as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

Other than Mr Arun Ramanathan, none of the other Directors, are in any way, concerned or interested in this resolution.

**Item No 8:** Mr. Bhaskar Bhat was appointed as the Managing Director of the Company by the Board of Directors vide their resolution dated 19 March 2002. The abstract of the Terms of Appointment of Mr. Bhaskar Bhat as Managing Director and Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956 was mailed to all Shareholders during April 2002.

Mr Bhaskar Bhat is a graduate in Mechanical Engineering from IIT- Madras, and holds a post-graduate qualification in Business Management from IIM- Ahmedabad. Mr Bhat joined the Watch Division in 1983 and has over 19 years' experience in marketing in the watch industry.

Prior to his appointment as Managing Director Mr. Bhaskar Bhat was the Deputy Managing Director of the Company.

The Board at their meeting held on 26th June 2002 also approved an increase in the salary payable to Mr Bhat from Rs 80,000 per month to Rs 1,00,000 per month with effect from 1 April 2002.

The draft agreement between the Company and Mr Bhaskar Bhat contains the following principal terms and conditions:

1. Mr Bhat shall, subject to the supervision and control of the Board of Directors be responsible for the day-to-day management of the Company and shall also perform such other duties and services and exercise such powers as shall from time to time be entrusted to him by the Directors including powers exercisable by the Board under the Articles of Association of the Company.
2. Period of appointment: 5 years from 1st April 2002.
3. Salary: - Rs 1,00,000 per month in the scale of Rs 50,000 – Rs 1,50,000 per month with authority to the Board to fix his salary within the scale from time to time. The annual increments will be merit-based and take into account the performance of Mr Bhat, the size of operations, the Company's profitability and other relevant factors.

4. Perquisites:

   Within the overall ceiling of 125% of the annual salary, Mr Bhat will be entitled to the following by way of perquisites in such form and manner as the Board of Directors of the Company may decide:

   a. Furnished accommodation with expenditure on gas, electricity, water and maintenance and repair thereof

      Or

      House Rent Allowance and House Maintenance Allowance with expenditure on gas, electricity, water and furnishings.

   b. Leave Travel Allowance for self and family

   c. Medical expenses and medical insurance for self and family

   d. Personal Accident Insurance

   e. Club fees

and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed by the Board of Directors.

For the purpose of calculating the ceiling of 125% as mentioned above, perquisites shall be evaluated as per the Income Tax Rules, 1962, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost.

Provision for use of Company's car and telephone at residence (including payment of local calls and long distance calls) shall not be included in the computation of perquisites for the purposes of calculating such ceiling.

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961, Gratuity payable, and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid.

Note – 'Family' for this purpose shall mean the spouse, the dependent children and the dependent parents of Mr Bhat.

5. Commission: Such remuneration by way of commission, in addition to salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956 ("the Act"). The commission payable to Mr Bhat will nevertheless be limited to and range from 6 times to 48 times the monthly salary. The exact amount payable will be decided by the Board of Directors / Remuneration Committee, based on certain performance criteria and will be payable only after the Annual Accounts of the Company have been approved by the Board of Directors and adopted by the Shareholders.

6. Minimum Remuneration: Notwithstanding anything to the contrary contained herein, where in any financial year, during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites and allowances as specified above to Mr Bhat as minimum remuneration.

7. Mr Bhat will be entitled to leave according to the Company's Leave Rules.

8. The terms and conditions of the said appointment and Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to the Managing and Whole time Directors in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made hereafter in this regard.

9. The Company will enter into an agreement with Mr Bhat, which will contain, inter-alia, the above terms and conditions, and the agreement can be terminated by either party giving the other party six months' notice, or the Company paying six months' salary in lieu of the notice.

10. The Managing Director is appointed by virtue of his employment with the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Companies Act, 1956.

    In compliance with Sections 269 and 309 of the Companies Act, 1956 the terms of appointment and remuneration specified above are now placed before the Shareholders for their approval.

**Titan Industries Limited**

The draft agreement entered into with the Managing Director will be made available for inspection at the Registered Office of the Company on all working days of the Company between the hours of 11 AM and 1 PM upto the date of the Annual General Meeting.

Your Directors are of the view that the Company would be greatly benefited by the experience, expertise and management skills of Mr Bhat and therefore commend for approval the Resolution contained in Item No 8 of the accompanying Notice.

Mr Bhaskar Bhat is concerned or interested in the Resolution contained in Item No 8 of the Notice as it relates to his appointment and remuneration. None of the other Directors are concerned or interested in the Resolution contained in Item No 8 of the Notice.

**Item no. 9:** 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 2002-03.

**Item No 10**: The Company has two main businesses - watches and jewellery-both of which belong to the personal accessories category. In the process of building these businesses and acquiring leadership status, the Company has developed competencies in design, precision manufacturing / workmanship, outsourcing, tooling, understanding of the market/consumer and retailing. In both these businesses besides being a clear market leader, the Company has established in building a very high brand image and a vibrant marketing network.

Considering the competencies developed in the existing lines of businesses coupled with the high brand value and the marketing and distribution infrastructure, it is thought advantageous to capitalize on these strengths by diversifying into other products in the categories of personal accessories, fashion ware, precision components etc as there exists a huge potential in these product categories.

Towards this, the Company proposes to diversify into trading in products of personal wear and use, fashion accessories and leather accessories like sunglasses, caps, scarves, hair accessories, cosmetics, leather products and accessories etc, which can all be perceived as items of personal adornment like watches and jewellery. The dealing in these new product categories can conveniently and advantageously be combined with the existing businesses of the Company given the Company's strengths in marketing and distribution network, design skills, sourcing capabilities and a strong brand value in the personal ware products and distribution network.

The Company has also identified opportunities for the manufacture, sale and service of precision components for diverse industries like aerospace, automotive, communication etc. These proposed businesses can also conveniently be carried on with the available plant and equipment and state of the art tool room facilities in our Hosur plant and the Company's established servicing capabilities and network.

The proposed businesses are within the scope of the Objects Clause of the Memorandum of Association of the Company and are included in Paragraphs 2 and 6 under the 'Other Objects'. The approval of the shareholders by a special resolution is being sought for the commencement of new businesses as required under Section 149(2A) of the Companies Act, 1956 under Item No 10 of the Notice. The Board commends the acceptance of the special resolution by the shareholders.

None of the Directors of the Company is in any way concerned or interested in the special resolution.

A copy of the Memorandum and Articles of Association of the Company is available for the inspection of members on any working day between 11 AM and 1 PM at the Registered Office of the Company from the date of this notice upto the date of the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

V Madan
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
31 July 2002

# Details of the Directors seeking appointment/re-appointment in forthcoming Annual General Meeting

(In pursuance of Clause 49 of the Listing Agreements)

| Name of Director | Mr Madhavan Nambiar | Mr T K Balaji | Mr A C Mukherji | Dr Krishnadas Nair | Dr R Vijaykumar | Mr Arun Ramanathan |
|---|---|---|---|---|---|---|
| Date of Birth | 09.11.1950 | 12.07.1948 | 10.12.1925 | 17.08.1941 | 23.09.1955 | 25.04.1949 |
| Date of appointment | 27.01.2001 | 01.03.1986 | 01.03.1986 | 02.05.2002 | 26.06.2002 | 31.07.2002 |
| Expertise in specific functional areas | Overall rich managerial and administrative capability. Is presently Chairman and Managing Director of TamilNadu Industrial Development Corporation Ltd | Industrialist with rich business experience. | Rich experience in the field of finance and risk management. | Rich experience covering academia, R&D and industry. Retired as Chairman & CEO of Hindustan Aeronautical Limited | Overall rich managerial and administrative capability. Is presently Executive Director of TamilNadu Industrial Development Corporation Ltd | Overall rich managerial and administrative capability. Is presently Secretary to the Government of Tamilnadu, Industries Department |
| Qualifications | I A S | B.E. | M.A. | B.E. (Metallurgy), M.Sc, Engg, Ph.D, Engg | Ph.D. I A S | I A S |
| List of Public Companies in which outside Directorships held as on 31st March 2002 | TamilNadu Industrial Development Corpn Ltd<br>TamilNadu Corporation for Industrial Infrastructure Development Ltd<br>TamilNadu Telecommunications Ltd<br>Tanflora Infrastructure Park Ltd<br>TIDEL Park Ltd<br>TICEL Bio Park Ltd<br>Southern Petrochemicals Industries Corporation Ltd<br>Jayamkondam Lignite & Power Corporation Ltd<br>Tamilnadu Petro Products Ltd<br>Mahindra Industrial Park Ltd<br>Nagarjuna Oil Corpn Ltd<br>Tamilnadu Road Development Company Ltd<br>ATMAC Ltd<br>State Industries Promotion Corporation of TamilNadu Ltd | India Nippon Electricals Ltd<br>Lucas TVS Ltd<br>Lucas Indian Service Ltd<br>Delphi TVS Diesel Systems Ltd<br>India Japan Lighting Ltd<br>T V Sundaram Iyengar & Sons Ltd<br>TVS Lean Logistics Ltd<br>Sundaram-Clayton Ltd<br>TVS Motor Company Ltd<br>TVS Electronics Ltd<br>Apollo Hospital Enterprises Ltd | Kirloskar Pneumatic Co Ltd<br>Birla VXL Ltd<br>Asiatic Oxygen Ltd<br>Nicco UCO Alliance Credit Ltd<br>UT Ltd<br>N P R Finance Ltd<br>Aetka Ltd<br>Narmada Gelatines Ltd | Member of following Committees holding honorary assignments:<br>- Scientific Advisory Committee to the Cabinet of India<br>- Scientific Advisory Committee to the Cabinet of India<br>- Enterprise Reform Committee to the Government of Kerala<br>- Chairman of Society of Defence Technologist<br>- President of Society of Indian Aerospace Technologies<br>- Member of Governing Council of MVJ College of Engineering | TamilNadu Industrial Development Corporation Ltd<br>TamilNadu Industrial Explosives Ltd<br>TamilNadu Salt Corporation Ltd<br>Mepco Industries Ltd<br>Lactochem Ltd<br>Asian Bearing Ltd<br>Jayamkondam Lignite Power Corporation Ltd<br>TamilNadu Petrochem Park Ltd<br>TamilNadu Petroproducts Ltd<br>TICEL Bio Park Ltd<br>Tidel Park Ltd<br>J K Pharmachem Ltd | TamilNadu Industrial Development Corporation Ltd<br>TamilNadu Newsprint and Papers Ltd<br>TamilNadu Industrial Investment Corporation Ltd<br>State Industries Promotion Corporaton of TamilNadu Ltd<br>Chennai Petroleum Corporation Ltd<br>Neyveli Lignite Corporation Ltd<br>TICEL Bio Park Ltd<br>TamilNadu Petroproducts Ltd<br>TICEL II Ltd<br>Tidel Park Ltd<br>Southern Iron & Steel Co Ltd<br>Southern Petrochemical Industries Corporation Ltd |
| Chairman / Member of the Committee of the Board of Public Companies on which he / she is a Director as on 31st March 2002 | Southern Petrochemicals Industries Corporation Ltd<br>- Audit Committee - Member<br>- Shareholder Grievance Committee - Member | Sundaram Clayton Ltd<br>- Audit Committee – Chairman<br>- Investors Grievance Committee – Member<br><br>TVS Electronics Ltd<br>- Shareholders Grievance Committee- Member<br><br>TVS Motor Company Ltd<br>- Audit Committee - Member | Kirloskar Pneumatic Co Ltd<br>- Audit Committee – Chairman<br>Narmada Gelatines Ltd<br>- Share Transfer Committee – Chairman<br>Birla VXL Ltd<br>- Audit Committee – Member<br>- Shareholder Grievance Committee – Member<br>Asiatic Oxygen Ltd<br>- Audit Committee – Member<br>Nicco UCO Alliance Credit Ltd<br>- Audit Committee - Member<br>U T Ltd<br>- Audit Committee –Member<br>Aekta Ltd<br>- Audit Committee – Member<br>NPR Ltd<br>- Audit Committee-Member | | TamilNadu Petro Products Ltd<br>Audit Committee – Member | TamilNadu Petro Products Ltd<br>Shareholder Committee – Member |

**Titan Industries Limited**

# Directors' Report

**To the Members of Titan Industries Limited**

The Directors are pleased to present the Eighteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2002

**Financial Results**

| | 2001 – 2002 | Rs. in crores 2000 - 2001 |
|---|---|---|
| Income | **727.03** | 698.87 |
| Expenditure | **639.32** | 614.19 |
| Gross profit | **87.71** | 84.68 |
| Interest | **46.27** | 47.84 |
| Cash operating profit | **41.44** | 36.84 |
| Depreciation | **23.28** | 20.93 |
| Operating profit | **18.16** | 15.91 |
| Profit on sale of investments | — | 9.66 |
| Profit before taxes | **18.16** | 25.57 |
| Income taxes — Current | **6.12** | 2.09 |
| — Deferred | **(1.05)** | — |
| Profit after taxes | **13.09** | 23.48 |
| Profit brought forward | **42.31** | 38.13 |
| Less : Deferred tax liability of earlier years | **25.00** | — |
| | **17.31** | 38.13 |
| Amount available for appropriation | **30.40** | 61.61 |
| Appropriations : | | |
| Dividend paid on preference shares | **2.57** | 3.96 |
| Proposed dividend on equity shares | **6.34** | 10.99 |
| Proposed dividend on preference shares | **0.96** | — |
| Tax on dividends | **0.26** | 2.00 |
| Transfer to general reserve | **0.66** | 2.35 |
| Balance carried forward | **19.61** | 42.31 |

The financial year 2001-2002 was essentially a year of consolidation. Despite depressed market conditions and increased competition, total income increased by 4% from Rs. 698.87 crores to Rs. 727.03 crores. Operating profit however improved by 14% signalling the improving profitability of the Company.

The jewellery business continued to grow with turnover recording an increase of 31%, going up from Rs. 203.91 crores to Rs. 267.66 crores, resulting in the jewellery division reporting a profit for the second year running.

Expenditure increased by Rs. 25.13 crores, primarily on account of the higher proportion of jewellery related material costs. Overheads were subjected to close control. Significantly, downstocking to the tune of Rs. 21.41 crores reflects the stringent controls on working capital and, consequently, on interest costs.

Gross operating profit before interest and depreciation, at Rs. 87.70 crores, was 3.5% higher than in the previous year. With interest costs decreasing from Rs. 47.84 crores to Rs. 46.27 crores, cash operating profit before depreciation and taxes was 12% higher than in the previous year.

Operating profit for the year increased from Rs.15.91 crores in 2000 - 2001 to Rs 18.16 crores. Since the previous year had extraordinary income of Rs.9.66 crores from sale of investments, profit before tax showed a decline from Rs. 25.57 crores in the previous year to Rs. 18.16 crores. Profit after taxes for the year at Rs.13.09 crores was 44% lower than the previous year, reflecting higher taxes for the year due to the Company no longer being under minimum alternative tax (MAT).

**Dividend**

The Company has issued cumulative preference shares of a total value of Rs. 40 crores at various rates of dividend from 8.75% to 10.50%. The terms and conditions for payment of preference dividend also vary. During the year ended 31st March 2002, preference dividend of Rs.2.57 crores was paid. At the Board Meeting held on 26th June 2002, the Directors approved payment of the balance dividend amounting to Rs. 0.96 crore and, accordingly, preference dividend for the year ended 31st March 2002, amounts to Rs. 3.53 crores. No further dividend is proposed on the preference shares.

After payment of dividend on preference shares, and dividend tax thereon, the distributable profit is Rs. 9.30 crores (Rs. 18.64 crores in the previous year). It will be recalled that the previous year's profit included a sizeable element of Rs. 9.66 crores from the sale of the major part of the Company's investment in RDI Print & Publishing Ltd. In view of the decline in distributable profit, the Directors recommend a lower dividend on equity shares of Rs. 1.50 per share (15%), which results in an outflow of Rs. 6.34 crores. Consequently, the accretion to Reserves is Rs 2.96 crores (previous year: Rs. 6.53 crores).

**Finance**

During the year under review, the Company redeemed preference shares aggregating Rs. 37.30 crores at an average dividend rate of 9.56% and privately placed an equivalent amount at an average dividend rate of 8.96%.

The Company raised a total of Rs.150.71 crores by way of borrowings from various sources, of which, Rs. 38.41 crores were by way of loans from commercial banks, Rs. 50 crores from financial institutions and the balance of Rs. 62.30 crores from other sources. Borrowings of Rs. 129.42 crores were repaid during the year and Rs.15 crores was incurred as capital expenditure on computer hardware, balancing equipment and upgradation of manufacturing facilities and works carried out at the Titan Township at Hosur.

Foreign currency loans, availed to take advantage of low interest rates, resulted in a negative exchange difference of Rs.2.73 crores on the revenue account, primarily because of forward cover contract costs, which were significantly lower than the negative difference of Rs. 5.28 crores in the previous year. In addition, these borrowings proved cheaper in the aggregate, when compared to the cost of rupee loans which averaged 11.63%.

As on 31st March 2002, the Company held fixed deposits of Rs. 48.88 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs.18.21 lakhs.

Capital employed rose marginally from Rs. 629.38 crores to Rs. 652.56 crores. Debtors rose from Rs. 159.03 crores to Rs. 207.75 crores reflecting the increased scale of operations in the jewellery division and year-end credit to the watch trade. However, inventories declined from Rs.146.23 crores to Rs.124.82 crores. The increase in Loans and Advances is primarily on account of repayment of bank loans of overseas affiliates.

During the year under review, the Company made payments aggregating to Rs. 138.28 crores by way of Central, State and local taxes and duties as against Rs.126.86 crores in the previous year.

In accordance with a new accounting standard relating to deferred taxation, a provision for deferred tax relating to previous years, amounting to Rs.45.63 crores, has been adjusted against Reserves in April 2001.

Infusion of fresh capital will be required to support the ambitious growth and profitability improvement strategy of the Company and to keep debt financing at optimum levels.

**International Operations**

Titan International (Middle East) FZE (TIME), the associate company which looks after sales and marketing of our products in the Middle East and Africa, achieved a very creditable sales turnover of US $ 7.46 million in spite of a difficult year. Sales in both volume and value terms were down by about 5% compared to the year before. However, TIME's inherent strengths – Titan branded watches are sold out of over 1,000 outlets spread over fourteen countries in the region – enabled it to end the year with marginally improved profits despite the sales downturn.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. (TAPL), the subsidiary company in Singapore, looks after sales and marketing in South Asia, South East Asia, Australia and the South Pacific. The year 2001–2002 marked a turnaround for this company. Sales for the nine-month period ended 31st March 2002 grew by 75% to SGD 7.07 million (from SGD 4.05 million during the twelve months ended 30th June 2001), and the operation posted a profit of over SGD 100,000 compared to the loss of SGD 294,873 in the previous period.

Titan International Marketing Limited (TIML), the associate company in London, once again had a difficult year. Sales at GBP 3.44 million were 33% over GBP 2.57 million the year before, but did not reach budgeted levels or the 1999

**Titan Industries Limited**

sales levels of GBP 4.51 million. Europe thus remains the Company's most difficult overseas market. While more than 600,000 Titan watches have been sold in Europe and the brand has now been reasonably well-established in Spain, Portugal, Greece, Austria and the United Kingdom, this has been achieved at considerable cost – including brand-building, advertising and launch expenses of over US$ 11 million in the initial years 1995-96 and 1996-97. While outlays in subsequent years have been more modest, as a result, the cumulative losses of TIML today stand at GBP 9 million. While the European operations in the last few years have shown a declining trend in the level of losses – thanks largely to significant support from Titan Industries – the position is still a matter of deep concern, and further options for restructuring of the European operations are still under consideration.

**Associate Companies**

Titan International Holdings B.V. (TIHBV), the Company's wholly owned subsidiary in the Netherlands, and its subsidiary, Titan Brand Holdings N.V., which holds the overseas rights to our brands, both ended the year with a small loss.

Titan TimeProducts Limited sold 5.85 million electronic circuit boards during the year under review and made a net profit of Rs.7.19 lakhs. Its products continue to be of exceptionally high quality and costs are well controlled.

Titan Properties Limited is actively working on proposals to either enter into a joint development agreement or to dispose of its real estate holdings in Bangalore. The second phase of development at the Titan Township near Hosur is making good progress and is expected to be completed during the current financial year. Construction of the school building at the Township, for the Titan Foundation for Education, is expected to commence shortly.

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. 3.77 crores on an income of Rs. 18.95 crores. It declared a total dividend of Rs.120 per share for the year 2001-02 up from Rs.100 the year before. However, Shareholders are aware that, since publishing is not a core business of your Company, steps are being taken to dispose of its residual holding in RDI.

**Consolidated financial statements**

As required under the new Accounting Standards, the Company has also included, as part of this Annual Report, the audited Consolidated Financial Statements for 2001 – 02. While the new standards prescribe only consolidation of subsidiaries for 2002 – 03, and consolidation of joint ventures and associates from next year, your Company has presented consolidated accounts of its subsidiaries, joint venture and associates, in accordance with the requirements of good corporate governance and transparency.

**The Year Ahead**

The outlook for the year 2002-03 is more positive compared to last year on account of higher expectation of growth in the economy and improved consumer confidence. Your Company has planned a number of new product introductions and innovative demand creation programmes in both businesses to achieve ambitious topline growth. Initial results of these have been encouraging with sales having grown by 11% during the first quarter of the year. In addition, a number of fresh initiatives have been identified to cut costs and reduce working capital so as to significantly improve profitability. These initiatives include rationalisation of the productline in the watch business, value engineering of watch components, more efficient management of the supply chain in the jewellery business and rationalisation of manpower across the Company.

All in all, an interesting year full of internal challenges and excitement for our customers.

**Professional Recognition**

Your Company continues its quest for excellence in all its endeavours – internal as well as external.

The company is an active participant in the Tata Business Excellence process. Every year, an increasing number of your Company's employees further their skills through qualifying to being assessors under this programme.

Your Company has again been conferred an Award for Excellence in Electronics for the year 1999 - 2000. The award was conferred by the Ministry of Information Technology in recognition of the Company's R & D achievements.

Your Company received the Brand Equity Award for the year 2001 instituted by the PHD Chamber of Commerce and Industry.

In recognition of its community development initiatives, your Company was one of only three companies in receipt of FICCI's Social Responsiveness Award for 2001. One hundred and sixty seven companies had applied for the award.

**Community Initiatives**

Your Company and its employees continued their initiatives for improving the quality of life of the communities that envelope them.

Volunteers drawn from the Company's ranks were active in initiatives such as conducting eye camps in several villages around Hosur, conducting programmes targeted at women to enhance their communication and parenting skills and distributing note books to orphanages in and around Hosur.

Titan continues to support the income generation initiatives entered into in partnership with MYRADA and Partners-in-Change. At present, over two hundred young women benefit from these initiatives.

The Company's Scholarship Scheme provided relief to sixty-nine under-privileged students during the year.

The Company continues to play an active role in community related activities in and around Bangalore through its active participation in the Tata Council for Community Initiatives.

**Environment**

The Company ensures that through its practices, any future concerns over the impact of its products and services are pre-empted. The Company ensures that its products meet health, safety and environmental requirements. Non-allergic materials go into the watches and leather straps.

Examples of pre-emptive measures taken by the Company are:

- Commission of effluent treatment equipment for treating waste water and recycling the same. The quality of the treated effluent meets the standards set by the Tamil Nadu Pollution Control Board.
- Implementing process improvements in jewellery manufacturing which have resulted in a reduction in gold loss.
- Replacement of plastic packaging with eco-friendly material, to the extent possible and feasible.
- Initiating rain water harvesting on a pilot scale.

The Company has established and implemented an Environmental Management System. All manufacturing facilities of the Company were accredited to be ISO – 14001 compliant by the Indian Register Quality Systems in March 2002.

**Government Policy**

The present high levels of Excise Duty continue to impact the Company.

Your Company has for long been seeking a reduction in the presently prevailing rate of 16% Excise Duty on watches with an MRP in excess of Rs. 500/-. However, even the earlier exemption from Excise Duty on watches with an MRP lower than Rs. 500/- was withdrawn in the Union Budget for the financial year 2002-03.

Your Company has greatly benefited from the increased competitiveness provided by the DEPB (Duty Entitlement Pass Book) scheme in export markets for its watches. Such competitiveness has been affected by the reduction in DEPB rates from 20% to 18% and by an imposition of a value cap of Rs. 450 for purposes of calculating DEPB benefits regardless of whether or not the watches were branded. The Company continues to represent against this.

Your Company continues to seek the framing of stricter rules governing country of origin claims made by imported watches.

**Corporate Governance**

A separate report on Corporate Governance forms part of the Annual Report along with the Auditor's statement on compliance.

**Directors**

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

Mr. Xerxes Desai, former Vice Chairman and Managing Director, retired with effect from 31st March 2002 on reaching the age of 65. Mr. Desai was associated with the Company right from its inception and under his leadership the Company achieved significant growth in turnover and profits. He was instrumental in the Company emerging as a market leader in the watch and jewellery industry. The Directors would like to place on record their recognition and appreciation of Mr. Desai's outstanding contribution to the Company.

By a Circular Resolution dated 19th March 2002, your Board appointed Mr Bhaskar Bhat as Managing Director from 1st April 2002 for a period of 5 years subject to Shareholders' approval. In terms of the provisions of the Companies Act, 1956, your approval is sought for his appointment as Managing Director and for the remuneration payable to him as detailed in the Notice convening the Annual General Meeting.

**Titan Industries Limited**

Mr. A. L. Mudaliar stepped down as Chairman with effect from 28th September 2001. The Board places on record their appreciation of Mr. Mudaliar's valuable role in the governance and management of the Company over the 16 years that he was Director and Chairman.

Mr. M. A. Gowrishankar, nominated by TIDCO, was appointed by the Board as Director and Chairman at their meeting held on 28th September 2001. Mr. Gowrishankar subsequently resigned as Director and Chairman with effect from 26th June 2002.

Mr. H. K. Sinha, another nominee of TIDCO, resigned effective 12th November 2001 and Mr. V. K. Jeyakodi was appointed as a Director by the Board in his place effective 31st January 2002. Mr. Jeyakodi resigned as a Director effective 27th March 2002 and Mr. M. Kalaivanan was appointed in his place with effect from 2nd May 2002. Mr. Kalaivanan also resigned effective 26th June 2002 and was replaced on the Board by Dr. R. Vijaykumar with effect from 26th June 2002.

The Directors wish to place on record their appreciation of the contributions made by Mr. M. A. Gowrishankar, Mr. H. K. Sinha, Mr. V. K. Jeyakodi and Mr. M. Kalaivanan to the Company.

Dr. C. G. Krishnadas Nair was appointed as a Director by your Board with effect from 2nd May 2002.

Mr. Arun Ramanathan, nominated by TIDCO, was appointed by the Board as Director and Chairman at their meeting held on 31st July 2002.

In accordance with the provision of the Companies Act, 1956, Dr. C. G. Krishnadas Nair, Dr. Vijaykumar and Mr. Arun Ramanathan cease to hold office at the forthcoming Annual General Meeting and are eligible for appointment.

**Directors' Responsibility Statement**

Pursuant to section 217 (2AA) of the Companies Act , 1956, the Directors' based on the representations received from the operating management confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

**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 Companies**

The statement under Section 212 of the Companies Act, 1956, is annexed together with the Annual Report of the wholly owned subsidiaries 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.

**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.

On behalf of the Board of Directors,

| | |
|---|---|
| T K Balaji | Bhaskar Bhat |
| Director | Managing Director |

Bangalore, 31 July 2002

## 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 energy conservation projects were executed during the year under review with a saving potential of Rs. 37.50 lakhs per annum. These projects include improvements in the areas of industrial lighting, distribution of compressed air, dust extraction systems and automation of air-conditioning plants.

### TECHNOLOGY ABSORPTION

**Research & Development**

A new "big date" movement, in which the size of the date display is enlarged for better readability, has been designed in-house and work on the product is in progress and is planned for use in the Fastrack collection of watches.

A new movement that displays the hour as a number appearing through a window instead of the conventional manner utilizing a hand, has been designed and developed in-house.

Development of watch cases through cost effective alternate technology such as sheet metal working, is in progress. This will enable introduction of a new range of low-cost watch models in the coming year.

The Company signed a formal MOU with the Indian Institute of Science, Bangalore, which will enable the Company to tap the expertise and facilities of this premier scientific institution through joint technical development work.

During the year, the Company introduced 100 new watch variants, including the very successful Steel collection, and another 94 variants for the Stone collection made for the Middle East markets.

**Technology absorption, adaptation and innovation**

Various production machines, automation and productivity improvement projects were developed in-house through dedicated machine building, automation and maintenance teams. In all , thirty four projects were completed at an investment of Rs.1.44 crores, which if imported, would have cost the Company Rs.5.60 crores.

The major projects include :

- Automation of eight stations of quartz analogue movement assembly resulting in improvements in productivity, error elimination and cost reduction. Similar automation projects have been executed in various manufacturing shops.
- Vibratory plating equipment for precision plating of movement components.
- A real-time data capture and process control system was designed and developed in-house for plating processes.

**Foreign exchange earnings and outgo**

During the year under review, the Company earned Rs. 59.21 crores in foreign exchange and spent Rs. 86.98 crores (consisting of Rs.1.03 crores on capital imports and Rs. 85.95 crores on revenue imports).

On behalf of the Board of Directors,

| | |
|---|---|
| T K Balaji | Bhaskar Bhat |
| Director | Managing Director |

Bangalore, 31 July 2002

**Titan Industries Limited**

# Annexure to the Director's Report

Information as per section 217(2A) read with the Companies (Particulars of Employees) Rules,1975 and forming part of the Directors' Report for the year ended 31st March 2002

| Name | Designation | Age | Gross Rs. | Net Rs. | Qualification | Experience | Last employment held | Commencement of employment |
|---|---|---|---|---|---|---|---|---|
| Bhat B | Deputy Managing Director | 48 | 3,108,326 | 1,811,107 | B.Tech.,PGDM | 24 | Tata Press Ltd. | Jan-86 |
| Desai Xerxes | Vice Chairman & Managing Director | 65 | 4,630,797 | 2,474,391 | M.A.(Oxon.) | 42 | Tata Press Ltd. | Jan-86 |
| Yathiraju C G * | General Manager -Tool Mfg & Engg. | 60 | 1, 676,598 | 1,300,986 | DME | 40 | HMT Ltd. | Aug-86 |

NOTES

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

On behalf of the Board of Directors,

T K Balaji, Director

Bhaskar Bhat, Managing Director

Bangalore, 31 July 2002

**FINANCIAL STATISTICS**

*Rs. in crores*

| 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 | 1999-2000 | 2000-01 | **2001-02** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 42.28 | **42.28** |
| Share Capital - Preference | - | - | - | - | - | - | - | 7.50 | 10.00 | 33.00 | 37.50 | 40.00 | 40.00 | 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 | 125.09 | **82.42** |
| Deferred tax liability | | | | | | | | | | | | | | | **44.58** |
| 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 | 422.01 | **443.28** |
| **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 | 629.38 | **652.56** |
| 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 | 211.16 | **200.90** |
| 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 | 23.09 | **24.62** |
| 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 | 146.23 | **124.82** |
| 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 | 159.04 | **207.75** |
| 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 | 27.51 | **17.33** |
| 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 | 150.67 | **197.40** |
| Total 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 | 483.45 | **547.30** |
| Less: Current Liabilites & | | | | | | | | | | | | | | | |
| 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 | 91.52 | **126.45** |
| 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 | 391.93 | **420.86** |
| Deferred revenue expenditure | - | - | - | - | - | - | - | - | - | - | - | - | 4.27 | 3.20 | **6.18** |
| **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 | 629.38 | **652.56** |

| **PROFIT & LOSS ACCOUNT** | 1987-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | 96-97 | 97-98 | 98-99 | 1999-2000 | 2000-01 | **2001-02** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 66.76 | **61.77** |
| Jewellery | - | - | - | - | - | - | - | 0.09 | 0.20 | 0.37 | 1.20 | 1.68 | 3.00 | 7.21 | **6.05** |
| Table Clocks | - | - | - | - | - | - | - | - | 0.67 | 3.64 | 3.05 | 4.30 | 3.29 | 1.62 | **0.51** |
| 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 | 696.90 | **724.78** |
| 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 | 614.19 | **639.32** |
| 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 | 47.84 | **46.27** |
| 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 | 20.93 | **23.28** |
| 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 | 13.94 | **15.91** |
| 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 | 11.63 | **2.24** |
| 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 | 25.57 | **18.16** |
| Taxes | 0.04 | 0.21 | 0.78 | - | - | - | - | - | - | 3.58 | 1.60 | 1.87 | 2.16 | 2.09 | **5.06** |
| **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 | 23.48 | **13.09** |
| Equity Dividend | - | - | 3.60 | 4.83 | 5.37 | 6.89 | 10.57 | 12.69 | 13.95 | 13.95 | 10.57 | 10.99 | 10.99 | 10.99 | **6.34** |
| Equity Dividend (%) | - | - | 15% | 18% | 20% | 22% | 25% | 30% | 30% | 30% | 25% | 26% | 26% | 26% | **15%** |

**Titan Industries Limited**

# Management Discussion and Analysis

**Business Review**

**Overview**

Titan Industries manufactures quartz analogue watches and clocks and plain and gem set jewellery, marketed primarily in the domestic and select overseas markets. Given the differing nature of the Watch and Jewellery businesses, the Company has constituted two divisions, the Time Products division for watches and clocks and the Jewellery division.

The past financial year witnessed a sluggish economy globally and greater competition from established foreign brands and rejuvenated Indian brands domestically. Even against this backdrop, the Company registered a growth of 4% in turnover.

The revenue generated by the two divisions in the 2001 – 2002 financial year is indicated below:

| Division | Sales Revenue (Rs. Crore) | Growth over previous year |
|---|---|---|
| | 2001-2002 | |
| Time Products | 457.12 | - 7% |
| Jewellery | 267.66 | 31% |
| Total | 724.78 | 4% |

**Global Trends**

Global demand for watches has been weak. Despite depressed demand, the upper segment continues to grow in volume and profits. Japanese brands in the mid segment continue to register losses. Chinese producers at the lower end have seen growth in volumes, but a drop in unit realisations, resulting in flat revenues. Brands recognised as fashion brands in the personal accessories category are leveraging their designing skills and reputation to gain a foothold in markets heretofore addressed by traditional watchmakers.

Overall, revenues across the watch industry remained flat during the year.

For a purchase dependent on the psyche and sense of well being of the purchaser, weak demand for watches was compounded by the events of September 11, and the fallout for global economies including our own. The effect of a slowdown in the U S economy and the resulting consequences for European as well as Asian economies has been exhaustively and well documented.

With weak equity markets and unstable financial markets, gold has emerged as an attractive investment option. Gold prices have risen to record levels due to increased buying by institutional and retail investors while availability and supply of the metal have remained largely unchanged.

**Our Markets Today**

*Watches*

The Indian wrist watch market estimated to be of the order of 25 million watches a year has seen a transformation post the April 1999 lifting of import curbs on fully assembled watches. Most of the major high end Swiss brands with retail prices in excess of Rs. 10,000 are already here and are investing heavily in brand promotion targeted at the upper end, especially in the metros. Japanese players in the mid segment with offerings ranging between Rs. 1,000 and Rs. 10,000 are also present. At the low end, addressed by watches with retail prices below Rs 1,000, Indian players in the organised sector are threatened by competition from grey market operators and more recently by Chinese products, most of whom owe their presence to the benevolence of high statutory levies.

The retailing of watches is undergoing significant change especially in the metro cities with the growth of department store chains for whom watches provide a growing and profitable business opportunity. Over the years, high end foreign brands have opened exclusive watch stores, primarily in the metros. Thus, traditional watch dealers, face an increasing challenge arising from the changes in the manner in which watches have been sold..

The quality of after sales service provided by the manufacturer is being recognised as an increasingly significant differentiator besides being a significant source of income and profit for the retailer as well as the brand.

*Jewellery*

India is the world's largest consumer of gold, with an estimated consumption of about 850 tonnes a year. By far the largest portion of this tonnage is utilized in the manufacture of gold jewellery. The Indian jewellery industry largely comprises independent retailers or, at most, small regional chains. The high decibel efforts by a new breed of jewellery companies to divert jewellery purchases to non-traditional channels have met with little success. The Indian consumer prefers to make a serious and considered purchase of jewellery and thus prefers to make such purchases at a store identified as a jewellery store.

The uniquely Indian nature of the domestic jewellery market has been the biggest barrier to any significant inroads by foreign players or imports.

Gold jewellery sales have remained flat for the second consecutive year. Diamond jewellery has shown a growing trend, especially in specific pockets in the country, though it constitutes a relatively small segment of the huge Indian jewellery market. The Diamond Trading Corporation ( DTC ), a De Beers company, has been active in promoting the sale of diamonds at the retail level.

The Platinum Guild has made a small beginning in introducing platinum jewellery to Indian consumers.

The jewellery industry continues to be plagued by inadequate industry-led or statutory controls over quality standards and the absence of certification procedures. These inadequacies have resulted in a range of less than ethical business practices including price fixing cartels, the extensive under karataging of gold jewellery, the overstating of the quality of diamonds, negotiable invoiced prices, the evasion of sales and other taxes and the exploitation of artisans. Fledgling efforts by the BIS and revenue authorities are only having a minor impact on the jewellery industry – and even these efforts are inadequate and infrequent.

**Competitive Strategy**

*Watches*

Your Company sees its future in building upon its existing strengths and skills as well as capitalising on the new opportunities provided by a globalised India and ready access to international markets and suppliers. The strategy of segmenting the market and catering to every distinct segment with a brand has helped your company in increasing market share and improving its already dominant position. The early, and thus encouraging, success of this strategy has helped chart out a clear direction for the future.

Your company has engaged a reputed marketing consultancy firm to develop a set of marketing initiatives, which will drive growth for the Titan as well as the Sonata brands which, between them, map all the significant segments comprising the Indian watch market.

The wisdom of creating a retail chain of dedicated as well as multi brand outlets controlled by the company has been confirmed by subsequent events and has proved to be a significant barrier to the growth of foreign brands. It is thus proposed to extend coverage to a larger number of Indian cities through the opening of more World of Titan and TimeZone outlets.

In addition, on the manufacturing front there is an ever increasing focus on achieving greater efficiencies through cost reduction initiatives, better supply chain management and carefully considered make versus buy decisions mandated by increasingly less expensive capital as a desired alternative to increasingly more expensive labour.

Your Company is also evaluating market opportunities through extending the Titan brand equity to other product categories. It has begun deploying its precision engineering skills to make components for other industries and made a small beginning during the last financial year.

*Jewellery*

While the decision to enter the jewellery business harks back to the 1990s and arose from the need to earn badly needed foreign currency to service the needs of the watch business, the present focus is on the opportunities offered by the large domestic jewellery market estimated at Rs. 40,000 crores. Being a fully integrated player in the domestic market, your company has the opportunity to provide several significant elements of the value chain. The Jewellery division expects to be a sizeable player in a huge market, setting standards which others will have to emulate.

Tanishq, has now indisputably emerged as India's pre-eminent national brand of fine jewellery. The Tanishq chain of retail stores has expanded rapidly and now covers the length and breadth of our vast country.

**Titan Industries Limited**

Given the milieu of Indian jewellery retailing, your Company's resolute adherence to a high degree of professionalism and ethical practices has begun predictably to gain the admiration and trust of a growing number of consumers. The unique and powerful combination of excellent product design, quality and craftsmanship, an enjoyable shopping experience, the assurance of reliability and nationwide service has served to attract and cultivate a set of customers whose numbers are continually growing.

Your Company believes that the jewellery business will play an increasingly important role in the future. Jewellery is already contributing very significantly to the Company's growth in revenues and is resolutely restructuring itself to provide attractive levels of return in the years ahead. Jewellery can be expected to provide stability to the bottom line even as the watch segment enters a more competitive era.

**How our Businesses Fared**

*By geographies*

Information on performance in the various geographies of the world is contained in the Directors' Report.

*Time Products*

The watch and clock business registered a sales turnover of Rs. 457.12 crores. In the face of a sluggish economy, turnover declined by 7%. The decline was more pronounced in the domestic institution channel and in sales to our international associates. Operating profit before interest and depreciation was Rs. 87.70 crores, with a profit before tax of Rs. 18.16 crores and an operating return on average capital employed of approximately 10.9%. Given the global downturn and increased competition, the decline is not considered alarming.

Export sales of watches totalled 5.06 lakh watches valued at US $ 6.25 million.

The Showroom channel continues to grow in significance. As at the end of the year, the Company had 136 exclusive The World of Titan showrooms across 85 towns as also a chain of 137 Time Zone multi-brand outlets across 85 towns. In addition, Titan was also present in over 7,000 dealer outlets across 1,800 towns. The addition of outlets is to continue this year. The revamp of stores in The World of Titan chain is at hand. The first store sporting the new look was inaugurated in Colaba, Mumbai in September 2001. The new image for the World of Titan stores is now being extended to stores in the chain in the major cities.

The Company's wide and solid retailer base is supported by 35 stock points, 60 distributors and a strong supply chain using SAP as the backbone.

An important element of your Company's focus on the consumer is its emphasis on after-sales service. In terms of coverage, speed, cost and the handling of customers, your Company's service levels are industry benchmarks. Even so, the Company is constantly exploring ways and means of further upgrading the high levels of after sales service that it provides. The service network comprised more than 340 authorised service centres, 63 Watch Care Centres, four authorised service workshops and 213 service points as at the end of the year.

A drive to IT enable components of the sales and service business processes was undertaken in the financial year. The first B2B process for the ordering of spares by business associates was launched during the year. Other such initiatives such as the automation of the order process by the field sales force and the management of stocks are currently at hand.

One of the biggest assets of your Company – not reflected in its balance sheet – remains the TITAN brand. Last year, in acknowledgement of this, your Company received the "Brand Equity Award' instituted by the PHD Chamber of Commerce and Industry of New Delhi.

Titan's watch manufacturing facilities have made further progress in their efforts to increase productivity, reduce costs, reduce working capital requirements, compress lead times, align more closely with the demands of the market and in building greater reliability in the product.

The commercial introduction of the ultra-slim movement vide the "Edge" watch has met with unprecedented acclaim. The ultra slim movement used in this watch was developed by the Company.

Information on the Company's R&D activities is contained in the Annexure to the Directors' Report.

*Jewellery*

The 2001 – 2002 financial year was a watershed year for the Jewellery division.

Several innovative schemes aimed at attracting customers to the Tanishq fold were launched during the year. Four distinctive new jewellery collections were also launched.

Such initiatives resulted in the domestic jewellery business registering significant growth with a sales turnover of Rs. 267.66 crores and an operating profit before interest and depreciation of Rs. 14.74 crores. Resulting from the 31.3% growth in revenue, the division delivered a profit before tax of Rs. 2.34 crores and a return on average capital employed of 8.5%. The capital employed in the business as at the end of the year was Rs. 136 crores of which Rs. 29 crores was in fixed assets and Rs. 107 crores in working capital. Jewellery worth US$ 5.20 million was exported during the year.

Tanishq is India's only national brand offering fine jewellery. During the year, Tanishq added nine new stores, taking the strength of the chain to fifty-two exclusive stores. For the second successive year, retail sales from existing and new stores considerably outperformed the flat overall jewellery market.

The institutional business of Tanishq also enjoyed unprecedented growth with a number of blue chip brands and companies using the pedigree of Tanishq, to endorse the purchase of their own products and services.

Tanishq's new standing in the jewellery industry is evidenced by the increasing desire that international bodies like the World Gold Council, the Diamond Trading Corporation and the Platinum Guild are now showing in associating with your Company on marketing and developmental initiatives.

The jewellery manufacturing facility operated close to currently rated capacity. Good progress continues to be made in terms of improved productivity, cost reduction, product quality, speed of response and timely delivery. The jewellery business has also developed a large and capable base of vendors.

The jewellery division continues to attract and retain a highly motivated and talented team. This team has united to create a unique and successful partnership with the company's business associates and the vendor community.

A special word of commendation to Team Tanishq is warranted.

**How Your Company Fared**

As stated herein, despite increased competition and the economic slowdown, the Company continued to show growth in top line as well as in operating profit. The former grew by 4% and the latter by 14%.

While the Company is highly leveraged, it is noteworthy that Titan managed to bring down interest costs through judicious borrowing as well as improved working capital management. Despite an improved operating profit before extraordinary items, the higher incidence of tax during the year has sharply reduced Earnings per Share as well as retained earnings. The impact of these factors on the Company's profitability is recorded in the following:

| | 2001 - 2002 | 2000 - 2001 |
|---|---|---|
| Sales to Net fixed assets (No. of times) | 3.67 | 3.36 |
| Sales : Inventory (No. of times) | 5.81 | 4.77 |
| Retained Earnings - Rupees in Crores | 2.96 | 6.52 |
| % | 22.6% | 27.8% |
| Operating Return on Capital Employed * | 9.7% | 9.8% |
| Return on Capital employed (EBIT) | 9.7% | 11.3% |
| Return on Net Worth (PAT) | 6.4% | 11.4% |

* excludes income from extraordinary items.

More information on the Company's finances is contained in the Directors' Report.

**Human Resources**

The year saw several initiatives taken to leverage its Human resource capital. Significant focus has been brought on performance orientation through various initiatives such as performance linked pay and variable compensation for senior management.

The Company's strong customer orientation, brand focus, manufacturing competencies combined with a transparent and open culture have made it an attractive place for young and talented people to work in. It is Titan's constant endeavour to nurture and motivate its employees to contribute to the prosperity and progress of the Company.

The dedication and commitment of the men and women who work in your Company is worthy of note.

As on March 31st, 2002, the Company had 3,593 employees, inclusive of 26 trainees. Of these employees, 2,973 were in manufacturing, 411 were at sales offices and 209 were at the head office. Payroll costs were controlled, only increasing marginally by Rs. 0.24 crore. Our workforce, however, continues to be among the best paid in Hosur. The spirit of partnership between the Management and the Company's Union, of which we are all proud, is a key factor in our efforts to raise productivity and drive down costs.

**Some Risks and Concerns**

Fashion brands which concentrate on design and leverage their reputation in other personal wear categories are a growing threat to traditional watch makers. On the technology front, the convergence of multiple technologies in products such as the mobile phone is also posing a serious global threat to watches as a timekeeping device.

The watch and jewellery businesses are dependent on consumer spending and the availability of disposable incomes and are therefore indexed on the overall growth of the economy. Any slowdown in consumer confidence has an adverse effect on the Company's fortunes.

The Company faces growing competition from imports resulting from the opening up of the economy. The rampant smuggling of watches, the evasion of statutory levies and the steady inflow of low priced Chinese products are matters of growing concern.

The Company's significant growth over the last decade has almost entirely been funded through debt. This has resulted in your Company being highly geared and, consequently, carrying a high interest burden. An infusion of fresh equity is now imperative to provide relief to balance-sheet ratios and to provide funds for the growth opportunities.

The Company's entry into European markets has entailed large investments. While the Company has been successful in creating a physical presence in several countries and being perceived as a global player, financial returns on investments overseas will require time and patience for accumulated losses to be progressively whittled down.

We foresee a period of high and volatile gold prices. High gold prices are a deterrent to discretionary consumer purchases. Volatility in gold prices affects "investment" sentiment and predictably results in a deferment of purchases. Both of these trends have impacted the overall growth of the jewellery market quite adversely over the past year.

**Internal Control Systems**

The system of internal control provide for the maintenance of proper accounting records, reliability of financial information used within the business and an assurance of safeguarding assets against unauthorised use or disruption.

**Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

# Report on Corporate Governance for 2001-02

(As required under Clause 49 of the Listing Agreements with the Stock Exchanges)

1. **Company's Governance Philosophy**

The Company believes that it must so govern its affairs as to optimise satisfaction among all its stakeholders which includes its loyal customers, providers of capital, employees, those from whom we buy and through whom we sell, the communities in which our primary activities take place and society at large. The Company attaches equal importance to both ends and means – the results sought to be secured and the methods used to achieve them. The Company believes that, in whatever it does, it must contribute to the economic and social development of India, a basic tenet of the Tata Group to which your Company belongs. The Company sees the governance norms originating in the institutions of the stock market as an integral part of its corporate governance philosophy to be respected not just in the letter but, more importantly, in spirit. The Company realises that it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations.

2. **Board of Directors**

Titan Industries Limited was promoted by the Tamil Nadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on 31st March 2002, Mr M A Gowrishankar and Mr M Madhavan Nambiar are nominee directors of TIDCO and Mr J J Bhabha, Mr Ishaat Hussain, Mr F K Kavarana, Mr Xerxes Desai and Mr Bhaskar Bhat are nominee directors of the Tata Group.

As on 31st March 2002, the Company had ten Directors, comprising eight non-executive Directors and two Executive Directors, viz. the Vice-Chairman & Managing Director and the Deputy Managing Director. As on 31st March 2002 three of the Directors are independent, these being Mr A C Mukherji, Mr T K Balaji and Mrs Rama Bijapurkar.

Mr A L Mudaliar was the Non Executive Chairman of the Company since December, 1985. Mr Mudaliar laid down office as Chairman and Director with effect from the close of 28th September 2001. Mr M A Gowrishankar was appointed as the Non Executive Chairman of the Board with effect from 29th September 2001.

Mr X S Desai, retired as the Vice-chairman and Managing Director with effect from the close of 31st March 2002.

The following changes in the Board structure has taken place since 31st March 2002:

- Mr Bhaskar Bhat was appointed as the Managing Director of the Company, subject to the approval of the Shareholders, with effect from 1st April 2002.
- Mr M Kalaivanan was appointed as a Director, nominee of TIDCO, with effect from 2nd May 2002.
- Dr C G Krisnhnadas Nair was appointed as an independent director by the Board with effect from 2nd May 2002.
- Mr M A Gowrishankar resigned as Chairman and Director with effect from 26th June 2002.
- Mr M Kalaivanan resigned as a Director with effect from 26th June 2002 and Dr R Vijaykumar was appointed as a Director, nominee of TIDCO, in his place.
- Mr Arun Ramanathan was appointed as Director and Chairman of the Company, nominee of TIDCO, with effect from 31st July 2002 in the place of Mr M A Gowrishankar.

Consequent to the above changes the Company as on the date of this report has eleven Directors, comprising ten non-executive Directors and one Executive Director, viz the Managing Director. Four of the Directors, viz., Mr T K Balaji, Mr A C Mukherji, Mrs. Rama Bijapukar and Dr. C G Krishnadas Nair, constituting one third of the total strength, are independent Directors.

The Company has not had any pecuniary relationship or transaction with any of the Non-Executive Directors during the year under review.

The Board of Directors met six times during the financial year 2001-02. The interval between any two successive meetings did not exceed four months. Board Meetings were held on 27th April 2001, 27th June 2001, 30th July 2001, 28th September 2001, 31st October 2001 and 31st January 2002.

The information as required under Annexure 1 to Clause 49 of the listing agreement is being regularly placed before the Board.

**Titan Industries Limited**

The names, category, attendance of Directors at Board Meetings during the year and at the last Annual General Meeting, the number of Directorships and Committee Memberships held by them in domestic public companies as at 31st March 2002 are as indicated below:

| Name of Director | Category | No.of Board Meetings attended during 2001-02 | Whether attended last AGM | No of Directorships in domestic public companies (including this Company) | | No of Committee memberships in domestic public companies (including this Company) | |
|---|---|---|---|---|---|---|---|
| | | | | As Chairman | As Director | As Chairman | As Member |
| Mr. A. L. Mudaliar* | Non Executive Independent | 4 | Yes | — | — | — | — |
| Mr. M.A. Gowrishankar** | Promoter Non Executive Not Independent | 1 | Not Applicable | 4 | 10 | — | — |
| Mr. Xerxes Desai*** | Promoter Executive Not Independent | 6 | Yes | 9 | 1 | — | 1 |
| Mr. J. J. Bhabha | Promoter Non Executive Not Independent | 1 | No | — | 5 | — | — |
| Mr. F. K. Kavarana | Promoter Non Executive Not Independent | 3 | No | 4 | 5 | 2 | 4 |
| Mr. M. Madhavan Nambiar | Promoter Non Executive Not Independent | 4 | No | 5 | 9 | — | 5 |
| Mr. Ishaat Hussain | Promoter Non Executive Not Independent | 6 | Yes | 3 | 11 | 3 | 4 |
| Mr. T. K. Balaji | Non Executive Independent | 4 | Yes | 2 | 12 | 2 | 4 |
| Mr. A. C. Mukherji | Non Executive Independent | 4 | Yes | — | 9 | 3 | 7 |
| Mr. H. K. Sinha**** | Promoter Non Executive Not Independent | 4 | Yes | — | — | — | — |
| Mrs. Rama Bijapurkar | Non Executive Independent | 5 | Yes | — | 4 | — | 4 |
| Mr.V.K. Jeyakodi***** | Promoter Non Executive Not Independent | 1 | Not Applicable | — | — | — | — |
| Mr. Bhaskar Bhat****** | Promoter Executive Not Independent | 5 | Yes | — | 4 | — | — |

* Mr A L Mudaliar laid down office as Director and Chairman at the close of 28th September 2001.

** Mr. M A Gowrishankar was appointed as Director and Chairman effective from 29th September 2001.

*** Mr Xerxes Desai retired as Vice Chairman and Managing Director with effect from the close of 31st March 2002.

**** Mr H K Sinha resigned as Director with effect from 12th November 2001.

***** Mr V K Jeyakodi who was appointed as a nominee Director of TIDCO with effect from 31 January 2002 resigned as Director with effect from 27 March 2002.

****** Mr Bhaskar Bhat was appointed as Deputy Managing Director with effect from1st May 2001.

Mr. A L Mudaliar, Mr H K Sinha & Mr. V K Jeyakodi were not Directors of the Company as on 31st March 2002 and hence their directorships / committee memberships are not disclosed.

@ excludes committee memberships other than audit committee, shareholder / investor grievance committee and remuneration committee.

## 3. Audit Committee

The Audit Committee of the Board was constituted in 1999. The terms of reference of the Audit Committee cover all the areas prescribed by Clause 49 II (D) and include the following: to review reports of the Internal Audit Department and to discuss these periodically with the Internal Auditors, to meet with the Statutory Auditors to discuss their findings, suggestions and other related matters, to review weaknesses in internal controls reported by the internal and Statutory Auditors and to review annual financial statements.

The Audit Committee has been granted powers as prescribed under Clause 49 II(C).

The Company has complied with the requirements of Clause 49(II)(A) of the Listing Agreements relating to the composition of the Audit Committee.

The Audit Committee met three times during the financial year 2001-02, on 27th June 2001, 31st October 2001 and 31st January 2002.

Mr A C Mukherji, Chairman of the Audit Committee, was present at the last Annual General Meeting of the Company.

The names and category of the Directors who are members of the Audit Committee, and their attendance at Audit Committee Meetings, are given below:

| **Name of Director** | **Category** | **No of Meetings attended** |
|---|---|---|
| Mr. A. C. Mukherji (Chairman) | Non Executive Independent | 2 |
| Mr. Ishaat Hussain (Chartered Accountant) | Promoter Non Executive Not Independent | 2 |
| Mr. A. L. Mudaliar* | Non Executive Independent | 1 |
| Mr. M. Madhavan Nambiar | Promoter Non Executive Not Independent | 2 |
| Mr. T. K. Balaji | Non Executive Independent | 2 |
| Mrs. Rama Bijapurkar | Non Executive Independent | 2 |

* Resigned on 28th September 2001

The Managing Director, the Senior Vice President – Finance, the Vice President – Corporate Affairs, the Chief Operating Officers of the Watches and Jewellery Divisions and the Chief Manufacturing Officer are present at meetings of the Audit Committee. Representatives of the Statutory Auditors and the Internal Auditors are invited to the Meetings.

The Company Secretary acts as the Secretary of the Audit Committee.

## 4. Other Sub-Committees of the Board of Directors

a. Remuneration Committee

The Company has constituted a Remuneration Committee on 27th April 2001.

The broad terms of reference of the Remuneration Committee are to determine and recommend to the Board, the remuneration payable to the Executive Directors, to appraise their performance, and to determine and advise the Board regarding the quantum of annual commission/remuneration to be paid to them.

The following Directors are the members of the Remuneration Committee:

Mr T K Balaji (Chairman) (Non-Executive, Independent)

Mr M Madhavan Nambiar (Non-Executive, Not-Independent)

Mr Ishaat Hussain (Non-Executive, Not-Independent)

Mr T K Balaji, the Chairman of the Remuneration Committee, was present at the last Annual General Meeting of the Company.

To the extent stated above, the Company has complied with the non-mandatory requirement of Clause 49 relating to the Remuneration Committee.

No meeting of the Remuneration Committee was held during 2001-02, however a meeting of the Remuneration Committee was held on 26th June 2002.

b. Shareholder Grievance Committee

A Shareholder Grievance Committee was constituted on 21st March 2001 to specifically look into the redressal of Investors' complaints relating to the transfer of shares, the non-receipt of Annual Reports and the non-receipt of dividends declared by the Company, etc. During 2001-02, one meeting of the Committee was held on 31st July 2001.

**Titan Industries Limited**

The composition of the Shareholder Grievance Committee are as follows:

Mr F K Kavarana (Chairman) (Non-Executive, Not Independent)

Mr M Madhavan Nambiar (Non-Executive, Not Independent)

Mr Xerxes Desai (Executive,Not-Independent) (upto 31st March 2002)

Mr Bhaskar Bhat (Executive, Not-Independent) (with effect from 1st April, 2002)

Based on information provided by the Company's Registrars, 4,553 queries / complaints / communications were received from shareholders and debenture holders during the year, pertaining to change of address (917), registration of mandates (254), non-receipt of share certificates after transfer (56), non-receipt of interest/ dividend warrants (1901), transmission / transfer of shares (138) etc. Excepting three queries, which were received less than 7 days prior to 31st March 2002, all other queries have been addressed to the satisfaction of the Shareholders. The three pending queries were since responded to the satisfaction of the Shareholders.

As at 31st March 2002, twenty-three transfers of shares were pending. However, no transfers were pending beyond 30 days.

The Compliance Officer is the Company Secretary, Mr V Madan.

c. Committee of Directors

The Board has also constituted a Committee of Directors to approve routine matters and specific issues delegated to the Committee by the Board.

The Composition of the Committee of Directors is as follows:

Mr M A Gowrishankar

Mr Ishaat Hussain

Mr Xerxes Desai (upto 31st March 2002)

Mr Bhaskar Bhat (with effect from 1st April 2002)

The business transacted by the Committee is recorded in circular resolutions, which are placed before the Board at the next meeting, for taking on record.

**5. Remuneration of Directors**

The Company has during the year paid remuneration to its Vice-Chairman & Managing Director and its Deputy Managing Director by way of salary, perquisites and commission within the limits approved by the Shareholders. The members had at the Annual General Meeting held on 28th September 2001, approved the appointment of Mr. Bhaskar Bhat as Deputy Managing Director. The Board of Directors on the recommendation of the Remuneration Committee approves the annual increment (effective April each year). Commission is calculated based on the net profits of the Company in a particular financial year and is determined by the Board of Directors on the recommendation of the Remuneration Committee at the end of the financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Vice Chairman & Managing Director and the Deputy Managing Director is based on performance criteria laid down by the Board, which broadly takes into account the profits earned by the Company for the related financial year.

Details of the remuneration to the Whole-time Directors during 2001-02 are as under:

(in Rs.)

| Name | Salary | Perquisites & Allowances | Commission * |
|---|---|---|---|
| Mr X S Desai<br>Vice Chairman &<br>Managing Director | 15,00,000 | 15,99,312 | 30,00,000 |
| Mr Bhaskar Bhat<br>Deputy Managing Director | 8,80,000 | 13,33,758 | 13,20,000 |

*Payable in 2002-03.

The perquisites indicated above excludes gratuity and leave encashment benefits as these are determined on an actuarial basis. Commission is the only component of remuneration, which is performance linked. All other components are fixed.

Details of agreement of appointment of the Vice Chairman & Managing Director are as under :

| | | |
|---|---|---|
| Period of Agreement | : | 1st October 1998 to 31st March 2002 |
| Notice period | : | The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof. |
| Severance Fees | : | Nil |

In terms of the agreement entered into with Mr Xerxes Desai, he retired as Vice Chairman and Managing Director with effect from the close of 31st March 2002.

Retirement benefits: The retirement benefits payable to Mr Xerxes Desai as on 31st March 2002 are as below:

| | | |
|---|---|---|
| Gratuity | : | Rs. 37,66,970/- |
| Leave Encashment | : | Rs. 13,77,080/- |

Further, the shareholders had at the Annual General Meeting held on 18th August 1995 approved the payment of Special Retirement Benefits to Mr. Desai in a manner to be determined by the Board of Directors of the Company. Pursuant to such authorisation, the Board had approved Special Retirement Benefits payable to Mr. Desai on his retirement at their meeting held on 27th April 2001. The details of the Special Retirement Benefits payable to Mr. Desai are as follows:

| | | |
|---|---|---|
| Indexed monthly pension | : | 75 % of the last drawn salary of Rs. 1,25,000 and accordingly the monthly pension would be Rs.93,750 per month, which will be reviewed every three years. |
| Residential accommodation | : | Rent or Compensation upto 50 % of the monthly pension. |
| Ex-gratia payment | : | Rs. 15,00,000 in addition to gratuity and other normal terminal benefits |

Mr. Desai and his spouse would also be entitled to medical benefits as per the guidelines of the Company. Mr. Desai may purchase assets of the Company used by him, as per applicable guidelines of the Company.

Details of agreement of appointment of the Deputy Managing Director are as under:

| | | |
|---|---|---|
| Period of Agreement | : | 5 years from 1st May 2001. |
| Notice period | : | The Agreement may be terminated by either party giving the other party three months' notice or the Company paying three months' salary in lieu thereof. |
| Severance Fees | : | Nil |

There are no stock options issued to the Vice-Chairman & Managing Director and the Deputy Managing Director.

The Board of Directors of the Company appointed Mr Bhaskar Bhat as the Managing Director effective 1st April 2002, subject to the approval of the Shareholders. A fresh agreement has accordingly been executed with Mr Bhat on his appointment as Managing Director. Consequently, the parties had mutually agreed to terminate the earlier agreement relating to Mr Bhat's appointment as Deputy Managing Director effective from the close of 31st March 2002.

The terms and conditions of appointment and remuneration of Mr Bhaskar Bhat, Managing Director are enumerated in the Notice and explanatory statement of the Meeting and such remuneration is paid subject to the approval of the shareholders.

The Non – Executive Directors of the Company are remunerated by way of sitting fees, as decided by the Board of Directors of the Company.

Sitting Fees paid to the Non-Executive Directors during 2001-02 are as shown below:

(in Rs.)

| Name of Director | Commission | Sitting Fees |
|---|---|---|
| Mr A L Mudaliar | — | 27,000 |
| Mr M A Gowrishankar | — | 5,000 |
| Mr J J Bhabha | — | 5,000 |
| Mr Farrokh Kavarana | — | 14,000 |
| Mr Madhavan Nambiar | — | 29,000 |
| Mr Ishaat Hussain | — | 37,000 |
| Mr T K Balaji | — | 29,000 |
| Mr A C Mukherji | — | 29,000 |
| Mr Hemant Kumar Sinha | — | 23,000 |
| Mrs Rama Bijapurkar | — | 32,000 |
| Mr V K Jeyakodi | — | 5,000 |

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The Vice-Chairman & Managing Director and the Deputy Managing Director are not eligible to receive sitting fees as per the terms of appointment and the contract entered into with them.

Sitting fees in respect of Mr M A Gowrishankar, Mr. Madhavan Nambiar, Mr. H K Sinha and Mr V K Jeyakodi who are nominees of the co-promoters Tamil Nadu Industrial Development Corpn Ltd (TIDCO) were paid directly to TIDCO.

**6. Disclosures**

(a) Related Party Transactions : During the year under review, besides the transactions reported elsewhere in the Annual Report, there were no other related party transactions with its promoters,directors, management and subsidiaries that had a potential conflict with the interest of the Company at large.

(b) Details of Non-Compliance : Except that for the period 29th September 2001 to 31st March 2002, the number of independent directors in the Board of Directors was lower than one-third of the total strength of the Board of Directors required under sub-clause I(A) of Clause 49 of the Listing Agreement, there have been no instances of non-compliances on any matter with the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

Consequent upon the retirement of the Vice Chairman and the Managing Director (Executive, Not Independent) the Company has complied with sub-clause I(A) of Clause 49 of the Listing Agreement. Further, the Company inducted a Non Executive, Independent Director in the Board with effect from 2nd May 2002.

**7. Means of Communication**

| | | |
|---|---|---|
| Half-yearly report sent to each household of shareholders | : | No, the financial results are published in the Newspapers, as required under the Listing Agreements |
| Quarterly Results | : | -do- |
| Website, were results are displayed | : | The results are displayed on www.tata.com and www .titanworld.com |
| Whether it also displays official news releases | : | Yes |
| Presentations to institutional investors or analysts | : | No |
| Newspapers in which results are normally published | : | Indian Express, Financial Express, Dina Thanthi and Loksatta |
| Whether Management Discussion & Analysis is a part of the Annual Report | : | Yes. |

**8. General Body Meetings:**

Location, date and time of Annual General Meetings held during the last 3 years:

| Year | Location | Date | Time |
|---|---|---|---|
| 1998-1999 | At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126 | 17 Sept 1999 | 3.30 p.m. |
| 1999-2000 | as above | 27 Sept 2000 | 3.30 p.m. |
| 2000-2001 | as above | 28 Sept 2001 | 3.30 p.m. |

Whether Special Resolutions –

(a) Were put through postal ballot last year - No
Details of voting pattern - NA
Persons who conducted the postal ballot exercise - NA

(b) Are proposed to be conducted through postal ballot - No
Procedure for postal ballot - NA

## 9. General Shareholder Information

| | | |
|---|---|---|
| AGM : date, time & venue | : | September 24, 2002 at 3.30 p.m. at the Registered Office at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu |
| Directors seeking appointment | : | As required under Clause 49(VI)(A), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on 24th September 2002. |
| Book Closure Date | : | 3rd September 2002 to 24th September 2002 (both days inclusive) |
| Dividend payment date | : | On or after 1 October 2002 |
| Financial Calendar Period | : | Board Meeting to approve quarterly financial results |
| - Quarter ending Jun 30, 2002 | | End July 2002 |
| - Quarter ending Sep 30, 2002 | | End October 2002 |
| - Quarter ending Dec 31, 2002 | | End January 2003 |
| - Quarter ending Mar 31, 2003 | | May / June 2003 |
| Registered Office | : | 3, SIPCOT Industrial Complex Hosur 635 126, Tamilnadu |
| Listing of Equity Shares on Stock Exchanges | : | The Stock Exchange, Mumbai and the Madras Stock Exchange, Chennai. Listing fees as prescribed have been paid to both these stock exchanges up to 31 March 2003 |

**STOCK CODE**

| | | | |
|---|---|---|---|
| Equity Shares – physical form – | Bombay Stock Exchange | : | 114 |
| | Madras Stock Exchange | : | TWT |
| Equity Shares – demat form – | NSDL / CDSL | : | ISIN No. INE280A01010 |

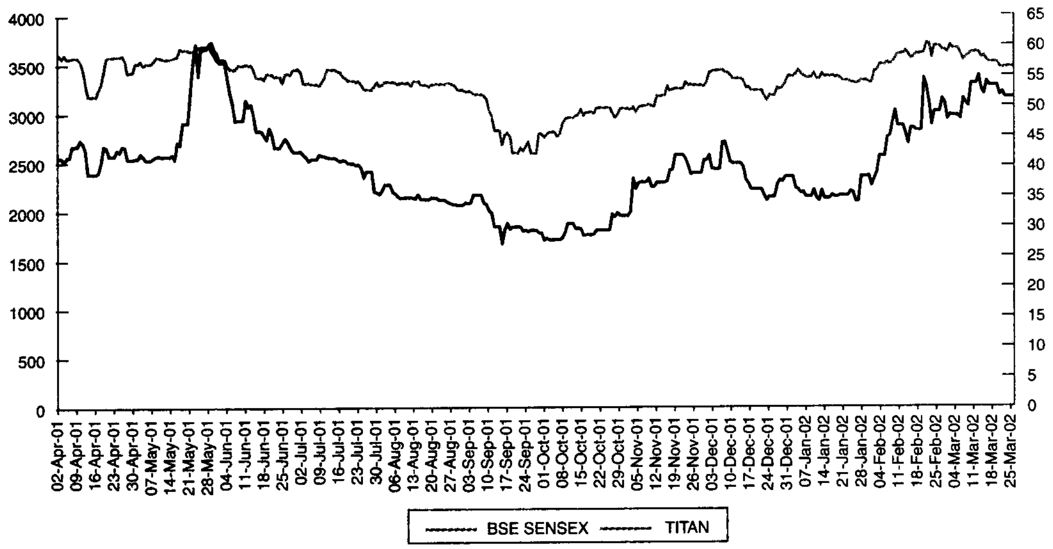
**STOCK PERFORMANCE**

Market Price Data

| | Bombay Stock Exchange (BSE) | | BSE Sensex |
|---|---|---|---|
| | (Amount in Rupees) | | |
| | High | Low | |
| Apr – 2001 | 44.45 | 38.80 | 3519.16 |
| May – 2001 | 60.35 | 41.15 | 3631.91 |
| Jun – 2001 | 54.70 | 42.50 | 3456.78 |
| Jul – 2001 | 42.55 | 35.40 | 3329.28 |
| Aug – 2001 | 37.00 | 33.60 | 3244.95 |
| Sep – 2001 | 35.25 | 27.15 | 2594.87 |
| Oct – 2001 | 32.25 | 27.80 | 2989.35 |
| Nov – 2001 | 41.85 | 31.75 | 3287.56 |
| Dec – 2001 | 44.00 | 34.25 | 3262.33 |
| Jan – 2002 | 38.20 | 34.00 | 3311.03 |
| Feb – 2002 | 54.55 | 36.70 | 3562.31 |
| Mar – 2002 | 54.95 | 47.75 | 3469.35 |

**Titan Industries Limited**

Performance of Titan Share Price in comparison with BSE Sensex




Share Registrar and Transfer Agents : M/s Tata Share Registry Limited
Army & Navy Building
148, Mahatma Gandhi Road
Mumbai 400 001
Tel : (022) 2873831
Fax : (022) 2844160
E-mail : csg-unit@tatashare.com

**SHARE TRANSFER SYSTEM**

Transfer of shares in physical form has been delegated by the Board to certain officials of the Registrars, to facilitate speedy service to the shareholders. Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agents within 30 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed and confirmation is given to the respective depositories ie National Securities Depository Ltd (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

Distribution of shareholding as on March 31, 2002

| No of equity shares held | No. of Shareholders | Percentage | No. of Shares | Percentage |
|---|---|---|---|---|
| 0-500 | 63,949 | 95.28 | 80,19,012 | 18.97 |
| 501-2000 | 2,601 | 3.88 | 22,98,676 | 5.44 |
| 2001-3000 | 186 | 0.28 | 4,70,887 | 1.11 |
| 3001-4000 | 95 | 0.14 | 3,35,062 | 0.79 |
| 4001-5000 | 79 | 0.12 | 3,74,564 | 0.89 |
| 5001-10000 | 108 | 0.16 | 8,06,600 | 1.91 |
| 10001 and above | 99 | 0.14 | 2,99,71,469 | 70.89 |
| Total | 67,117 | 100.00 | 4,22,76,270 | 100.00 |

## CATEGORIES OF SHAREHOLDING AS ON MARCH 31, 2002

| Category | No. of Shareholders | No. of Shares held | % of Shareholding |
|---|---|---|---|
| Tamil Nadu Industrial Development Corpn Ltd | 1 | 1,17,84,606 | 27.88 |
| Tata Group Companies | 13 | 1,14,13,523 | 27.00 |
| Foreign Financial Institutions | 13 | 12,23,383 | 2.89 |
| Bodies Corporate | 1,258 | 11,57,657 | 2.74 |
| Unit Trust of India | 1 | 2,873 | 0.01 |
| Life Insurance Corp of India | 1 | 3,78,232 | 0.89 |
| Mutual Funds | 31 | 16,45,775 | 3.89 |
| Nationalised Banks | 16 | 4,606 | 0.01 |
| Others | 65,783 | 1,46,65,615 | 34.69 |
| Total | 67,117 | 4,22,76,270 | 100.00 |

**TOP TEN SHAREHOLDERS:**

The Company's top ten shareholders as at 31st March 2002 are as shown below:

| Name of Shareholder | No of Shares | % to total holding |
|---|---|---|
| 1. Tamil Nadu Industrial Development Corpn Ltd | 1,17,84,606 | 27.88 |
| 2. Kalimati Investment Co. Ltd | 36,31,110 | 8.59 |
| 3. Tata Sons Ltd | 31,38,746 | 7.42 |
| 4. Tata Chemicals Ltd | 14,30,580 | 3.38 |
| 5. Morgan Stanley Dean Investment Management Inc. | 12,18,376 | 2.88 |
| 6. Tata Info-Media Ltd | 10,96,650 | 2.59 |
| 7. International Finance Corporation (W) | 8,90,750 | 2.11 |
| 8. Morgan Stanley Growth Fund | 8,65,182 | 2.05 |
| 9. Mr. Rakesh Radheshyam Jhunjhunwala | 7,60,000 | 1.80 |
| 10. Tata Investment Corporation Ltd | 6,95,797 | 1.65 |

The Aggregate Non-promoter shareholding of the Company as at 31st March 2002 is as shown below:

Number of Shares : 1,90,78,141
Percentage to total holding : 45.13%

**DEMATERIALISATION OF SHARES AND LIQUIDITY**

75.67% of the Equity Capital is held in dematerialised form with NSDL and CDSL as on March 31, 2002. Trading in equity shares of the Company is permitted only in dematerialised form w.e.f 15.02.1999 as per the notification issued by the Securities and Exchange Board of India (SEBI)

Outstanding GDRs / ADRs / Warrants or any Convertible Instruments : None

Stock option scheme : None

**Plant Locations**

Watch Plants : (a) 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
(b) Mohabewala Industrial Area, Dehradun 248 002, Uttaranchal

Jewellery & Clock Plants : 27, 28 & 29, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu

**ADDRESSES FOR CORRESPONDENCE**

Registered Office : 3, SIPCOT Industrial Complex, Hosur 635126, Tamil Nadu
Corporate Office : Golden Enclave, Tower A, Airport Road, Bangalore 560 017, Karnataka

**Titan Industries Limited**

# CERTIFICATE

To the Members of

**TITAN INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Titan Industries Limited, for the year ended 31st March 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that for the period 29th September 2001 to 31st March 2002, the number of independent directors in the Board of Directors was lower than one third of the total strength of the Board of Directors required under subclause I(A) of Clause 49 of the Listing Agreement. However, the company has complied with the requirement from 1st April 2002.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the confirmation given by the Registrars of the Company as on 31st March 2002, there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For A. F. FERGUSON & CO.**
Chartered Accountants

**H. L. Shah**
Partner

Bangalore : 31st July 2002

## Auditors' Report

To the Members of Titan Industries Limited

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 2002 and also the profit and loss account for the year ended on that date, annexed thereto. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

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 those books;

c) the balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;

d) in our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

e) on the basis of written representations received from the Directors as on 31st March 2002, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2002 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2002; and

   (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For **A. F. Ferguson & Co.**
Chartered Accountants

**H. L. Shah**
Partner

Place : Bangalore
Date : 26 June, 2002

**Titan Industries Limited**

## Annexure to the Auditors' Report

**Annexure referred to in the Auditors' Report to the Members of Titan Industries Limited on the Accounts for the year ended 31st March, 2002.**

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. 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. The provisions of section 370 of the Companies Act, 1956 are not applicable to the Company on and from October 31, 1998.
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. The provisions of section 370 of the Companies Act, 1956 are not applicable to the Company on and from October 31, 1998.
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 have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 relating to the manufacture of watches and clocks and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. 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 other product.

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, 2002 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

**H. L. Shah**
Partner

Place : Bangalore
Date : 26 June, 2002

**Titan Industries Limited**

# Balance Sheet as at 31 March 2002

| | Schedule | | Rupees in lakhs 31-3-2002 | 31-3-2001 |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Shareholders' funds | | | | |
| Share capital | A | **8227.63** | | 8227.63 |
| Reserves and surplus | B | **8241.54** | | 12508.87 |
| | | | **16469.17** | 20736.50 |
| Deferred tax liability | | | **4457.66** | — |
| Loan funds | | | | |
| Secured loans | C | **21008.32** | | 23548.83 |
| Unsecured loans | D | **23320.99** | | 18652.28 |
| | | | **44329.31** | 42201.11 |
| Total | | | **65256.14** | 62937.61 |
| **APPLICATION OF FUNDS** | | | | |
| Fixed assets | E | | | |
| Gross block, at cost | | **37813.75** | | 36622.92 |
| Less : Depreciation | | **18049.72** | | 15868.11 |
| Net block | | **19764.03** | | 20754.81 |
| Advances on capital account and capital work in progress, at cost | | **326.34** | | 360.71 |
| | | | **20090.37** | 21115.52 |
| Investments | F | | **2462.43** | 2308.51 |
| Current assets, loans and advances | G | | | |
| Inventories | | **12481.90** | | 14622.75 |
| Sundry debtors | | **20774.99** | | 15903.74 |
| Cash and bank balances | | **1732.98** | | 2751.69 |
| Loans and advances | | **19740.42** | | 15066.83 |
| | | **54730.29** | | 48345.01 |
| Less : | | | | |
| Current liabilities and provisions | H | | | |
| Current liabilities | | **11436.92** | | 7579.09 |
| Provisions | | **1207.86** | | 1572.24 |
| | | **12644.78** | | 9151.33 |
| Net current assets | | | **42085.51** | 39193.68 |
| Miscellaneous expenditure (To the extent not written off or adjusted) | | | | |
| Deferred revenue expenditure | | | **617.83** | 319.90 |
| Total | | | **65256.14** | 62937.61 |
| Notes | K | | | |

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

For and on behalf of the Board of Directors,

T. K. Balaji
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
C. G. Krishnadas Nair
R. Vijaykumar
Directors

Bhaskar Bhat
Managing Director

Bangalore, 26 June 2002

# Profit and Loss Account for the year ended 31 March 2002

| | Schedule | | Current Year | Previous Year |
|---|---|---|---|---|
| | | | Rupees in lakhs | |
| **INCOME** | | | | |
| Sales | | | **72478.36** | 69690.26 |
| Other income | I | | **224.34** | 197.20 |
| Total | | | **72702.70** | 69887.46 |
| **EXPENDITURE** | | | | |
| Operating and other expenses | J | | **58048.62** | 55607.23 |
| Excise duty | | | **5883.63** | 5812.65 |
| Depreciation | | | **2327.99** | 2092.80 |
| Interest | | | **4626.64** | 4784.02 |
| Total | | | **70886.88** | 68296.70 |
| **OPERATING PROFIT FOR THE YEAR** | | | **1815.82** | 1590.76 |
| Profit on sale of investments | | | — | 966.04 |
| PROFIT BEFORE TAXES | | | **1815.82** | 2556.80 |
| Income taxes — Current | | **612.00** | | 209.16 |
| — Deferred | | **(105.54)** | | — |
| | | | **506.46** | 209.16 |
| **PROFIT AFTER TAXES** | | | **1309.36** | 2347.64 |
| Profit brought forward | | **4230.74** | | 3813.14 |
| Less : Deferred tax liability of earlier years | | **2500.00** | | — |
| | | | **1730.74** | 3813.14 |
| Amount available for appropriation | | | **3040.10** | 6160.78 |
| Appropriations | | | | |
| Dividend paid on preference shares | | **256.90** | | 395.83 |
| Proposed dividend on equity shares | | **634.14** | | 1099.18 |
| Proposed dividend on preference shares | | **96.06** | | — |
| Tax on dividends | | **26.39** | | 200.27 |
| Transfer to general reserve | | **65.47** | | 234.76 |
| | | | **1078.96** | 1930.04 |
| Balance carried to balance sheet | | | **1961.14** | 4230.74 |
| Notes | K | | | |
| Earnings per share - Basic and diluted (Rs.) | | | **2.20** | 4.41 |

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

For and on behalf of the Board of Directors,

T. K. Balaji
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
C. G. Krishnadas Nair
R. Vijaykumar
} Directors

Bhaskar Bhat — Managing Director

Bangalore, 26 June 2002

**Titan Industries Limited**

## Schedules forming part of the accounts

| | | Rupees in lakhs 31-3-2002 | 31-3-2001 |
|---|---|---|---|
| **"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 (2001 : 15,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up | **500.00** | | 1500.00 |
| Nil (2001 : 5,00,000) 10% redeemable cumulative preference shares of Rs. 100 each, fully paid up | — | | 500.00 |
| 9,50,000 (2001 : 7,00,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up | **950.00** | | 700.00 |
| 2,00,000 (2001 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up | **200.00** | | 200.00 |
| 8,50,000 (2001 : 11,00,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up | **850.00** | | 1100.00 |
| 15,00,000 (2001 : Nil) 8.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up | **1500.00** | | — |
| | | **4000.00** | 4000.00 |
| | | **8227.63** | 8227.63 |

| | | Rupees in lakhs 31-3-2002 | 31-3-2001 |
|---|---|---|---|
| **"B" Reserves and surplus** | | | |
| Capital reserve | | **13.23** | 13.23 |
| Share premium account | | **6172.69** | 6172.69 |
| General reserve | | | |
| As per last balance sheet | **2092.21** | | 1857.45 |
| Less : Deferred tax liability of earlier years | **2063.20** | | — |
| | **29.01** | | 1857.45 |
| Add : Transfer from profit and loss account | **65.47** | | 234.76 |
| | | **94.48** | 2092.21 |
| Balance in profit and loss account | | **1961.14** | 4230.74 |
| | | **8241.54** | 12508.87 |

# Schedules forming part of the accounts

| | Rupees in lakhs 31-3-2002 | 31-3-2001 |
|---|---|---|
| **"C" Secured loans** | | |
| Term loans from financial institutions | **9062.50** | 9100.00 |
| Term loans from banks | **6830.00** | 9350.00 |
| Interest free sales tax loan | **33.32** | 49.98 |
| Cash credit account secured by hypothecation of book debts, inventories, stores and spares | **5082.50** | 5048.85 |
| | **21008.32** | 23548.83 |

| | | Rupees in lakhs 31-3-2002 | 31-3-2001 |
|---|---|---|---|
| **"D" Unsecured loans** | | | |
| Fixed deposits | | **4887.65** | 2153.17 |
| Short term loans and advances | | | |
| Loans from banks | **10713.34** | | 9240.13 |
| Loans from others | — | | 2179.28 |
| Deposits from companies | **7720.00** | | 4350.00 |
| | | **18433.34** | 15769.41 |
| Other loans and advances | | | |
| Term loans from banks | | — | 729.70 |
| | | **23320.99** | 18652.28 |

**Titan Industries Limited**

# Schedule forming part of the accounts

**"E" Fixed Assets** Rupees in lakhs

| | GROSS BLOCK | | | | DEPRECIATION | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|
| | Cost as at 1-4-2001 | **Additions** | **Deductions** | **Cost as at 31-3-2002** | **For the year** | **As at 31-3-2002** | **As at 31-3-2002** | As at 31-3-2001 |
| Land - freehold | 75.83 | **—** | **6.62** | **69.21** | **—** | **—** | **69.21** | 75.83 |
| Land - leasehold | 42.24 | **—** | **—** | **42.24** | **—** | **—** | **42.24** | 42.24 |
| Buildings | 3898.39 | **695.76** | **—** | **4594.15** | **108.16** | **910.94** | **3683.21** | 3095.61 |
| Plant, machinery and equipment | 30010.03 | **593.63** | **88.31** | **30515.35** | **2051.32** | **15957.09** | **14558.26** | 16047.55 |
| Furniture, fixtures and equipment | 2390.56 | **90.12** | **143.75** | **2336.93** | **136.64** | **1098.56** | **1238.37** | 1363.21 |
| Vehicles | 205.87 | **107.90** | **57.90** | **255.87** | **31.87** | **83.13** | **172.74** | 130.37 |
| TOTAL | 36622.92 | **1487.41** | **296.58** | **37813.75** | **2327.99** | **18049.72** | **19764.03** | |
| As at 31st March 2001 | 35996.17 | 900.27 | 273.52 | 36622.92 | 2092.80 | 15868.11 | | 20754.81 |
| Advances on capital account and capital work in progress, at cost | | | | | | | **326.34** | 360.71 |
| | | | | | | | **20090.37** | 21115.52 |

## Schedule forming part of the accounts

| | | 31-3-2002 | 31-3-2001 |
|---|---|---|---|
| | | Rupees in lakhs | |
| **"F" Investments - long term** | | | |
| **Trade investments** | | | |
| **Unquoted** | | | |
| 5,00,000 (2001: 5,00,000) fully paid equity shares of Rs. 10 each in Titan Time Products Limited | **50.00** | | 50.00 |
| 1,00,000 (2001: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited | **10.00** | | 10.00 |
| 5,010 (2001: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited | **0.50** | | 0.50 |
| 2,510 (2001: 2,510) fully paid equity shares of Rs. 10 each in Titan Holdings Limited | **0.25** | | 0.25 |
| 60,000 (2001: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited | **18.00** | | 18.00 |
| 20,000 (2001: 20,000) fully paid equity shares of Rs. 10 each in RDI Print & Publishing Ltd. | **62.76** | | 62.76 |
| 15,000 (2001: 15,000) fully paid equity shares of Rs. 10 each in Tanishq (India) Ltd. | **1.50** | | 1.50 |
| | | **143.01** | 143.01 |
| **Investment in subsidiary company - unquoted** | | | |
| 10,000 (2001: 10,000) fully paid equity shares of Euro 500 each (2001 : NLG 1,000 each equivalent to Euro 453.78 paid up) in Titan International Holdings BV | | **2244.79** | 2050.78 |
| **Others - unquoted** | | | |
| 7,46,328 (2001: 7,46,328) units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs. 47.39 lakhs; 2001 : Rs. 105.23 lakhs) | **114.72** | | 114.72 |
| Less : Provision for diminution in value of investments | **40.09** | | — |
| | | **74.63** | 114.72 |
| | | **2462.43** | 2308.51 |
| Aggregate amount of quoted investments | | — | — |
| Aggregate amount of unquoted investments | | **2462.43** | 2308.51 |
| Market value of quoted investments | | — | — |

**Titan Industries Limited**

## Schedule forming part of the accounts

| | | Rupees in lakhs | |
|---|---|---|---|
| | | **31-3-2002** | 31-3-2001 |
| **"G" Current assets, loans and advances** | | | |
| Inventories | | | |
| Consumable stores | | **353.49** | 532.16 |
| Loose tools | | **145.03** | 167.09 |
| Stock-in-trade | | | |
| Raw materials and bought-out components | **3615.37** | | 3671.87 |
| Work in progress | **3617.37** | | 3852.87 |
| Finished goods | **4750.64** | | 6398.76 |
| | | **11983.38** | 13923.50 |
| | | **12481.90** | 14622.75 |
| Sundry debtors (unsecured) | | | |
| Over six months | | | |
| Considered good | **2093.05** | | 1961.26 |
| Considered doubtful | **134.57** | | 94.57 |
| | **2227.62** | | 2055.83 |
| Others - considered good | **18681.94** | | 13942.48 |
| | **20909.56** | | 15998.31 |
| Less: Provision for doubtful debts | **134.57** | | 94.57 |
| | | **20774.99** | 15903.74 |
| Cash and bank balances | | | |
| Cash and cheques on hand | **377.65** | | 457.93 |
| With scheduled banks - in current accounts | **537.29** | | 264.95 |
| - on deposit | **262.32** | | 1565.26 |
| - in transit | **555.72** | | 463.55 |
| | | **1732.98** | 2751.69 |
| Loans and advances (unsecured and considered good) | | | |
| Advances recoverable in cash or in kind or for value to be received | **9150.68** | | 9382.72 |
| Due from subsidiaries | **10555.57** | | 5643.05 |
| Tax payments, net of provision | **8.82** | | 25.31 |
| Balances with customs and excise authorities | **25.35** | | 15.75 |
| | | **19740.42** | 15066.83 |
| | | **54730.29** | 48345.01 |

## Schedules forming part of the accounts

**"H" Current liabilities and provisions**

| | | Rupees in lakhs 31-3-2002 | 31-3-2001 |
|---|---|---|---|
| Current liabilities | | | |
| Sundry creditors | | | |
| Due to small scale industrial undertakings | **391.38** | | 292.94 |
| Others | **10759.43** | | 6733.53 |
| | **11150.81** | | 7026.47 |
| Unclaimed dividends | **63.65** | | 58.10 |
| Interest accrued but not due on loans | **222.46** | | 494.52 |
| | | **11436.92** | 7579.09 |
| Provisions | | | |
| Proposed dividend on equity shares | **634.14** | | 1099.18 |
| Proposed dividend on preference shares | **96.06** | | — |
| Retiring gratuities | **198.44** | | 259.14 |
| Others | **279.22** | | 213.92 |
| | | **1207.86** | 1572.24 |
| | | **12644.78** | 9151.33 |

**"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. 20.43 lakhs; 2001: Rs. 15.47 lakhs) | **121.35** | 182.28 |
| Income from trade investments - gross | **45.13** | — |
| Dividend from units of Unit Trust of India (tax deducted at source Nil; 2001: Nil) | **7.46** | 10.26 |
| Miscellaneous income | **50.40** | 4.66 |
| | **224.34** | 197.20 |

**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 | | | **36182.15** | 32142.99 |
| Loose tools, stores and spare parts consumed | | | **1531.99** | 1839.61 |
| Purchase of finished goods | | | **208.81** | 136.70 |
| Payments to and provisions for employees | | | | |
| Salaries and wages | | **6263.12** | | 6165.18 |
| Company's contribution to provident and other funds | | **416.93** | | 408.25 |
| Welfare expenses | | **730.90** | | 672.21 |
| Gratuity | | **220.60** | | 160.87 |
| | | | **7631.55** | 7406.51 |
| Other expenses | | | | |
| Power and fuel | | **785.22** | | 854.55 |
| Repairs to buildings | | **81.31** | | 87.75 |
| Repairs to plant and machinery | | **185.08** | | 210.51 |
| Advertising | | **3654.84** | | 4009.51 |
| Selling and distribution expenses | | **1303.10** | | 1193.86 |
| Insurance | | **250.19** | | 331.51 |
| Rent | | **467.50** | | 412.28 |
| Rates and taxes | | **1114.06** | | 1089.81 |
| Travel | | **347.37** | | 418.27 |
| Deferred revenue expenditure written off | | **511.20** | | 106.64 |
| Provision for doubtful debts | | **40.00** | | 94.57 |
| General expenses | | **1909.88** | | 2496.27 |
| | | | **10649.75** | 11305.53 |
| Auditors' remuneration | | | | |
| Audit fees | | **18.00** | | 15.00 |
| Fees for taxation matters | | **3.86** | | 3.86 |
| Fees for other services | | **8.55** | | 5.04 |
| Reimbursement of expenses and levies | | **1.83** | | 1.99 |
| | | | **32.24** | 25.89 |
| Directors' fees | | | **2.35** | 1.64 |
| Decrease/(Increase) in work in progress and finished goods | | | | |
| Closing stocks | | | | |
| Work in progress | **3617.37** | | | 3852.87 |
| Finished goods | **4750.64** | | | 6398.76 |
| | | **8368.01** | | 10251.63 |
| Opening stocks | | | | |
| Work in progress | **3852.87** | | | 4348.71 |
| Finished goods | **6398.76** | | | 8729.69 |
| | | **10251.63** | | 13078.40 |
| | | | **1,883.62** | 2,826.77 |
| | | | **58122.46** | 55685.64 |
| Less : Expenses capitalised | | | **73.84** | 78.41 |
| | | | **58048.62** | 55607.23 |

# 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.

      In line with Accounting standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions entered into on and after 1st April, 2001, have been capitalised (refer note 28).

   iii. Depreciation : Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for computers, which are depreciated @ 20% instead of 16.21% (refer note 26) and leased assets are depreciated over the primary lease period (refer note 27).

   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.

      Other 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. Necessary provision is made for permanent diminution in value, if any.

   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 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 and pension fund is made monthly at a pre-determined rate to the Provident Fund Trust and Regional Provident Fund Commissioner respectively and debited to the profit and loss account on an accrual 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.

      Contribution to the Gratuity fund is made annually on the basis of actuarial valuation done at the end of the year to the Gratuity Fund Trust and debited to the profit and loss account on an accrual basis.

      Leave encashment benefit is provided on an actuarial basis.

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ix. Deferred revenue expenditure :

a) Software and implementation costs including user's licence fees of the Enterprise Resource Planning (ERP) system and other application software costs, are amortised over a period of five years.

b) Brand building costs are amortised over a period of two years.

x. Deferred Taxation : Deferred taxation is accounted for in respect of all timing differences on a liability method. Deferred tax asset is recognised to the extent where the management is reasonably certain that the realisation is more likely than not (refer note 33).

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.136.12 lakhs (2001 : Rs.271.38 lakhs).

3. Contingent liabilities not provided for - Rs.9837.89 lakhs (2001 : Rs.17859 lakhs) comprising of the following :

i) Guarantees given by the Company to banks - Rs.2813 lakhs (2001 : Rs.7224 lakhs).

ii) Letter of comfort given to a bank - Rs.1739 lakhs (2001 : Rs.2292 lakhs).

iii) Bills discounted by trade - Rs.4601 lakhs (2001 : Rs.4192 lakhs).

iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.684.89 lakhs (2001 : Rs.4151 lakhs).

4. a) The 10.50% redeemable cumulative preference shares aggregating Rs.500 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. 300 lakhs - 9th 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.

b) The 9.50% redeemable cumulative preference shares aggregating Rs.700 lakhs are redeemable at par at the end of 7 years from respective dates of allotment as under :

Rs.250 lakhs - 15th September 1997

Rs.250 lakhs - 15th January 2001

Rs.200 lakhs - 30th November 2001

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 9.50% redeemable cumulative preference shares aggregating Rs.250 lakhs are redeemable at par at the end of 3 Years from the date of allotment (i.e., 29th March 2002). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 2 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.

d) The 9.25% 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 July 2000). 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 9% redeemable cumulative preference shares aggregating Rs.35 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

Rs.10 lakhs - 30th March 2001

Rs.25 lakhs - 5th September 2001

However, they may be redeemed either at the option of the Company or by the Holder(s) at any time 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 9% redeemable cumulative preference shares aggregating Rs.220 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 30th June 2001). However, they may be redeemed either at the option of the Company or by the Holder at any time after the expiry of 24/36 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 9% redeemable cumulative preference shares aggregating Rs.595 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

Rs.400 lakhs - 3rd July 2001

Rs.10 lakhs - 29th September 2001

Rs.185 lakhs - 30th November 2001

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.

h) The 8.75% redeemable cumulative preference shares aggregating Rs.925 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

Rs.650 lakhs - 30th June 2001

Rs.275 lakhs - 5th September 2001

However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 12 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.

i) The 8.75% redeemable cumulative preference shares aggregating Rs.575 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

Rs.500 lakhs - 29th September 2001

Rs.70 lakhs - 31st October 2001

Rs.5 lakhs - 30th November 2001

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.

j) 9% redeemable cumulative preference shares aggregating Rs.940 lakhs have been issued and redeemed during the year. As per the terms of issue, these preference shares were redeemable at par at the end of 7 years from the respective dates of allotment with an option for early redemption either by the Company or by the Holder(s).

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

a) Loan of Rs.4062.50 lakhs (2001 : Rs.5000 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.

b) Loan of Rs.Nil (2001 : 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.

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c) Loan of Rs.Nil (2001 : Rs.1600 lakhs) secured by a second charge by way of hypothecation of current assets including book debts and inventories, both present and future.

d) Loan of Rs.5000 lakhs (2001 : Rs.Nil) 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.Nil (2001 : Rs.1100 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

b) loan of Rs.Nil (2001 : Rs.750 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

c) Loan of Rs.2080 lakhs (2001 : Rs.2500 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future (save and except current assets).

d) Loan of Rs.4750 lakhs (2001 : Rs.5000 lakhs) secured by a first charge on the movable assets (save and except current assets) and secured by an equitable mortgage of immovable properties of the Company, both present and future.

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 security covered under notes 5(a) and 6 above rank pari passu.

9. 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 :

i. Centura Watch Cases Private Limited

ii. Conee Chains Private Limited

iii. Hitech Times

iv. Sona Horological Private Limited

v. Sree Lakshmi Enterprises

vi. Vardhan Banda Limited

10. Exchange gain (net), included in the profit and loss account is Rs.346.19 lakhs (2001 : Loss Rs.376.21 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 2002-2003 is Rs.27.17 lakhs (2001-2002 : Rs.46.28 lakhs).

11. Sales includes sale of scrap Rs.217.31 lakhs (2001 : Rs.180.58 lakhs), sale of accessories Rs.3057.91 lakhs (2001 : Rs.2907.34 lakhs), income from services provided Rs.227.41 lakhs (2001 : Rs.158.44 lakhs) and is net of all discounts including cash discount of Rs.290.72 lakhs (2001 : Rs.207.06 lakhs).

12. Interest expense disclosed in the profit and loss account is net of Rs.600.80 lakhs (2001 : Rs.409.08 lakhs) being interest received on advances (Tax deducted at source Rs.49.50 lakhs (2001 : Rs.49.52 lakhs)).

13. Interest on fixed loans and debentures amounts to Rs.4525.50 lakhs (2001 : Rs.4629.57 lakhs).

14. The Directors' remuneration of Rs.147.77 lakhs (2001 : Rs.38.39 lakhs) comprises of payments to the Vice Chairman & Managing Director and to the Deputy Managing Director and is inclusive of contribution to provident and other funds Rs.6.43 lakhs (2001 : Rs.3.56 lakhs), perquisites Rs.22.90 lakhs (2001 : Rs.4.83 lakhs), commission Rs.43.20 lakhs (2001 : Rs.18.00 lakhs), gratuity Rs.37.67 lakhs (2001 : Nil) and other retirement benefits Rs.13.77 lakhs (2001 : Nil).

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

| | 2002 | 2001 |
|---|---|---|
| | | Rupees in lakhs |
| Number of Whole-time Directors | **2** | 1 |
| Profit before taxes as per Profit and Loss Account | **1815.82** | 2556.80 |
| Add: Director's remuneration | **147.77** | 38.39 |
| Director's fees | **2.35** | 1.64 |
| Depreciation provided in the accounts for the current year | **2327.99** | 2092.80 |
| Provision for Doubtful debts | **40.00** | 94.57 |
| Provision for diminution in value of investments | **40.09** | — |
| Wealth Tax | **0.97** | 1.46 |
| Loss on sale of fixed assets as per books (net) | **72.47** | 37.99 |
| | **4447.46** | 4823.65 |
| Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year | **2185.83** | 2092.80 |
| Loss on sale of fixed assets as per books (net) | **72.47** | 37.99 |
| Profit on sale of investments | **—** | 966.04 |
| Net profit | **2189.16** | **1726.82** |

15. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 7.00 million watches (2001 : 6.43 million watches), 0.29 million jewellery pieces (2001 : 0.29 million jewellery pieces) and 0.10 million Table Clocks (2001 : 0.10 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

16. The Company produced 60,80,040 watches (2001 : 63,19,649 watches) sold 61,19,094 watches - Rs.41864.43 lakhs (2001 : 66,04,937 watches - Rs.45388.23 lakhs) and had a Closing Stock of 3,46,583 watches - Rs.3142.80 lakhs (2001 : 3,85,637 watches – Rs.4064.83 lakhs; 2000 : 6,70,925 watches - Rs.6482.38 lakhs).

    The Company produced 14,593 Table Clocks (2001 : 62,834) sold 44,217 Table Clocks - Rs.183.61 lakhs (2001 : 1,48,916 Table Clocks - Rs.461.74 lakhs) and had a closing stock of 40,881 Table Clocks – Rs.118.39 lakhs (2001 : 70,505 Table Clocks - Rs.270.22 lakhs; 2000 : 1,56,587 Table Clocks - Rs.447.92 lakhs).

    The Jewellery Division of the Company produced 5,96,940 jewellery pieces (2001 : 739,619 jewellery pieces), sold 6,04,876 jewellery pieces - Rs 26,594.89 lakhs (2001 : 7,21,483 jewellery pieces - Rs 20,294.98 lakhs) and had a closing stock of 35,540 jewellery pieces - Rs 1,434.03 lakhs (2001 : 43,476 jewellery pieces - Rs 2,018.87 lakhs, 2000 : 25,340 jewellery pieces - Rs 1,611.88 lakhs).

17. The Company purchased 58,227 watches (2001 : 42,551 watches), sold 57,818 watches – Rs.302.35 lakhs (2001 : 71,145 watches - Rs.244.80 lakhs) and had a closing stock of 4,707 watches – Rs.19.14 lakhs (2001 : 4,298 watches - Rs.6.99 lakhs; 2000 : 32,892 watches - Rs.164.33 lakhs).

18. The Company purchased 4,450 clocks (2001 : 17,344 clocks), sold 7,032 clocks – Rs.30.45 lakhs (2001 : 13,202 clocks - Rs.54.15 lakhs) and had a closing stock of 11,872 clocks – Rs.36.29 lakhs (2001 : 14,454 clocks – Rs.37.85 lakhs; 2000 : 10,312 clocks - Rs.23.17 lakhs).

19. Analysis of raw materials and components consumed :

| | 2002 | 2001 |
|---|---|---|
| | | Rupees in lakhs |
| Precious metals -Gold (2002 : 3501 Kgs.)(2001 : 3023 Kgs.) | **15887.99** | 13418.19 |
| -Others | **1207.77** | 1164.78 |
| Components | **12618.06** | 11981.28 |
| Other materials | **6318.78** | 5393.35 |
| Sundry charges | **149.55** | 185.39 |
| | **36182.15** | 32142.99 |

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20. Value of imports on CIF basis :

| | 2002 | 2001 |
|---|---|---|
| | | Rupees in lakhs |
| Raw materials and components | **7264.30** | 4975.96 |
| Stores and spares | **290.06** | 329.18 |
| Capital goods | **103.23** | 221.76 |
| | **7657.59** | 5526.90 |

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

| | 2002 | 2001 |
|---|---|---|
| | | Rupees in lakhs |
| Interest | **90.10** | 77.11 |
| Professional and consultancy services | **8.67** | 8.84 |
| Others | **939.77** | 916.97 |

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

| | 2002 | 2001 |
|---|---|---|
| | | Rupees in lakhs |
| (i) Number of Shareholders | **10** | 11 |
| (ii) Number of equity shares on which dividend was paid | **78,700** | 83,190 |
| (iii) Year to which the dividend related | **2000-01** | 1999-00 |
| (iv) Amount remitted (net of tax) (Rs. in lakhs) | **2.05** | 2.16 |

23. Earnings in foreign exchange:

| | 2002 | 2001 |
|---|---|---|
| | | Rupees in lakhs |
| Export of goods on FOB basis | **5542.85** | 4538.75 |
| Interest | **378.35** | 326.39 |

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

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | **Rupees in Lakhs** | **%** | Rupees in Lakhs | % |
| Imported | | | | |
| CIF Value | **7440.67** | **20** | 5197.59 | 16 |
| Customs duties | **643.12** | **2** | 535.42 | 2 |
| | **8083.79** | **22** | 5733.01 | 18 |
| Indigenous | **28098.36** | **78** | 26409.98 | 82 |
| | **36182.15** | **100** | 32142.99 | 100 |

25. Expenditure directly attributable to research and development [including capital expenditure of Rs.4.33 lakhs; (2001 : Rs.14.91 lakhs)] is estimated at Rs.209.23 lakhs (2001 : Rs.211.04 lakhs).

26. During the year Company has revised the estimated useful life of computers from 6 years to 5 years which has resulted in additional depreciation charge of Rs.131.95 lakhs.

27. In line with Accounting Standard 19 on "Leases", the Company has capitalised 'finance lease' transactions entered on or after 1st April, 2001 which has resulted in net additional charge to Profit and Loss account of Rs.3.75 lakhs.

28. Additions to fixed assets during the year include vehicles acquired on lease, the details of which are as under:

(a) Vehicles acquired under finance lease : Rs.107.90 lakhs

(b) Net carrying amount as on 31.03.2002 : Rs. 91.74 lakhs

(c) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases entered into on and after 1st April 2001 for each of the following periods are :

| | Minimum Lease Payments outstanding (Rs. Lakhs) | Present value of Minimum Lease Payments outstanding (Rs. lakhs) |
|---|---|---|
| Not later than one year | 33.97 | 28.43 |
| Later than one year and not later than five years | 79.22 | 52.16 |

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed and there is no rental variation clause. The lease tenor is of 48 months. There are no purchase options and escalation clauses, however, there are termination options during the period of lease and renewal option at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease shall be reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

29. Obligation in respect of future lease rentals relating to lease finance availed prior to 1st April 2001, net of interest, is Rs.144.94 lakhs (2001 : Rs.181.50 lakhs).

30. Sundry creditors include Rs.68.53 lakhs (2001 : Rs.Nil) towards liability for lease of vehicles which falls due later than one year.

31. Transactions with the related parties during the year are set out in the table below : Rs. lakhs

| Sl. No | Nature of transaction | Promoters | Subsidiaries | Associates | Joint Venture Company | Key Management Personnel | Total |
|---|---|---|---|---|---|---|---|
| 1 | Purchase of components and raw materials | — | — | 1241.12 | 1225.12 | — | 2466.24 |
| 2 | Sale of components and finished goods | — | 1,914.37 | 20576.36 | 19.26 | — | 22509.99 |
| 3 | Construction of buildings | — | — | 695.22 | — | — | 695.22 |
| 4 | Income from services | — | — | 143.02 | — | — | 143.02 |
| 5 | Reimbursement of expenses | 18.98 | — | 743.94 | — | — | 762.92 |
| 6 | Interest earned | — | 358.12 | 242.66 | — | — | 600.78 |
| 7 | Interest paid | 60.17 | — | 28.96 | — | — | 89.13 |
| 8 | Rent paid | 37.60 | — | — | — | — | 37.60 |
| 9 | Dividend received | — | — | 40.63 | 4.50 | — | 45.13 |
| 10 | Dividend paid | 388.01 | — | 38.64 | — | — | 426.65 |
| 11 | Sitting fees paid | 0.62 | — | — | — | — | 0.62 |
| 12 | Investments made | — | 194.01 | — | — | — | 194.01 |
| 13 | Bill discounting | — | — | 1999.37 | — | — | 1999.37 |
| 14 | Guarantees to bank and letter of comfort given | — | 813.00 | 3739.00 | — | — | 4552.00 |
| 15 | Intercorporate deposits taken | 4280.00 | — | 1545.00 | — | — | 5825.00 |
| 16 | Intercorporate deposits repaid | 1700.00 | — | 1545.00 | — | — | 3245.00 |
| 17 | Preference Shares allotted | — | — | 3110.00 | — | — | 3110.00 |
| 18 | Preference Shares redeemed | — | — | 2230.00 | — | — | 2230.00 |
| 19 | Brand equity subscription | 100.31 | — | — | — | — | 100.31 |
| 20 | Recovery of expenses | — | — | 483.37 | 3.65 | — | 487.02 |
| 21 | Rendering of services | — | — | 70.49 | 10.63 | — | 81.12 |
| 22 | Loans given (net) | — | 4,649.21 | 2053.82 | — | — | 6703.03 |
| 23 | Managerial remuneration | — | — | — | — | 147.77 | 147.77 |

**Titan Industries Limited**

Balance as on balance sheet date debit / (credit)

Rs. lakhs

| Balances as on balance sheet date | Promoters | Subsidiaries | Associates | Joint Venture Company | Key Management Personnel | Total |
|---|---|---|---|---|---|---|
| Debit balance | — | 11769.01 | 17284.01 | 86.32 | — | 29139.34 |
| Credit balance | (2680.94) | — | — | — | (89.33) | (2770.27) |

Names of related parties and description of relationship :

a) Promoters : Tamilnadu Industrial Development Corporation Ltd.
Tata Sons Ltd.

b) Subsidiaries : Titan International Holdings B.V.
Titan Brand Holdings N.V
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.

c) Associates : Titan Properties Ltd.
Titan Mechatronics Ltd.
Tanishq (India) Ltd.
Titan Holdings Ltd.
Questar Investments Ltd.
Titan International Marketing Ltd.
Titan International (Middle East) FZE
Titan International Investments B.V
Reader's Digest Association Ltd.
RDI Print & Publishing Ltd.
Samrat Holdings Ltd.

d) Joint Venture Company : Titan TimeProducts Ltd.

f) Key Management Personnel : Mr. Xerxes Desai, Vice Chairman & Managing Director
Mr. Bhaskar Bhat, Deputy Managing Director

32. Earnings per share :

The following table sets forth the computation of basic and diluted earnings :

Rupees in lakhs

| | | 2002 | 2001 |
|---|---|---|---|
| a) | Profit after tax for the year | **1309.36** | 2347.64 |
| | Less : i) Dividend on preference shares | **352.96** | 395.83 |
| | ii) Dividend tax on preference shares | **26.39** | 88.15 |
| | | **930.01** | 1863.66 |
| b) | Weighted average number of equity shares | **4,22,76,270** | 4,22,76,270 |
| c) | i) Nominal value of shares (Rs) | **10.00** | 10.00 |
| | ii) Earnings per share - Basic and diluted (Rs) | **2.20** | 4.41 |

33. Consequent to the Accounting standard 22 on "Accounting for taxes on Income" becoming mandatory from 1st April 2001, the Company has accounted for deferred tax in respect of the timing differences. The deferred tax liability relating to earlier years has been adjusted to the opening balance of revenue reserves (i.e Rs.2063.20 lakhs against general reserves and Rs.2500 lakhs adjusted against balance brought forward of profit and loss account). The details of deferred tax asset/(liability) are as under :

Rs in lakhs

| | As at 31.03.2001 | Tax effect for the year | **As at 31.03.2002** |
|---|---|---|---|
| **Deferred Tax (Liability)** | | | |
| Fixed Assets | (4,551.25) | 232.21 | (4,319.04) |
| Deferred revenue expenditure | (114.20) | (106.36) | (220.56) |
| Sub Total | **(4,665.45)** | **125.85** | **(4,539.60)** |
| **Deferred Tax Asset** | | | |
| Provision for doubtful debts | 33.76 | 14.28 | 48.04 |
| Disallowances under section 43B | 10.40 | 0.19 | 10.59 |
| Provision for leave salary/gratuity | 51.06 | (27.75) | 23.31 |
| MAT credit available | 7.03 | (7.03) | — |
| Sub Total | **102.25** | **(20.31)** | **81.94** |
| **Net Deferred Tax Asset / (Liability)** | **(4,563.20)** | **105.54** | **(4,457.66)** |

34. Segment information for the year ended 31 March 2002
Primary Business Segments

Rs in lakhs

| | Watches & Clocks | Jewellery | Corporate (Unallocated) | Total |
|---|---|---|---|---|
| **Revenue**<br>Net sales/income from segments<br>(There is no inter-segment revenue) | 45712 | 26766 | — | 72478 |
| **Result** | | | | |
| Profit/(Loss) from segments before interest, other income and taxes | 4990 | 1274 | (45) | 6219 |
| Add : Other Income | 162 | 6 | 56 | 224 |
| Profit/(Loss) from segments before interest and taxes | 5152 | 1280 | 11 | 6443 |
| Less : Interest | | | | 4627 |
| Profit before taxes | | | | 1816 |
| Taxes | | | | 507 |
| Profit after taxes | | | | 1309 |
| **Other Information** | | | | |
| Segment Assets | 55784 | 17530 | 4588 | 77902 |
| Segment Liabilities | 8703 | 3943 | — | 12646 |
| Capital expenditure during the year (including capital Work-in-progress) | 1128 | 28 | — | 1156 |
| Depreciation / Amortisation | 2625 | 214 | — | 2839 |

Details of secondary segments are not disclosed as more than 90% of the Company's revenues, results and assets relate to the domestic market.

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

**Titan Industries Limited**

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

**I. REGISTRATION DETAILS**

| | |
|---|---|
| REGISTRATION NO. | 18-001456 |
| STATE CODE | 18 |
| BALANCE SHEET DATE | 31 (DATE) 03 (MONTH) 2002 (YEAR) |

**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 | 7790092 |
| TOTAL ASSETS | 7790092 |

**SOURCE OF FUNDS**

| | |
|---|---|
| PAID-UP CAPITAL | 822763 |
| RESERVES & SURPLUS | 824154 |
| DEFERRED TAX LIABILITY | 445766 |
| SECURED LOANS | 2100832 |
| UNSECURED LOANS | 2332099 |

**APPLICATION OF FUNDS**

| | |
|---|---|
| NET FIXED ASSETS | 2009037 |
| INVESTMENTS | 246243 |
| NET CURRENT ASSETS | 4208551 |
| MISC. EXPENDITURE | 61783 |
| ACCUMULATED LOSSES | NIL |

**IV. PERFORMANCE OF COMPANY (AMOUNT IN Rs. THOUSANDS)**

| | |
|---|---|
| TURNOVER | 7270270 |
| TOTAL EXPENDITURE | 7088688 |
| PROFIT/LOSS BEFORE TAX (+ ✓ -) | 181582 |
| PROFIT/LOSS AFTER TAX (+ ✓ -) | 130936 |
| EARNING PER SHARE IN Rs. | 2.20 |
| DIVIDEND RATE % | 15 |

**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,

T. K. Balaji
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
C. G. Krishnadas Nair
R. Vijaykumar
} Directors

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

Bhaskar Bhat — Managing Director

Bangalore, 26 June 2002

## Cash flow statement for the year ended 31 March 2002

Rupees in lakhs

| | Current Year | Previous year |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Net profit before tax | **1,815.82** | 2,556.80 |
| Adjustments for : | | |
| — Depreciation | **2,327.99** | 2,092.80 |
| — Exchange difference | **(346.19)** | 376.21 |
| — Financial lease payments | **61.35** | 28.94 |
| — Loss/(profit) on sale of fixed assets(net) | **72.47** | 37.99 |
| — Profit on sale of investments(net) | **—** | (966.04) |
| — Diminution in value of investments | **40.09** | — |
| — Interest received | **(121.35)** | (182.28) |
| — Dividend received | **(52.59)** | (10.26) |
| — Interest paid | **4,626.64** | 4,784.02 |
| Operating profit before working capital changes | **8,424.23** | 8,718.18 |
| Adjustments for : | | |
| — (Increase)/Decrease in sundry debtors | **(4,871.25)** | (3,798.68) |
| — (Increase)/Decrease in inventories | **2,140.85** | 3,721.51 |
| — (Increase)/Decrease in loans and advances | **(4,690.08)** | (3,493.30) |
| — Increase/(Decrease) in current liabilities and provisions | **4,128.94** | 1,251.64 |
| — (Increase)/Decrease in miscellaneous expenditure | **(297.93)** | 106.64 |
| Cash generated from operations | **4,834.76** | 6,505.99 |
| — Interest received | **121.35** | 182.28 |
| — Interest paid | **(4,898.70)** | (4,872.28) |
| — Direct taxes paid | **(621.90)** | (455.81) |
| Net cash from/(used in) operating activities | **(564.49)** | 1,360.18 |
| **B. Cash flow from investing activities** | | |
| Additions to fixed assets(including capital work in progress and advances on capital account) | **(1,453.04)** | (961.83) |
| Proceeds from sale of fixed assets | **77.74** | 95.96 |
| Purchase of investments | **(194.01)** | — |
| Proceeds from sale of investments | **—** | 1,170.00 |
| Dividend received | **52.59** | 10.26 |
| Net cash from/(used in) investing activities | **(1,516.72)** | 314.39 |
| **C. Cash flow from financing activities** | | |
| Proceeds from issue of preference share capital | **3,730.00** | 2,350.00 |
| Redemption of preference share capital | **(3,730.00)** | (2,350.00) |
| Proceeds from new borrowings | **15,070.69** | 15,393.09 |
| Repayment of borrowings | **(12,942.49)** | (14,184.10) |
| Financial lease payments | **(61.35)** | (28.94) |
| Dividends paid | **(1,350.54)** | (1,479.16) |
| Exchange difference | **346.19** | (376.21) |
| Net cash from/(used in) financing activities | **1,062.50** | (675.32) |
| Net cash flows during the year(A+B+C) | **(1,018.71)** | 999.25 |
| Cash and cash equivalents (opening balance) | **2,751.69** | 1,752.44 |
| Cash and cash equivalents (closing balance) | **1,732.98** | 2,751.69 |

FOR AND ON BEHALF OF THE BOARD,

T. K. Balaji
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
C. G. Krishnadas Nair
R. Vijaykumar
} Directors

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

Bhaskar Bhat — Managing Director

Bangalore, 26 June 2002

**AUDITORS' CERTIFICATE**

We have examined the above cash flow statement of Titan Industries Limited for the year ended 31st March,2002. 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 26 June 2002 to the members of the Company.

For A. F. Ferguson & Co.
Chartered Accountants
H. L. Shah
Partner

Bangalore, 26 June 2002

**Titan Industries Limited**

**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 International (Asia-Pacific) Pte Ltd |
| 2. | Financial year of the Subsidiary | 31st March 2002 | 31st March 2002 | 30th June 2002 |
| 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 EUR 500 each (fully paid up) | *2,500 equity shares of EUR 5 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 2002 | Nil | Nil | Nil |
| | b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31st March 2002 | EUR (44,183) | EUR (95,969) | SGD 103,713) |
| 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 2002 | Nil | Nil | Nil |
| | b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31st March 2002 | EUR 52,509 | EUR (9,542) | SGD (339,267) |

* held by Titan International Holdings BV

On behalf of the Board of Directors,

T K Balaji — Director

Bhaskar Bhat — Managing Director

Bangalore, 31 July 2002

## Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Titan Industries Limited

We have examined the attached consolidated balance sheet of Titan Industries Limited, its subsidiaries, associates and joint venture ("Titan Group") as at 31st March 2002, and the consolidated profit and loss account for the year then ended.

These financial statements are the responsibility of Titan Industries Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 15,551.53 lakhs as at 31st March 2002 and total revenues of Rs. 2,672.09 lakhs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 - Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of each of the Titan Group companies included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of each of the Titan Group companies, we are of the opinion that :

(a) the consolidated balance sheet gives a true and fair view of the consolidated state of affairs of the Titan Group as at 31st March 2002; and

(b) the Consolidated profit and loss account gives a true and fair view of the consolidated results of operations of the Titan Group for the year then ended.

For **A. F. Ferguson & Co.**
Chartered Accountants

**H. L. Shah**
Partner

Place: Bangalore
Date : 31 July, 2002

**Titan Group**

## Consolidated Balance Sheet as at 31 March 2002

| | Schedule | Rupees in lakhs | |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| Shareholders' funds | | | |
| Share capital | A | **8227.63** | |
| Reserves and surplus | B | **3623.67** | |
| | | | **11851.30** |
| Deferred tax liability | | | **4473.32** |
| Loan funds | | | |
| Secured loans | C | **21046.88** | |
| Unsecured loans | D | **24030.06** | |
| | | | **45076.94** |
| Total | | | **61401.56** |
| **APPLICATION OF FUNDS** | | | |
| Fixed assets | E | | |
| Gross block, at cost | | **41386.64** | |
| Less : Depreciation | | **18150.34** | |
| Net block | | **23236.30** | |
| Advances on capital account and capital work in progress, at cost | | **326.55** | |
| | | | **23562.85** |
| Investments | F | | **175.80** |
| Current assets, loans and advances | G | | |
| Inventories | | **13048.26** | |
| Sundry debtors | | **20137.68** | |
| Cash and bank balances | | **1861.46** | |
| Loans and advances | | **14581.12** | |
| | | **49628.52** | |
| Less : | | | |
| Current liabilities and provisions | H | | |
| Current liabilities | | **13093.45** | |
| Provisions | | **1226.81** | |
| | | **14320.26** | |
| Net current assets | | | **35308.26** |
| Miscellaneous expenditure (To the extent not written off or adjusted) | | | |
| Deferred revenue expenditure | | | **2354.65** |
| Total | | | **61401.56** |
| Notes | K | | |

Per our report attached

For and on behalf of the Board of Directors,

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

M. Madhavan Nambiar — Director

Ishaat Hussain — Director

Bhaskar Bhat — Managing Director

Bangalore, 31 July 2002

## Consolidated Profit and Loss Account for the year ended 31 March 2002

| | Schedule | | Rupees in lakhs |
|---|---|---|---|
| **INCOME** | | | |
| Sales | | | **73038.61** |
| Other income | I | | **653.78** |
| Total | | | **73692.39** |
| **EXPENDITURE** | | | |
| Operating and other expenses | J | | **58693.99** |
| Excise duty | | | **5883.63** |
| Depreciation | | | **2339.81** |
| Interest | | | **4977.78** |
| Total | | | **71895.21** |
| **PROFIT BEFORE TAXES** | | | **1797.18** |
| Income taxes — Current | | **631.39** | |
| — Deferred | | **(105.72)** | |
| | | | **525.67** |
| Net profit after taxes | | | **1271.51** |
| Share of profits less losses of associates | | | **38.74** |
| Net profit | | | **1310.25** |
| Details of movement in retained earnings | B | | |
| Notes | K | | |
| Earnings per share - Basic and diluted (Rs.) | | | **2.20** |

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 31 July 2002

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

For and on behalf of the Board of Directors,

M. Madhavan Nambiar — Director

Ishaat Hussain — Director

Bhaskar Bhat — Managing Director

**Titan Group**

## Schedules forming part of the consolidated accounts

| | | Rupees in lakhs as at 31-3-2002 |
|---|---|---|
| **"A" Share capital** | | |
| **Authorised** | | |
| 8,00,00,000 equity shares of Rs. 10 each | | 8000.00 |
| 40,00,000 redeemable cumulative preference shares of Rs. 100 each | | 4000.00 |
| | | 12000.00 |
| **Issued and subscribed** | | |
| 4,22,76,270 equity shares of Rs. 10 each, fully paid up | | 4227.63 |
| 5,00,000, 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up | 500.00 | |
| 9,50,000, 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up | 950.00 | |
| 2,00,000, 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up | 200.00 | |
| 8,50,000, 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up | 850.00 | |
| 15,00,000, 8.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up | 1500.00 | |
| | | 4000.00 |
| | | 8227.63 |

| | | | |
|---|---|---|---|
| **"B" Reserves and surplus** | | | |
| Capital reserve | | | 19.48 |
| Share premium account | | | 6172.69 |
| Translation adjustment on consolidation | | | (779.57) |
| **General reserve** | | | |
| Balance brought forward | | 2093.28 | |
| Less:Deferred tax liability of earlier years | | 2063.20 | |
| | | 30.08 | |
| Add:Transfer from profit and loss account | | 65.47 | |
| | | | 95.55 |
| Balance in profit and loss account | | | |
| Balance of profit brought forward | 3963.18 | | |
| Less : Deferred tax liability of earlier years | 2515.84 | | |
| | | 1447.34 | |
| Share of brought forward profits less losses of associates | (3,744.60) | | |
| Adjustment due to change in shareholdings | 181.49 | | |
| | | (3563.11) | |
| | | (2115.77) | |
| Add: Net profit after taxes for the year | | 1310.25 | |
| | | (805.52) | |
| **Appropriations** | | | |
| Dividend paid on preference shares | 256.90 | | |
| Proposed dividend on equity shares | 634.14 | | |
| Proposed dividend on preference shares | 96.06 | | |
| Tax on dividends | 26.39 | | |
| Transfer to general reserve | 65.47 | | |
| | | 1078.96 | |
| | | | (1884.48) |
| | | | 3623.67 |

# Schedules forming part of the consolidated accounts

| | Rupees in lakhs as at 31-3-2002 |
|---|---|
| **"C" Secured loans** | |
| Term loans from financial institutions | **9062.50** |
| Term loans from banks | **6830.00** |
| Interest free sales tax loan | **33.32** |
| Cash credit account secured by hypothecation of book debts, inventories, stores and spares | **5121.06** |
| | **21046.88** |

| | |
|---|---|
| **"D" Unsecured loans** | |
| Fixed deposits | **4887.65** |
| Loans from banks | **11422.41** |
| Deposits from companies | **7720.00** |
| | **24030.06** |

**"E" Fixed Assets**

Rupees in lakhs

| | GROSS BLOCK | | | | DEPRECIATION | | NET BLOCK |
|---|---|---|---|---|---|---|---|
| | Cost as at 1-4-2001 | **Additions** | **Deductions** | **Cost as at 31-3-2002** | **For the year** | **As at 31-3-2002** | **As at 31-3-2002** |
| Intangible assets | | | | | | | |
| Trademarks | 3389.23 | — | — | **3389.23** | — | — | **3389.23** |
| Land - freehold | 75.83 | — | **6.62** | **69.21** | — | — | **69.21** |
| Land - leasehold | 46.08 | — | — | **46.08** | **0.13** | **1.27** | **44.81** |
| Buildings | 3940.86 | **696.14** | — | **4637.00** | **109.59** | **923.04** | **3713.96** |
| Plant, machinery and equipment | 30133.72 | **599.16** | **91.56** | **30641.32** | **2061.95** | **16037.43** | **14603.89** |
| Furniture, fixtures and equipment | 2399.50 | **90.23** | **143.75** | **2345.98** | **139.56** | **1105.15** | **1240.83** |
| Vehicles | 207.82 | **107.90** | **57.90** | **257.82** | **32.06** | **83.45** | **174.37** |
| TOTAL | 40193.04 | **1493.43** | **299.83** | **41386.64** | **2343.29** | **18150.34** | **23236.30** |
| Advances on capital account and capital work in progress, at cost | | | | | | | **326.55** |
| | | | | | | | **23562.85** |

**Titan Group**

## Schedule forming part of the consolidated accounts

| | | Rupees in lakhs as at 31-3-2002 |
|---|---|---|
| **"F" Investments - Long term** | | |
| **Trade Investments** | | |
| **Share in associates (accounted on equity method)** | | |
| **Equity shares - Fully paid unquoted** | | |
| Titan Mechatronics Limited | **0.55** | |
| Titan Holdings Limited | **3.04** | |
| Questar Investments Limited | **22.46** | |
| Tanishq (India) Limited | **2.07** | |
| Titan Properties Limited | **10.29** | |
| Titan International Investments BV (See Schedule H) | — | |
| | | **38.41** |
| **Preference shares - Fully paid unquoted** | | |
| Titan International Investments BV (see schedule H) | — | |
| Titan International Marketing Limited (see schedule H) | — | |
| | | — |
| **Other equity shares in associates (accounted at cost)** | | |
| RDI Print & Publishing Limited | | **62.76** |
| **Others - unquoted** | | |
| Units of Unit Trust of India | **114.72** | |
| Less: Provision for diminution in value of investments | **40.09** | |
| | | **74.63** |
| | | **175.80** |

## Schedule forming part of the consolidated accounts

| | | Rupees in lakhs as at 31-3-2002 |
|---|---|---|
| **"G" Current assets, loans and advances** | | |
| **Inventories** | | |
| Consumable stores | | 353.49 |
| Loose tools | | 145.03 |
| Stock-in-trade | | |
| Raw materials and bought-out components | 3631.46 | |
| Work in progress | 3620.32 | |
| Finished goods | 5297.96 | |
| | | 12549.74 |
| | | 13048.26 |
| **Sundry debtors (unsecured)** | | |
| Over six months | | |
| Considered good | 2096.50 | |
| Considered doubtful | 134.57 | |
| | 2231.07 | |
| Others - considered good | 18041.18 | |
| | 20,272.25 | |
| Less: Provision for doubtful debts | 134.57 | |
| | | 20137.68 |
| **Cash and bank balances** | | |
| Cash and cheques on hand | 377.69 | |
| With banks - in current accounts | 660.51 | |
| - on deposit | 267.53 | |
| - in transit | 555.73 | |
| | | 1861.46 |
| Loans and advances (unsecured and considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 14554.42 | |
| Balances with customs and excise authorities | 26.70 | |
| | | 14581.12 |
| | | 49628.52 |

**Titan Group**

## Schedules forming part of the consolidated accounts

| | | Rupees in lakhs as at 31-3-2002 |
|---|---|---|
| **"H" Current liabilities and provisions** | | |
| **Current liabilities** | | |
| Sundry creditors | 11526.92 | |
| Share of losses of associates (net of investments in equity and preference shares) | 1280.42 | |
| Unclaimed dividends | 63.65 | |
| Interest accrued but not due on loans | 222.46 | |
| | | 13093.45 |
| **Provisions** | | |
| Proposed dividend on equity shares | 634.14 | |
| Proposed dividend on preference shares | 96.06 | |
| Provision for tax (net) | 10.77 | |
| Retiring gratuities | 204.94 | |
| Others | 280.90 | |
| | | 1226.81 |
| | | 14320.26 |

| | Rupees in lakhs year ended 31-3-2002 |
|---|---|
| **"I" Other income** | |
| Interest from staff loans, bank deposits and others - gross | 123.38 |
| Income from trade investments - gross | 41.50 |
| Dividend from units of Unit Trust of India | 7.46 |
| Royalty income | 428.79 |
| Miscellaneous income | 52.65 |
| | 653.78 |

## Schedule forming part of the consolidated accounts

| | | | Rupees in lakhs year ended 31-3-2002 |
|---|---|---|---|
| **"J" Operating and Other expenses** | | | |
| Raw materials and components consumed | | | **36341.11** |
| Stores and spare parts | | | **1546.30** |
| Purchases of finished goods | | | **217.20** |
| Payments to and provisions for employees | | | |
| Salaries and wages | | **6320.80** | |
| Company's contribution to provident and other funds | | **419.62** | |
| Gratuity | | **223.11** | |
| Welfare expenses | | **733.71** | |
| | | | **7697.24** |
| Other expenses | | | |
| Power and fuel | | **791.17** | |
| Repairs to buildings | | **84.30** | |
| Repairs to plant and machinery | | **187.85** | |
| Office and Adminstrative expenses | | **15.53** | |
| Advertising | | **3758.64** | |
| Selling and distribution | | **1319.54** | |
| Insurance | | **254.23** | |
| Rent | | **473.31** | |
| Rates and taxes | | **1114.01** | |
| Travel | | **352.17** | |
| Deferred revenue expenditure written off | | **765.17** | |
| Provision for doubtful debts | | **40.00** | |
| General expenses | | **1907.20** | |
| | | | **11063.12** |
| Auditors' remuneration | | | |
| Audit fees | | **22.27** | |
| Fees for taxation matters | | **3.99** | |
| Fees for other services | | **8.56** | |
| Reimbursement of expenses and levies | | **1.89** | |
| | | | **36.71** |
| Directors' fees | | | **2.49** |
| Decrease/(Increase) in work in progress and finished goods | | | |
| Closing stocks | | | |
| Work in progress | **3620.32** | | |
| Finished goods | **5297.96** | | |
| | | **8918.28** | |
| Opening stocks | | | |
| Work in progress | **3854.35** | | |
| Finished goods | **6927.59** | | |
| | | **10781.94** | |
| | | | **1863.66** |
| | | | **58767.83** |
| Less : Expenses capitalised | | | **73.84** |
| | | | **58693.99** |

## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS

**"K" Notes to the accounts**

1. Basis of Consolidation:

The Consolidated Financial Statements comprise the financial statement of Titan Industries Limited, its subsidiaries, associates and joint venture (Titan Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements, AS 23 on Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 on Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India. AS 23 and AS 27 have been implemented, although not mandatory during the current year.

The list of subsidiary companies which are included in the consolidation and the parent company's holdings therein are as under:

| Name of the company | Country of incorporation | Percentage holding |
|---|---|---|
| Titan International Holdings BV (TIHBV) | Netherlands | 100% |
| Titan Brand Holdings NV ( 100 % held by TIHBV) | West Indies | 100% |
| Titan Watches & Jewellery International (Asia Pacific) Pte. Limited (100 % held by TIHBV) | Singapore | 100% |

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March 2002.

The joint venture company viz. Titan TimeProducts Limited incorporated in India is considered in consolidation based on proportionate consolidation method in accordance with AS 27. The company has 25% ownership interest in the said joint venture Company.

The following Associate companies, not being subsidiaries or joint venture, over which the Company exercises significant influence by participating in financial and operating policy decisions are considered in consolidation based on equity method as provided in AS 23 and the Company's holding therein are us under:

| Name of the company | Percentage holding |
|---|---|
| Tanishq (India) Limited | 0.58% |
| Titan Properties Limited | 29.85% |
| Titan Mechatronics Limited | 14.29% |
| Titan Holdings Limited | 2.95% |
| Questar Investments Limited | 25.00% |
| Titan International Investments BV (TIIBV) | 19.00% |
| Titan International Marketing Limited ( 68.75 % held by TIIBV) | 13.06% |
| Titan International (Middle East), FZE (100 % held by TIIBV) | 19.00% |

The financial statements of the above associate companies considered in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March 2002 except for Titan International Investments BV and Titan International Marketing Limited whose financial year is ending on 31st December 2001, however, effect has been given to unaudited financial statements upto 31st March 2002.

Further, in accordance with AS 23, the investment in RDI Print & Publishing Limited, an associate company is accounted for in accordance with AS 13, on Accounting for Investments, in the preparation of these Consolidated Financial Statements as the investment is acquired and held exclusively with a view to its subsequent disposal in the near future.

2. 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 Titan Group are as stated below:

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

Income from royalty is recognised on accrual basis.

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.

In line with Accounting standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions entered into on and after 1st April, 2001, have been capitalised.

iii. Depreciation : Depreciation has been provided on the straight line method over the estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower. Leased assets are depreciated over the primary lease period.

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.

Other 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.

Translation adjustment on consolidation of foreign subsidiaries is directly taken to reserves and surplus.

v. Investments : Long term investments are valued at acquisition cost. Necessary provision is made for permanent diminution in value, if any.

Investments in Associate companies have been stated as per equity method.

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 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 and pension fund is made monthly at a pre-determined rate to the Provident Fund Trust and Regional Provident Fund Commissioner respectively and debited to the profit and loss account on an accrual 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.

Contribution to the Gratuity fund is made annually on the basis of actuarial valuation done at the end of the year to the Gratuity Fund Trust and debited to the profit and loss account on an accrual basis.

Leave encashment benefit is provided on an actuarial basis.

ix. Deferred revenue expenditure :

a) Software and implementation costs including user's licence fees of the Enterprise Resource Planning (ERP) system and other application software costs, are amortised over a period of five years.

b) Initial expenses incurred in connection with the incorporation of the company are amortised over a period of five years.

c) Design and development costs, which are expected to be recovered through royalty income from affiliates, are amortised over a period of ten years.

d) Brand building costs are amortised over a period of two years.

x. Deferred Taxation: Deferred taxation is accounted for in respect of all timing differences on a liability method. Deferred tax asset is recognised to the extent where the management is reasonably certain that the realisation is more likely than not.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.136.7 lakhs.

4. Contingent liabilities not provided for - Rs.9024.89 lakhs comprising of the following:

i) Guarantees given by the Company to banks - Rs.2000 lakhs.

ii) Letter of comfort given to a bank - Rs.1739 lakhs.

iii) Bills discounted by trade - Rs.4601 lakhs.

iv) Claims against the Company not acknowledged as debts: Sales tax, Customs, Excise and Income tax matters - Rs.684.89 lakhs.

5. a) The 10.50% redeemable cumulative preference shares aggregating Rs.500 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.300 lakhs - 9th 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.

b) The 9.50% redeemable cumulative preference shares aggregating Rs.700 lakhs are redeemable at par at the end of 7 years from respective dates of allotment as under :

Rs.250 lakhs - 15th September 1997

Rs.250 lakhs - 15th January 2001

Rs.200 lakhs - 30th November 2001

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 9.50% redeemable cumulative preference shares aggregating Rs.250 lakhs are redeemable at par at the end of 3 Years from the date of allotment (i.e., 29th March 2002). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 2 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.

d) The 9.25% 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 July 2000). 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 9% redeemable cumulative preference shares aggregating Rs.35 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under:

Rs.10 lakhs - 30th March 2001

Rs.25 lakhs - 5th September 2001

However, they may be redeemed either at the option of the Company or by the Holder(s) at any time 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 9% redeemable cumulative preference shares aggregating Rs.220 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 30th June 2001). However, they may be redeemed either at the option of the Company or by the Holder at any time after the expiry of 24/36 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 9% redeemable cumulative preference shares aggregating Rs.595 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under:

| | | |
|---|---|---|
| Rs.400 lakhs | - | 3rd July 2001 |
| Rs.10 lakhs | - | 29th September 2001 |
| Rs.185 lakhs | - | 30th November 2001 |

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.

h) The 8.75% redeemable cumulative preference shares aggregating Rs.925 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

| | | |
|---|---|---|
| Rs.650 lakhs | - | 30th June 2001 |
| Rs.275 lakhs | - | 5th September 2001 |

However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 12 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.

i) The 8.75% redeemable cumulative preference shares aggregating Rs.575 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

| | | |
|---|---|---|
| Rs.500 lakhs | - | 29th September 2001 |
| Rs.70 lakhs | - | 31st October 2001 |
| Rs.5 lakhs | - | 30th November 2001 |

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.

j) 9% redeemable cumulative preference shares aggregating Rs. 940 lakhs have been issued and redeemed during the year. As per the terms of issue, theses preference shares were redeemable at par at the end of 7 years from the respective dates of allotment with an option for early redemption either by the Company or by the Holder(s).

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

a) Loan of Rs.4062.50 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.

b) Loan of Rs.5000 lakhs secured by a second charge by way of hypothecation of current assets including book debts and inventories, both present and future.

**Titan Group**

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

   a) Loan of Rs.2080 lakhs secured by a first charge on the movable and immovable properties of the Company, both present and future (save and except current assets).

   b) Loan of Rs.4750 lakhs secured by a first charge on the movable assets (save and except current assets) and secured by an equitable mortgage of immovable properties of the Company, both present and future.

8. 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.

9. The security covered under notes 6(a) and 7 above rank pari passu.

10. Exchange gain (net), included in the profit and loss account is Rs.408.16 lakhs.

11. 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 2002-2003 is Rs.27.17 lakhs.

12. Sales includes sale of scrap Rs.217.31 lakhs, sale of accessories Rs.3057.91 lakhs, income from services provided Rs.227.41 lakhs and is net of all discounts including cash discount of Rs.290.72 lakhs.

13. Interest expense disclosed in the profit and loss account is net of Rs.317.43 lakhs being interest received on advances.

14. The Directors' remuneration of Rs.147.77 lakhs comprises of payments to the Vice Chairman & Managing Director and to the Deputy Managing Director and is inclusive of contribution to provident and other funds Rs.6.43 lakhs, perquisites Rs.22.90 lakhs , commission Rs.43.20 lakhs , gratuity Rs.37.67 lakhs and other retirement benefits Rs.13.77 lakhs.

15. Expenditure directly attributable to research and development [including capital expenditure of Rs.4.33 lakhs] is estimated at Rs.209.23 lakhs.

16. During the year Company has revised the estimated useful life of computers from 6 years to 5 years which has resulted in additional depreciation charge of Rs.131.95 lakhs.

17. In line with Accounting Standard 19 on "Leases", the Company has capitalised 'finance lease' transactions entered on or after 1st April, 2001 which has resulted in net additional charge to Profit and Loss account of Rs.3.75 lakhs.

18. Additions to fixed assets during the year include vehicles acquired on lease, the details of which are as under:

    (a) Vehicles acquired under finance lease : Rs.107.90 lakhs

    (b) Net carrying amount as on 31.03.2002 : Rs. 91.74 lakhs

    (c) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases entered into on and after 1st April 2001 for each of the following periods are :

| | Minimum Lease Payments outstanding (Rs. Lakhs) | Present value of Minimum Lease Payments outstanding (Rs. lakhs) |
|---|---|---|
| Not later than one year | 33.97 | 28.43 |
| Later than one year and not later than five years | 79.22 | 52.16 |

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed and there is no rental variation clause. The lease tenor is of 48 months. There are no purchase options and escalation clauses, however, there are termination options during the period of lease and renewal option at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease shall be reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

19. Obligation in respect of future lease rentals relating to lease finance availed prior to 1st April 2001, net of interest, is Rs.144.94 lakhs.

20. Sundry creditors include Rs.68.53 lakhs towards liability for lease of vehicles which falls due later than one year.

21. Transactions with the related parties during the year are set out in the table below :

Rs. lakhs

| Sl. No | Nature of transaction | Promoters | Associates | Joint Venture Company | Co-Venturer | Key Management Personnel | Total |
|---|---|---|---|---|---|---|---|
| 1. | Purchase of finished goods, components and raw materials | — | 1249.51 | 918.84 | — | — | 2168.35 |
| 2. | Sale of components and finished goods | — | 20641.15 | 14.45 | — | — | 20655.60 |
| 3. | Royalty income | — | 428.79 | — | — | — | 428.79 |
| 4. | Assets purchased | — | 695.22 | — | — | — | 695.22 |
| 5. | Income from services | — | 143.02 | — | — | — | 143.02 |
| 6. | Reimbursement of expenses | 18.98 | 743.94 | — | — | — | 762.92 |
| 7. | Interest earned | — | 244.13 | — | — | — | 244.13 |
| 8. | Interest paid | 60.17 | 28.96 | — | — | — | 89.13 |
| 9. | Rent paid | 37.60 | — | — | — | — | 37.60 |
| 10. | Dividend received | — | 40.63 | 4.50 | — | — | 45.13 |
| 11. | Dividend paid | 388.01 | 45.26 | — | — | — | 433.27 |
| 12. | Sitting fees paid | 0.62 | — | — | 0.03 | — | 0.65 |
| 13. | Bill discounting | — | 1999.37 | — | — | — | 1999.37 |
| 14. | Guarantees to bank and letter of comfort given | — | 3739.00 | — | — | — | 3739.00 |
| 15. | Intercorporate deposits taken | 4280.00 | 1545.00 | — | — | — | 5825.00 |
| 16. | Intercorporate deposits repaid | 1700.00 | 1545.00 | — | — | — | 3245.00 |
| 17. | Intercorporate deposits given | — | 33.75 | — | — | — | 33.75 |
| 18. | Investments made in preference shares | — | 3594.90 | — | — | — | 3594.90 |
| 19. | Investments in preference shares disposal off | — | 1042.50 | — | — | — | 1042.50 |
| 20. | Preference Shares allotted | — | 3110.00 | — | — | — | 3110.00 |
| 21. | Preference Shares redeemed | — | 2230.00 | — | — | — | 2230.00 |
| 22. | Brand equity subscription | 100.31 | — | — | — | — | 100.31 |
| 23. | Recovery of expenses | — | 483.37 | 2.74 | — | — | 486.11 |
| 24. | Rendering of services | — | 70.49 | 7.97 | — | — | 78.46 |
| 25. | Loans given (net) | — | 2053.82 | — | — | — | 2053.82 |
| 26. | Managerial remuneration | — | — | — | — | 147.77 | 147.77 |

Balance as on balance sheet date debit / (credit)

Rs lakhs

| Nature of transaction | Promoters | Associates | Joint Venture Company | Co-Venturer | Key Management Personnel | Total |
|---|---|---|---|---|---|---|
| Debit balance | — | 17377.75 | 64.74 | — | — | 17442.49 |
| Credit balance | (2680.94) | — | (21.39) | — | (89.33) | (2791.66) |

**Titan Group**

Names of related parties and description of relationship :

| | | |
|---|---|---|
| a) Promoters | : | Tamilnadu Industrial Development Corporation Ltd<br>Tata Sons Ltd |
| b) Associates | : | Titan Properties Ltd<br>Titan Mechatronics Ltd<br>Tanishq (India) Ltd<br>Titan Holdings Ltd<br>Questar Investments Ltd<br>Titan International Marketing Ltd<br>Titan International (Middle East) FZE<br>Titan International Investments B.V<br>Reader's Digest Association Ltd<br>RDI Print & Publishing Ltd<br>Samrat Holdings Ltd |
| d) Joint Venture Company | : | Titan TimeProducts Ltd |
| e) Co–venturer | : | Economic Development Corporation of Goa, Daman and Diu Ltd. |
| f) Key Management Personnel | : | Mr.Xerxes Desai, Vice Chairman & Managing Director<br>Mr.Bhaskar Bhat, Deputy Managing Director |

22. Earnings per share :

The following table sets forth the computation of basic and diluted earnings :

| | Rs. Lakhs |
|---|---|
| a) Net profit carried to reserves and surplus | 1310.25 |
| Less: i) Dividend on preference shares | 352.97 |
| ii) Dividend tax on preference shares | 26.39 |
| | 930.89 |
| b) Weighted average number of equity shares | 4,22,76,270 |
| c) i) Nominal value of shares (Rs) | 10.00 |
| ii) Earnings per share - Basic and diluted (Rs) | 2.20 |

23. Consequent to the Accounting standard 22 on "Accounting for taxes on Income" becoming mandatory from 1st April 2001, the Company has accounted for deferred tax in respect of the timing differences. The deferred tax liability relating to earlier years has been adjusted to the opening balance of revenue reserves (i.e Rs.2063.20 lakhs against general reserves and Rs.2515.84 lakhs adjusted against balance brought forward of profit and loss account). The details of deferred tax asset/(liability) are as under :

Rs in lakhs

| | As at 31.03.2001 | Tax effect for the year | **As at 31.03.2002** |
|---|---|---|---|
| **Deferred Tax (Liability)** | | | |
| Fixed Assets | (4,569.54) | 233.78 | (4,335.76) |
| Deferred revenue expenditure | (114.20) | (106.36) | (220.56) |
| Sub Total | (4,683.74) | 127.42 | (4,556.22) |
| Deferred Tax Asset | | | |
| Provision for doubtful debts | 33.76 | 14.28 | 48.04 |
| Minimum Alternate Tax of earlier years | 1.48 | (1.48) | — |
| Disallowance under section 43B | 11.37 | (0.78) | 10.59 |
| Provision for leave salary/gratuity | 51.06 | (26.69) | 24.37 |
| MAT credit available | 7.03 | (7.03) | — |
| Sub Total | 104.70 | (21.70) | 83.00 |
| Net Deferred Tax Asset / (Liability) | (4,579.04) | 105.72 | (4,473.32) |

24. Segment information for the year ended 31 March 2002

a) Primary Business Segments

Rs in lakhs

| | Watches & Clocks | Jewellery | Corporate (Unallocated) | Total |
|---|---|---|---|---|
| **Revenue** | 46390 | 26649 | — | 73039 |
| Net sales/income from segments (There is no inter-segment revenue) | | | | |
| **Result** | | | | |
| Profit/(Loss) from segments before interest, other income and taxes | 5268 | 1287 | (433) | 6122 |
| Add : Other Income | 595 | 6 | 52 | 653 |
| Profit/(Loss) from segments before interest and taxes | 5863 | 1293 | (381) | 6775 |
| Less : Interest | | | | 4978 |
| Profit before taxes | | | | 1797 |
| Taxes | | | | 526 |
| Profit after taxes | | | | 1271 |
| **Other Information** | | | | |
| Segment Assets | 55992 | 17285 | 2444 | 75721 |
| Segment Liabilities | 10017 | 3943 | 360 | 14320 |
| Capital expenditure during the year (including capital Work-in-progress) | 1131 | 28 | — | 1159 |
| Depreciation / Amortisation | 2891 | 214 | — | 3105 |

b) Secondary Geographical Segments

Rs in lakhs

| | India | Others | Total |
|---|---|---|---|
| Revenue | 67137 | 5902 | 73039 |
| Segment Assets | 61367 | 14354 | 75721 |
| Capital expenditure during the year (including capital Work-in-progress) | 1159 | — | 1159 |

25. In accordance with the transitional provision of Accounting Standard (AS) 21, Consolidated Financial Statements, previous year's figures have not been disclosed.

26. Adoption of AS 21 has been made mandatory for accounting periods commencing on or after 1st April 2001. The financial year 2001-02 being the first year of transition, it is not practical to present the consolidated cash flow statement since the adjusted opening balances, which are relevant for the year's cash flow, are not available.

27. Figures pertaining to the subsidiary companies have been reclassified, wherever necessary, to bring them in line with the parent company's financial statements.

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

K. F. Kapadia
Sr. Vice President - Finance

V. Madan
Company Secretary

M. Madhavan Nambiar — Director

Ishaat Hussain — Director

Bhaskar Bhat — Managing Director

Bangalore, 31 July 2002

## Titan International Holdings B.V., Amsterdam (a subsidiary company)

### 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, 2002.

**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

F K Kavarana X S Desai
M N Ramdas

*Amsterdam, July 22, 2002*

### 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, 2002. 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, 2002 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 note 5 to the financial statements. As explained in this note, 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 outcome of the measures undertaken to generate future profits in the subsidiary. We also draw attention to note 4; realizability of the amounts invested in design and development expenses depends on the flow for royalty income in the future.

*The Hague, The Netherlands,*
*July 22, 2002*

BOUWER & OFFICIER - *Accountants*

C M Oosterling
Registeraccountant

### Balance Sheet as of March 31, 2002

(after proposed appropriation of results)

| | Notes | 2002 Euros | 2001 Euros |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed Assets** | | | |
| Intangible assets | (4) | **4,255,507** | 4,850,892 |
| Investments | (5) | **5,559,585** | 5,113,723 |
| | | **9,815,092** | 9,964,615 |
| **Current Assets** | | | |
| Receivable from subsidiaries and affiliated companies | (6) | **12,436,397** | 11,099,241 |
| Interest receivable from affiliated companies | (7) | **462,666** | 605,132 |
| Other receivables and prepaid expenses | | **14,533** | 14,924 |
| Cash at banks | | **41,077** | 106,468 |
| | | **12,954,674** | 11,825,766 |
| TOTAL ASSETS | | **22,769,766** | 21,790,381 |
| **SHAREHOLDER'S EQUITY AND LIABILITIES** | | | |
| **Shareholder's Equity** | | | |
| Issued and fully paid-in share capital | (8) | **5,000,000** | 4,537,802 |
| Retained earnings | | **8,326** | 52,509 |
| | | **5,008,326** | 4,590,311 |
| **Long-term Liabilities** | (9) | **13,985,034** | 8,446,269 |
| **Current Liabilities** | | | |
| Short-term bank loans | (10) | **1,666,667** | 7,099,476 |
| Due to group and affiliated companies | (11) | **1,364,916** | 707,203 |
| Corporate tax payable | | **40,000** | 210,004 |
| Interest payable | | **655,824** | 717,991 |
| Accounts payable and accrued expenses | | **48,999** | 19,127 |
| | | **3,776,406** | 8,753,801 |
| **TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES** | | **22,769,766** | 21,790,381 |

### Profit and Loss Account for the Year Ended March 31, 2002

(expressed in Euros)

| | Notes | 2002 Euros | 2001 Euros |
|---|---|---|---|
| **Operating Income (Expense)** | | | |
| Royalty income | | **815,667** | 552,675 |
| General and administrative expenses | | **(27,453)** | (82,013) |
| Amortization expense | | **(607,308)** | (308,283) |
| Net operating income (loss) | | **180,906** | 162,379 |
| **Financial Income (Expenses)** | | | |
| Interest expenses, net | (12) | **(394,916)** | (68,617) |
| Currency exchange differences | | **209,827** | (49,490) |
| Net financial income (expenses) | | **(185,089)** | (118,107) |
| **Result before provision for income taxes** | | **(4,183)** | 44,272 |
| Provision for income taxes | (13) | **(40,000)** | (39,166) |
| **NET PROFIT / (LOSS) FOR THE YEAR** | | **(44,183)** | 5,106 |

The accompanying notes form part of these accounts.

## Notes to the Annual Accounts — March 31, 2002

(expressed in Euros)

**1a Group Affiliation and Principal Activities**

The Company was incorporated on November 23, 1993, as a limited liability company with its statutory seat in Amsterdam, The Netherlands.

During the fiscal year, the principal activity of the Company was 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 takes place. In the past, costs associated with brand-building, trademarks and design and development were charged to the Company by affiliated companies.

**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 Euro at rates of exchange applicable at the balance sheet date, unless stated differently. Transactions in foreign currencies are translated at the rates in effect at the dates of the transactions.

Exchange gains or losses are reflected in the profit and loss account.

| | | 2002 | 2001 |
|---|---|---|---|
| Exchange rates used at year-end are: | GBP 1 | **1.6350335** | 1.6140962 |
| | USD 1 | **1.0464172** | 1.1394421 |
| | SGD 1 | **0.6227925** | 0.6312083 |

**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, 2002 the amount represents incorporation expenses and design and development expenses, and is specified as follows:

| | 2002 | 2001 |
|---|---|---|
| Incorporation expenses | **23,605** | 23,605 |
| Accumulated depreciation | **(20,171)** | (18,454) |
| Book value of incorporation expenses | **3,434** | 5,151 |
| Legal expenses | **2,542** | — |
| Accumulated depreciation | — | — |
| Book value of legal expenses | **2,542** | — |
| Design and Development expenses | | |
| Total cost at the beginning of the year | **5,963,222** | 2,977,144 |
| Additions during the year | — | 2,986,078 |
| Total cost before acumulated amortization | **5,963,222** | 5,963,222 |
| Accumulated amortization | **(1,713,691)** | (1,117,481) |
| Book value at the end of the year | **4,249,531** | 4,845,741 |
| Total intangible assets | **4,255,507** | 4,850,892 |

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 | 2002 | 2001 |
|---|---|---|---|
| **Titan International Marketing Ltd., U.K.** Representing all of the 5.75% redeemable non-cumulative preference shares | 46 | **4,841,835** | 4,841,835 |
| **Titan International Investments B.V., the Netherlands** Representing all of the 5% preference shares of EUR 10 each | 69 | **600,000** | — |
| 50,161 shares of EUR 1 each (representing 19% of the ordinary share capital or 6% of the total paid-up capital) | 6 | **50,161** | 205,454 |
| **Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd., Singapore,** 100,000 shares of S$ 1 each | 100 | **55,090** | 55,090 |
| **Titan Brand Holdings N.V., Netherlands Antilles** 2,500 shares of EUR 5 each | 100 | **12,500** | 11,345 |
| Total investments stated at cost | | **5,559,585** | 5,113,723 |

**Titan International Marketing Ltd., U.K ("TIML"):**

The shareholders' equity as of March 31, 2002 consisted of 2,500,000, 6% redeemable non-convertible non-cumulative preferred shares, 2,000,000 4% redeemable, non-convertible cumulative preferred shares, 3,000,000 5.75% redeemable, non-convertible non-cumulative 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, 2001;

| | GBP | EUR |
|---|---|---|
| Shareholders' equity | **(821,636)** | (1343,375) |
| Net loss for the period (12 months) | **(1,075,528)** | (1,758,488) |

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, 2003.

**Titan International Investments B.V., the Netherlands ("TIIBV"):**

The shareholders' equity of Titan International Investments B.V. as of December 31, 2001 and the net profit for the period then ended are EUR 806,666 and EUR (96,926) 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 audited financial statements as of March 31, 2002:

| | SGD | EUR |
|---|---|---|
| Shareholder's equity | **(135,554)** | (84,422) |
| Net profit for the period (9 months) | **103,713** | 64,592 |

## Titan International Holdings B.V., Amsterdam (a subsidiary company)

**Titan Brand Holdings N.V. ("TBHNV") Netherlands Antilles:**

The shareholder's equity of this entity as of March 31, 2002 and the loss for the period then ended amount to EUR (93,011) and EUR 95,969 respectively, based on unaudited financial statements.

EUR equivalents are stated at year-end exchange rate for presentation purposes.

**6 Receivable from Subsidiaries and Affiliated Companies**

| | 2002 | 2001 |
|---|---|---|
| TAPL, Singapore | — | 66,310 |
| TIML, U.K. | 2,967,202 | 4,786,471 |
| TBHNV, Netherlands Antilles | 340,335 | 352,852 |
| TIIBV, the Netherlands, including interest | 9,128,860 | 5,893,608 |
| | 12,436,397 | 11,099,241 |

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 Interest receivable from affiliated companies**

| | 2002 | 2001 |
|---|---|---|
| TIML, U.K. | 462,666 | 633,084 |
| TBHNV, Netherlands Antilles | — | (27,952) |
| | 462,666 | 605,132 |

**8 Shareholder's Equity**

The authorized share capital of the Company is EUR 5,000,000

divided into 10,000 shares of EUR 5,000 each.

Movements in the shareholder's equity accounts are as follows:

| | 2002 | 2001 |
|---|---|---|
| Share capital | | |
| Authorized share capital | 5,000,000 | 4,537,802 |
| Not issued | — | — |
| Issued and paid-in share capital | 5,000,000 | 4,537,802 |
| Retained earnings: | | |
| Retained earnings carried forward | 52,509 | 47,403 |
| Result for the year | (44,183) | 5,106 |
| Retained earnings | 8,326 | 52,509 |
| Total shareholder's equity | 5,008,326 | 4,590,311 |

**9 Long-term Liabilities**

| | 2002 | 2001 |
|---|---|---|
| **Parent Company:** | | |
| EUR account | 7,850,000 | 3,000,000 |
| GBP account (GBP 1,000,000) | 1,635,034 | — |
| USD account (USD 4,500,000) | 4,500,000 | 523,259 |
| | 13,985,034 | 3,523,259 |
| **Other Loans** | | |
| KBC Bank Nederland N.V. | — | 4,500,000 |
| Less: one-fourth short-term portion | — | (1,125,000) |
| Hongkong & Shanghai Banking Corporation, Bahrain | 1,666,667 | 3,292,040 |
| Less: short-term portion | (1,666,667) | (1,744,029) |
| | 13,985,034 | 8,446,269 |

All loans from the parent company bear interest at a rate equivalent to the bank rate delcared by the Reserve Bank of India from time to time which was 7% per annum up to 21 October 2001 and has been reduced to 6.50% per annum from 22 October 2001.

All the bank loans (including those detailed in Note 10) have been guaranteed by the parent company. The parent company has indicated that it will require redemption of its US Dollar loan at a rate not exceeding NLG 2.20371. It has also indicated that it will cover any exchange losses above the rate on the short-term portion of the HSBC Bank loan, due in April 2002. In view of this, these liabilities are recorded at the aforementioned exchange rate. If the above funds had remained payable at regular USD rates, the total liability at March 31, 2002 would have been approximately EUR 229,524 higher.

An arrangement fee of USD 50,000 paid in respect of the above loan from HSBC Bank, has been capitalized under "other receivables and prepaid expenses" and is being amortized over 5 years (the maturity period of the loan).

**10 Short-term Liabilities -Bank Loans**

| | 2002 | 2001 |
|---|---|---|
| Short-term portion of KBC Bank loan | — | 1,125,000 |
| Short term portion of HSBC Bank loan | 1,666,667 | 1,744,029 |
| Bank of America | — | 2,616,294 |
| Standard Chartered Bank | — | 1,614,153 |
| | 1,666,667 | 7,099,476 |

**11 Due to Group and Affiliated Companies**

| | 2002 | 2001 |
|---|---|---|
| Titan International (Middle East) FZE, UAE | 560,898 | 569,125 |
| TAPL, Singapore | 620,247 | — |
| Titan Brand Holdings N.V., Netherlands Antilles | (65,656) | 13,322 |
| Titan Industries Ltd., India | 249,427 | 124,756 |
| | 1,364,916 | 707,203 |

**12 Interest Expense**

During the fiscal year, approximately one-fourth of the interest expense was related to third party financing. Almost all interest income was related to intercompany financing.

**13 Income Taxes**

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

**14 Directors and Employees**

The Company has no employees.

The Company had four unremunerated directors during the year. No loans or advances have been given or received from the directors.

The Company has no supervisory directors.

On December 7, 2001 Mr. A L Mudaliar resigned from his directorship of the Company having attained the retirement age of 75 years.

### OTHER INFORMATION

**1 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.

This proposal has been reflected in the accompanying annual accounts.

**2 Post Balance Sheet Events**

No matters or circumstances of importance have arisen since the end of the fiscal 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.

**3 Auditors' Report**

Bouwer & Officer Accountants have carried out the audit of this annual report. The Auditors' Report is annexed and dated July 22, 2002.

## MANAGING DIRECTOR:

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

## DIRECTOR'S REPORT:

Management herewith submits the Annual Report for the year ended March 31, 2002.

During the year under review, the Company recorded a net loss of EUR 95,969 details of which are set out in the attached Statement of Income and Expenses. The deficit occurred primarily on account of foreign exchange losses on the loan of USD 2,000,000 from Titan Industries Limited. The shareholder does not intend to recapitalise the Company since as of the date of this report the Company has registered a significant exchange gain on this loan, which will be accounted in the current year.

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.

Curaçao Corporation Company N.V.
*(Managing Director)*

*July 30, 2002*

## AUDITOR'S REPORT:

**Introduction**

We have audited the financial statements of Titan Brand Holdings N.V. curacao, for the period from April 1, 2001 through March 31, 2002. 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 stetements 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, 2002 and of the result for the period from April 1, 2001 to March 31, 2002, in accordance with International Accounting Standards.

For John Thomas & Co.
Chartered Accountants

John P. Thomas
Proprietor

*July 31, 2002*

(Expressed in Euros)

## Balance Sheet at March 31, 2002

| | | | 03/31/2002 | 03/31/2001 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **FIXED ASSETS** | | | | |
| Trademarks | (1) | | **8,304,178** | 8,304,178 |
| **CURRENT ASSETS** | | | | |
| Royalty receivable | | **—** | | 13,322 |
| Prepaid expenses | | **1,377** | | 1,367 |
| Cash at bank | (2) | **1,528** | | 172 |
| | | | **2,905** | 14,862 |
| | | | **8,307,083** | 8,319,040 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital paid up | (3) | **12,500** | | 11,345 |
| Deficit | (4) | **(105,511)** | | (9,542) |
| | | | **(93,011)** | 1,803 |
| Loans payable | (5) | | **4,903,604** | 4,900,826 |
| Other payables | (6) | | **3,403,352** | 3,403,352 |
| **CURRENT LIABILITIES** | | | | |
| Netherlands Antilles profit tax | | **5,774** | | 5,569 |
| Interest payable | (7) | **63,657** | | — |
| Intercompany account | (8) | **7,186** | | 3,186 |
| Accounts payable and accrued expenses | (9) | **16,524** | | 4,304 |
| | | | **93,138** | 13,059 |
| | | | **8,307,083** | 8,319,040 |

*July 30, 2002*

(Expressed in Euros)

## Statement of Income and Expenses for the year ended March 31, 2002.

| | | 03/31/2002 | 03/31/2001 |
|---|---|---|---|
| **INCOME** | | | |
| Royalty income | | **262,622** | 344,405 |
| **EXPENSES** | | | |
| Interest expenses | **327,481** | | 323,368 |
| Bank account expenses | **27** | | 51 |
| Notarial expenses | **784** | | 725 |
| Accounting fees | **4,521** | | 5,242 |
| Audit fees | **1,343** | | 3,187 |
| Domiciliary and administrative expenses | **6,781** | | 4,875 |
| General expenses | **1,377** | | 2,545 |
| | | **342,314** | 339,993 |
| **Income before realized gains/(losses)** | | **(79,692)** | 4,412 |
| Realized currency exchange gain/(loss) | | **(14,332)** | (1,075) |
| **Net result before taxes** | | **(94,024)** | 3,337 |
| Netherlands Antilles profit tax | | **(1,945)** | (3,024) |
| **Net result for the period** | | **(95,969)** | 313 |

*July 30, 2002*

## Titan Brand Holdings N.V.

### Notes to the Financial Statements for the year ended March 31, 2002

**GENERAL:**

The Company was incorporated under the laws of the Netherlands Antilles by Deed of a Civil-Law Notary dated December 24, 1998.

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.

The authorized share capital of the Company amounts to EUR 50,000.- divided into 10,000 shares of EUR 5.- each. At balance sheet date 2,500 shares are issued and paid for.

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

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 object or that is connected therewith in the widest sense, including the participation in any other venture or company.

| **EXCHANGE RATES:** | **Closing** | **Average** |
|---|---|---|
| US Dollars | 1.14718 | 1.13020 |
| Neth. Antillean Guilders | 1.55163 | 1.57495 |
| Pound Sterling | 1.63531 | 1.61978 |
| Dutch Guilder | 2.20371 | 2.20371 |

(Expressed in Euros)

**BALANCE SHEET:**

**(1) Trademarks:** 8,304,178

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) Cash at Bank:** 1,528

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

**(3) Share capital paid up:** 12,500

| | | |
|---|---|---|
| Authorized Share Capital | | |
| - 10,000 common shares @ EUR 5.- | 50,000 | |
| Unissued Shares - 7,500 common shares @ EUR 5.- | (37,500) | |
| | 12,500 | |

**(4) Deficit:** (108,104)

| | | |
|---|---|---|
| Balance as at April 1, 2001 | (9,542) | |
| Gain/(Loss) for the period | (98,563) | |
| Balance as at March 31, 2002 | (108,104) | |

**(5) Loans payable:** 4,903,604

Represents the following :

| | | | | |
|---|---|---|---|---|
| - Loan payable to the shareholder, interest rate of 6% p.a. | NLG | 750,000 | 340,335 | |
| - Loan payable to Titan Industries Ltd, at variable interest rates, which are linked to the Bank rate of the Reserve Bank of India | NLG | 5,000,000 | 2,268,901 | |
| - Loan payable to Titan Industries Ltd, at variable interest rates, which are linked to the Bank rate of the Reserve Bank of India | USD | 2,000,000 | 2,294,367 | |
| | | | 4,903,604 | |

**(6) Other payables:** 3,403,352

Amount payable to Titan Industries Ltd. of NLG 7,500,000.00

**(7) Interest payable:** 63,656

Represents the net interest payable after the deduction of: royalty receivable from trademarks

**(8) Intercompany account:** 7,186

Represents the balances due to:

| | | |
|---|---|---|
| - Titan Industries Ltd | 3,186 | |
| - Titan International Holdings B.V. | 4,000 | |
| | 7,186 | |

**(9) Accounts payable and accrued expenses:** 19,145

| | | | | |
|---|---|---|---|---|
| - CITCO invoice 98068197 | USD | 777 | 891 | |
| - CITCO invoice 98070729 | USD | 11,912 | 13,665 | |
| - Accrued audit expenses | | | 247 | |
| - Accrued accounting fees | USD | 1,500 | 1,721 | |
| | | | 16,524 | |

**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 period from 1 July 2001 to 31 March 2002.

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 period.

3 **SUBSIDIARIES**

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

4 **ACCOUNTS**

| | |
|---|---|
| Net profit for the period after taxation | S$ 103,713 |

5 **RESERVES OR PROVISIONS**

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

6 **ISSUE OF SHARES OR DEBENTURES**

There were no shares or debentures issued during the period.

7 **ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS**

Neither at the end of the financial period, nor at any time during that period, 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 period 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 period.

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 period 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 PERIOD 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 period 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 period 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 period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period 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 period to take up unissued shares of the Company.

19 **SHARE OPTIONS EXERCISED**

During the period, 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 period.

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: 20 May 2002

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying balance sheet, profit and loss account, statement of changes in equity and cash flow statement 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 31 March 2002 and of the results of the business and changes in equity and cash flows of the Company for the period 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: 20 May 2002

## Titan Industries Limited

**AUDITORS' REPORT TO THE MEMBERS OF**

**TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD**

(Incorporated in the Republic of Singapore)

We have audited the accompanying balance sheet of **TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD** as at 31 March 2002, the profit and loss account, statement of changes in equity and cash flow statement for the period 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 31 March 2002 and of the results and changes in equity and cash flow of the Company for the period 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 : 20 May 2002

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JULY 2001 TO 31 MARCH 2002**

| | NOTE | 1.7.2001 TO 31.3.2002 S$ | 1.7.2000 TO 30.6.2001 S$ |
|---|---|---|---|
| **REVENUES** | | | |
| Sales of goods | | 7,078,205 | 4,054,015 |
| Fixed deposit Interest Income | | 473 | 461 |
| Loan Interest Income | | 6,672 | — |
| Other Income | | — | 4,115 |
| Total Revenues | | 7,085,350 | 4,058,591 |
| **COSTS AND EXPENSES** | | | |
| Cost of sales | | 6,222,379 | 3,418,060 |
| Audit fee | | | |
| — Statutory | | 4,000 | 3,700 |
| — Non-Statutory | | — | 1,175 |
| — Prior Year's Underprovision | | 300 | 200 |
| Depreciation | 4 | 422 | 1,299 |
| Amortisation of deferred trademark royalty | | 18,938 | 16,871 |
| Foreign currency fluctuation | | 21,116 | 149,799 |
| Salaries and employee benefits | | 56,518 | 121,045 |
| Other operating expenses | | 565,284 | 591,519 |
| Total costs and expenses | | 6,888,957 | 4,303,668 |
| **PROFIT/(LOSS) FROM OPERATING ACTIVITIES** | | 196,393 | (245,077) |
| **FINANCE COST** | | | |
| Interest on loan | | (92,680) | (49,796) |
| **PROFIT/(LOSS) BEFORE TAXATION** | | 103,713 | (294,873) |
| Taxation | 13 | — | — |
| **NET PROFIT/(LOSS)** | | 103,713 | (294,873) |

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

**BALANCE SHEET AS AT 31 MARCH 2002**

| | NOTE | 2002 S$ | 2001 S$ |
|---|---|---|---|
| **SHARE CAPITAL** | 3 | 100,000 | 100,000 |
| **ACCUMULATED (LOSSES)** | | (235,554) | (339,267) |
| | | (135,554) | (239,267) |
| Represented by:- | | | |
| **FIXED ASSETS** | 4 | 703 | 1,125 |
| **DEFERRED EXPENDITURE** | 5 | — | 24,969 |
| **DEFERRED TRADEMARK ROYALTY EXPENDITURE** | 6 | 787,704 | 806,642 |
| **CURRENT ASSETS** | | | |
| Stocks | | 2,191,368 | 1,974,702 |
| Trade debtors | | 2,130,354 | 893,780 |
| Other debtors | 7 | 31,757 | 127,962 |
| Loan to holding company | 8 | 1,111,272 | — |
| Fixed deposit | 9 | 19,654 | 17,181 |
| Cash and bank balances | | 395,896 | 106,006 |
| | | 5,880,301 | 3,119,631 |
| **Less: CURRENT LIABILITIES** | | | |
| Trade creditors and accruals | 10 | 4,841,692 | 1,858,227 |
| Amount due to related company | 11 | — | 460,411 |
| Loan repayable within 12 months | 12 | 489,770 | 414,596 |
| | | 5,331,462 | 2,733,234 |
| **NET CURRENT ASSETS** | | 548,839 | 386,397 |
| **NON-CURRENT LIABILITIES** | | | |
| Loan repayable after 12 months | 12 | (1,472,800) | (1,458,400) |
| | | (135,554) | (239,267) |

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

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JULY 2001 TO 31 MARCH 2002**

| | 1.7.2001 TO 31.3.2002 S$ | 1.7.2000 TO 30.6.2001 S$ |
|---|---|---|
| **ISSUED CAPITAL** | | |
| Balance at beginning of period/year | **100,000** | 100,000 |
| Balance at end of period/year | **100,000** | 100,000 |
| **ACCUMULATED LOSSES** | | |
| Balance at beginning of period/year | **(339,267)** | (44,394) |
| Net Profit/(Loss) | **103,713** | (294,873) |
| Balance at end of period/year | **(235,554)** | (339,267) |
| **TOTAL EQUITY** | **(135,554)** | (239,267) |

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

**NOTES TO THE ACCOUNTS - 31 MARCH 2002**

**1A GOING CONCERN BASIS**

These accounts have been prepared on a going concern basis as the holding company has confirmed that it would provide adequate financial support for the Company to carry on as a going concern.

**1B SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Accounting**

The accounts expressed in Singapore dollars are prepared under the historical cost convention and in accordance with Singapore Statements of Accounting Standards (SAS) and applicable requirements of Singapore law.

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% |

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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.

H. **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and bank balances.

**2 GENERAL**

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

The Company has changed its financial year end from June to March and as such, this set of account covered the period from 1 July 2001 to 31 March 2002.

The registered office of the Company is located at 55A Science Park Drive, The Faraday, Singapore 118236.

The Company operates in Singapore and employed 2 employees as of 31 March 2002.

**3 SHARE CAPITAL**

| | 2002 S$ | 2001 S$ |
|---|---|---|
| **Authorised** | | |
| Ordinary shares of S$1 each | **1,000,000** | 1,000,000 |
| **Issued And Fully Paid Up** | | |
| Ordinary shares of S$1 each | **100,000** | 100,000 |

**4 FIXED ASSETS**

| COST | As @ 1.7.01 S$ | Addition S$ | Disposal S$ | As @ 31.3.02 S$ |
|---|---|---|---|---|
| Computer hardware | 7,859 | — | — | 7,859 |
| Computer software | 990 | — | — | 990 |
| Furniture & fittings | 9,969 | — | — | 9,969 |
| Telephone | 2,275 | — | — | 2,275 |
| | 21,093 | — | — | 21,093 |

| | As @ 1.7.01 S$ | Addition S$ | Disposal S$ | As @ 31.3.02 S$ | Depreciation 2001 S$ |
|---|---|---|---|---|---|
| **ACCUMULATED DEPRECIATION** | | | | | |
| Computer hardware | 6,734 | 422 | — | 7,156 | 563 |
| Computer software | 990 | — | — | 990 | — |
| Furniture & fittings | 9,969 | — | — | 9,969 | — |
| Telephone | 2,275 | — | — | 2,275 | 736 |
| | 19,968 | 422 | — | 20,390 | 1,299 |
| NET BOOK VALUE | 1,125 | | | 703 | |

**5 DEFERRED EXPENDITURE**

| | 2002 S$ | 2001 S$ |
|---|---|---|
| Cost | **107,258** | 107,258 |
| Amount amortised | **(107,258)** | (82,289) |
| Balance carried forward | — | 24,969 |

**6 DEFERRED TRADEMARK ROYALTY EXPENDITURE**

| | 2002 S$ | 2001 S$ |
|---|---|---|
| Lump sum payment | **850,000** | 850,000 |
| Amount amortised | **(62,296)** | (43,358) |
| Balance carried forward | **787,704** | 806,642 |

**7 OTHER DEBTORS**

| | 2002 S$ | 2001 S$ |
|---|---|---|
| Advance payment of royalty | — | 4,347 |
| Staff advance | — | 5,000 |
| Prepayments | **31,757** | 118,615 |
| | **31,757** | 127,962 |

## Titan Industries Limited

**8 LOAN TO HOLDING COMPANY**

Loan to holding Company is unsecured, bears interest at 6.5% per annum and repayable on demand.

**9 FIXED DEPOSIT**

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

**10 TRADE CREDITORS AND ACCRUALS**

Included in trade creditors and accruals is an amount of S$4,585,965 (2001 : S$1,653,364) and S$1,326 (2001 : S$56,690) due to ultimate holding company and holding company respectively.

**11 AMOUNT DUE TO RELATED COMPANY**

This is non-trade in nature, unsecured, interest-free and repayable on demand.

**12 LOAN**

| | 2002 S$ | 2001 S$ |
|---|---|---|
| Repayable within 12 months | 489,770 | 414,596 |
| Repayable after 12 months | 1,472,800 | 1,458,400 |
| | 1,962,570 | 1,872,996 |

The loan from ultimate holding company is repayable in five annual instalments of US$200,000 each on or before 31 March every year, commencing 31 March 2002, but may be prepaid either partly or wholly, at any time and without penalty, with 30 days' notice by the Company which shall in such case also pay any accrued but unpaid interest in respect of the amount thus repaid to the holding company.

The principal amount of the loan or any outstanding remainder thereof shall bear interest at a rate equivalent to the bank rate declared by the Reserve Bank of India from time to time (currently 6.5% per annum), to be calculated on the basis of a 365-day year. Interest shall be due and payable on 31 March of each year or on such date that the loan, or part thereof, shall be repaid. Interest due but unpaid will be added to the principal amount for interest calculation purposes, if not paid within four months from the due date.

**13 TAXATION**

Despite a profit, the Company has no tax expenses due to tax savings amounting to S$25,000 as a result of utilization of tax losses brought forward.

The Company has estimated tax losses of S$159,000 (2001: S$230,000) available for offsetting against future taxable income subject to agreement by the tax authorities and compliance with relevant provisions of the Income Tax Act.

**14 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.

**15 RELATED PARTIES TRANSACTIONS**

During the financial year, significant inter-companies transactions on terms agreed with its holding companies and a related company are as follows:-

| | 2002 S$ | 2001 S$ |
|---|---|---|
| **Holding Companies** | | |
| Purchases | 6,320,238 | 3,292,464 |
| Trademark royalty | 92,089 | 79,641 |
| Design royalty | 13,808 | 18,080 |
| Purchase — Merchandising materials | 89,229 | 18,058 |
| — Spare | 27,649 | 41,829 |
| Interest expense | 92,680 | 49,796 |
| Selling expense | 18,703 | — |
| **Related Companies** | | |
| Sales | 245,934 | — |
| Purchases | 31,848 | — |

Included in trade debtors is an amount of S$221,880 (2001 : S$5,311) due from a related party.

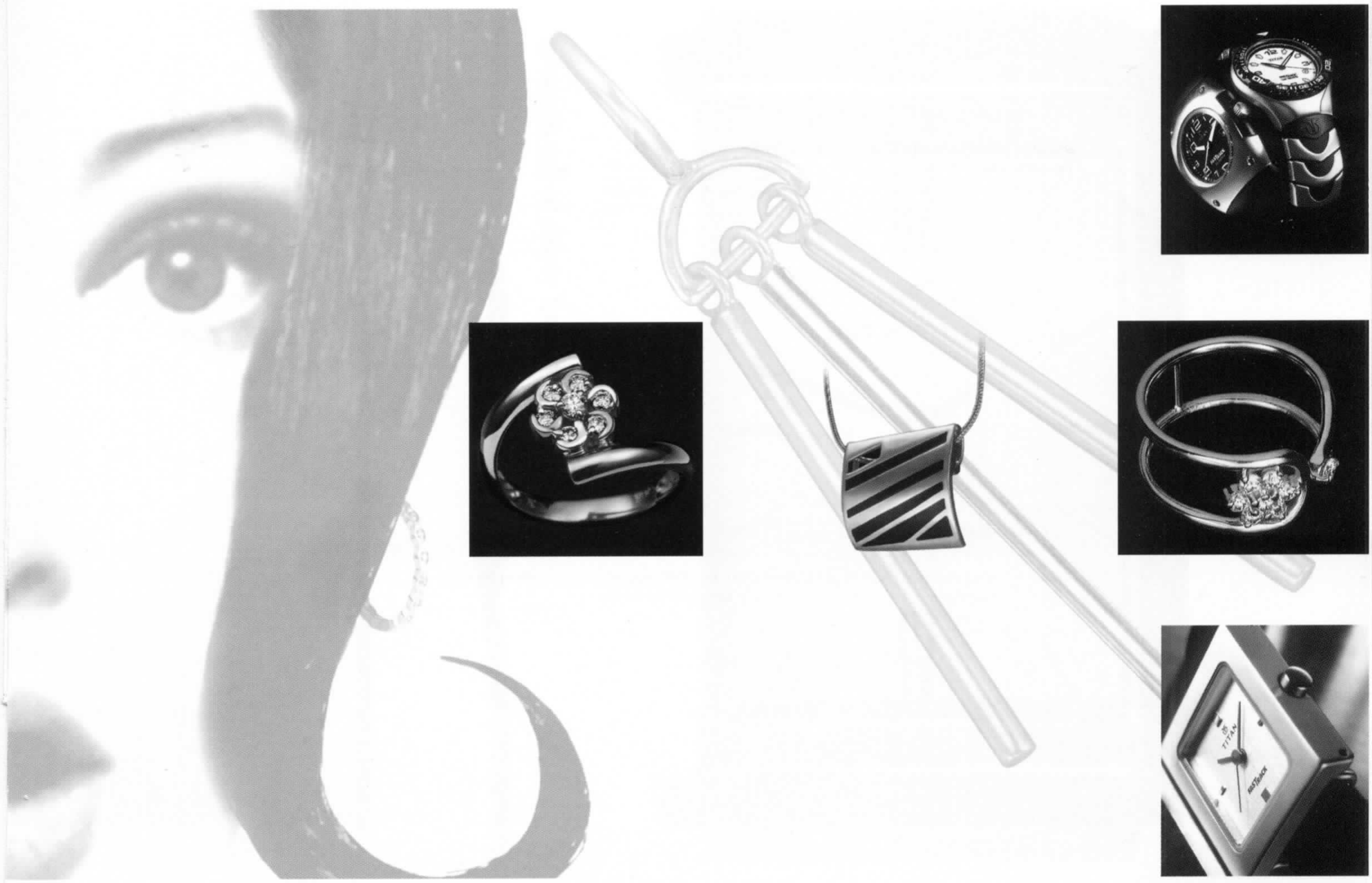
**16 COMPARATIVES**

Certain comparatives have been reclassified to conform with current period's presentation.

**CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JULY 2001 TO 31 MARCH 2002**

| | 1.7.2001 TO 31.3.2002 S$ | 1.7.2000 TO 30.6.2001 S$ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITES** | | |
| Net profit/(loss) before taxation | 103,713 | (294,873) |
| Adjustments for:- | | |
| Loan interest income | (6,672) | — |
| Interest on loan | 92,680 | 49,796 |
| Depreciation | 422 | 1,299 |
| Decrease in deferred expenditure | 24,969 | 41,144 |
| Decrease in trademark royalty expenditure | 18,938 | 16,871 |
| Operating profit before working capital changes | 234,050 | (185,763) |
| (Increase) in stocks | (216,666) | (5,653) |
| (Increase) in trade debtors | (1,236,574) | (7,943) |
| Decrease/(Increase) in other debtors | 96,205 | (48,952) |
| (Increase) in fixed deposits | (2,473) | (461) |
| Increase/(Decrease) in trade creditors and accruals | 2,983,465 | (1,232,252) |
| | 1,858,007 | (1,481,024) |
| Interest paid | (20,908) | — |
| Net cash provided by/(used in) operating activities | 1,837,099 | (1,481,024) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Decrease in amount due to related party | (460,411) | (411,023) |
| Purchase of fixed assets | — | (2,424) |
| Net cash used in investing activities | (460,411) | (413,447) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Loan from ultimate holding company | — | 1,823,200 |
| Loan to holding company | (1,104,600) | — |
| Net cash (used in)/provided by financing activities | (1,104,600) | 1,823,200 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 272,088 | (71,271) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 106,006 | 177,277 |
| **EFFECT OF EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCIES** | 17,802 | — |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 395,896 | 106,006 |
| Cash and cash equivalents at end of year consist of : | | |
| Cash and bank balance | 395,896 | 106,006 |

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


TITAN

**TITAN INDUSTRIES LIMITED**

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