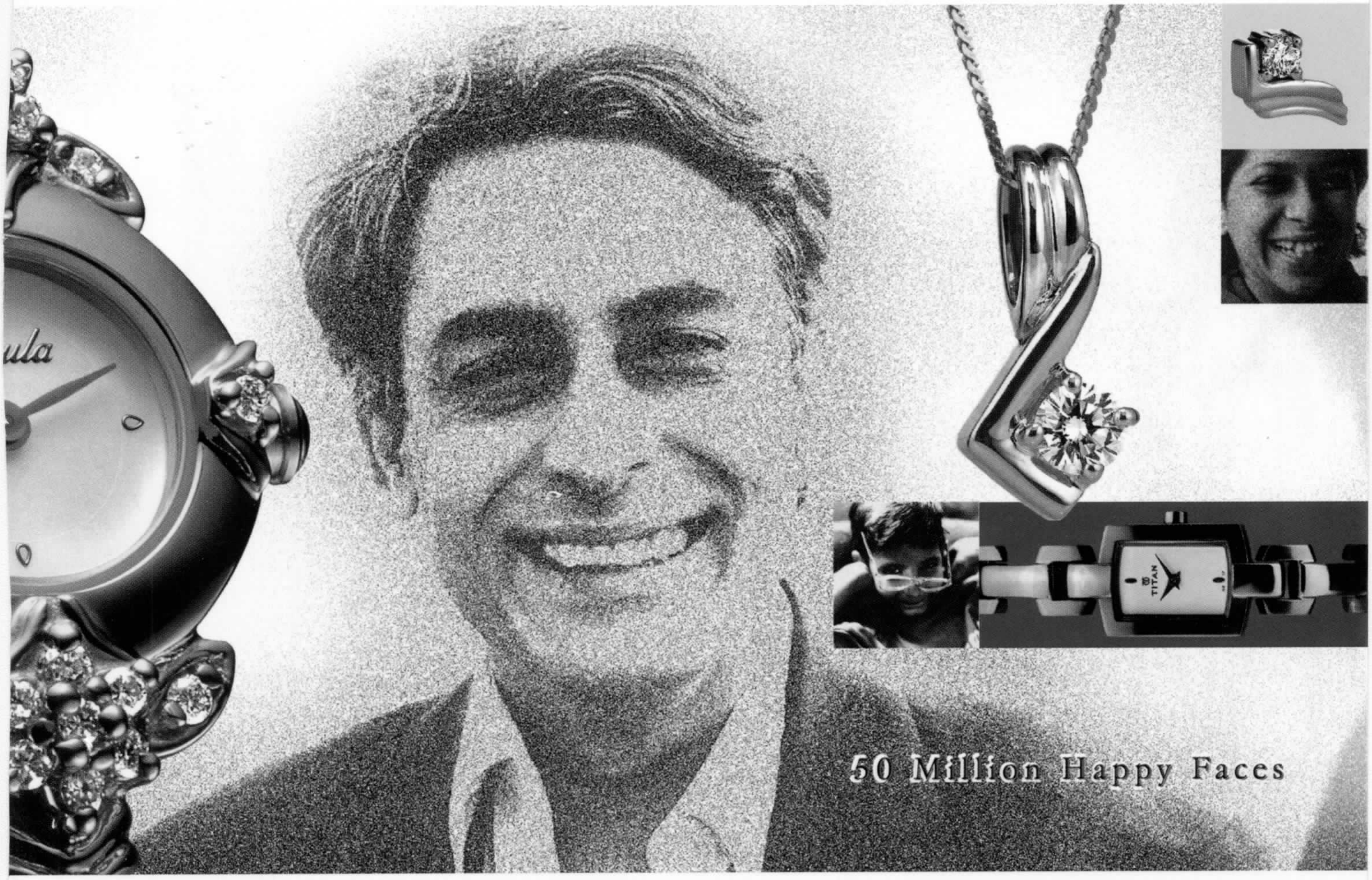
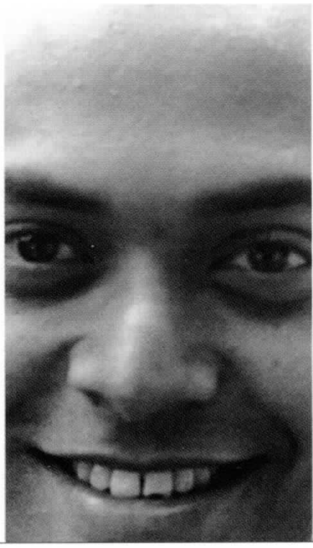
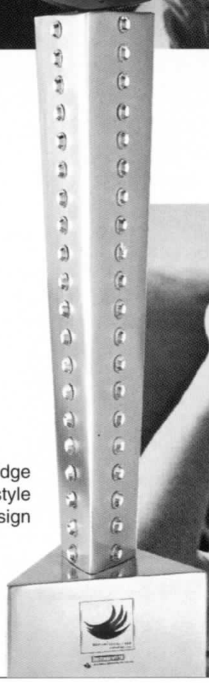
TITAN INDUSTRIES



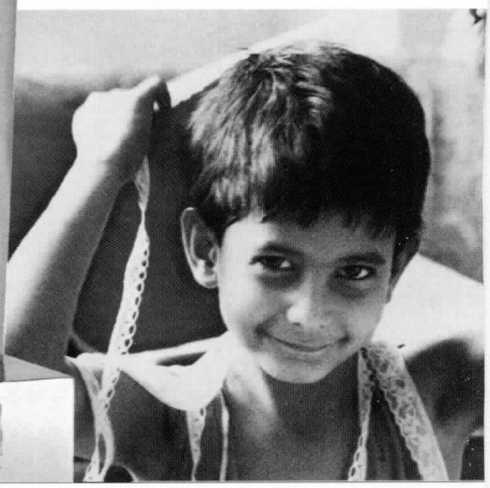
19th Annual Report
2002 - 2003

Titan
The most respected
Consumer Durables
Company





Titan Edge
Best Indian LIfestyle
Product Design



Board of Directors

K Skandan (Chairman)
Bhaskar Bhat (Managing Director)
J J Bhabha (upto 24 July 2003)
N N Tata (from 7 August 2003)
Arun Ramanathan
Farrokh Kavarana
Ishaat Hussain
T K Balaji
A C Mukherji
Rama Bijapurkar
C G Krishnadas Nair
R Vijaykumar

Company Secretary

Usha Iyengar

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

Contents

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

Titan Industries Limited

Notice

The Nineteenth 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 Friday, September 12, 2003 at 3.30 p.m. to transact the following business:

1. To receive and adopt the Director's Report and Audited Profit and Loss Account for the year ended 31st March 2003 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. Ishaat Hussain, Mr. F. K. Kavarana and Mrs Rama Bijapurkar who retire by rotation and are eligible for re-appointment.
5. To appoint a Director in the place of Mr. K. Skandan who was appointed as an Additional Director by the Board of Directors with effect from 30th October, 2002. Mr. Skandan holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, but who is eligible for 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 Mr. N N Tata who was appointed as an Additional Director by the Board of Directors with effect from 7th August, 2003 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, but who is eligible for 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 consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

   "RESOLVED that M/s. A. F. Ferguson & Co. be and hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, to audit the accounts of the Company for the financial year 2003-04, including audit of Cash Flow Statements, on a remuneration of Rs. 22,00,000/- plus service tax, out of pocket, travelling and living expenses."

Notes:

a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item nos. 5, 6 & 7 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. A PROXY MAY NOT VOTE EXCEPT ON A POLL.

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

d) The Register of Members and the Transfer Books of the Company will be closed from Friday, 29 August 2003 upto Friday, 12 September 2003 both days inclusive.

e) Members may please note that 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.

Members may please note that in view of the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company will 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.

f) Members are requested to write to the following address seeking any clarification in respect of unclaimed or unpaid dividend and other related matters:

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

g) The dividend on equity shares, if declared, at the Annual General Meeting, will be payable within the statutory period of 30 days to the members whose name appear on the Register of Members of the Company as on 12th September 2003.

h) 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.

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

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

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

j) The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2003-04.

k) Members are requested to intimate to the Company, queries if any, regarding the accounts / notices at least 10 days before the Annual General Meeting to enable the management to keep the information ready at the meeting. The queries may be addressed to : The Company Secretary, Titan Industries Limited, Golden Enclave, Tower- A, Airport Road, Bangalore 560 017.

l) 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 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,

Usha Iyengar
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
7 August 2003

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, 6 and 7 of the accompanying Notice dated 7 August 2003.

Item No. 5:

Mr. K. Skandan was appointed as an Additional Director of the Company at the Board Meeting held on 30th October, 2002 as a nominee of TIDCO. In terms of Sec 260 of the Companies Act, 1956, Mr. K. Skandan holds office as a Director till the date of ensuing Annual General Meeting of the Company but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention proposing Mr. K. Skandan as a candidate for the office of Director.

The Board considers it desirable that the Company continues to avail the services of Mr. K. Skandan and accordingly the Directors recommend that he be appointed as a Director of the Company.

Mr. K. Skandan, IAS is Secretary to Government of TamilNadu, Industries Department.

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

Item No. 6:

Mr. N. N. Tata was appointed as an Additional Director of the Company by the Board of Directors with effect from 7th August, 2003. In terms of Sec 260 of the Companies Act, 1956, Mr. N. N. Tata holds office as a Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. N. N. Tata as a candidate for the office of Director.

Mr. N. N. Tata, is a graduate of Sussex University (UK) and has good knowledge and experience in sales and marketing and possesses expertise in retailing business. He was appointed a Director of Trent Ltd. in December 1997 and is presently the Managing Director since 1999. Prior to his joining Trent, he was associated with Nestle, UK as a Product Manager and with Tata International Ltd. as a Senior General Manager.

The Board considers it desirable that the Company continues to avail the services of Mr. N. N. Tata and accordingly the Directors recommend that he be appointed as a Director of the Company.

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

Item No. 7:

Since the shareholding pattern of the Company is such that the provisions of Section 224A of the Companies Act, 1956, are applicable, the reappointment of M/s. A. F. Ferguson & Company as Auditors of the Company is required to be made by a special resolution.

Accordingly it is proposed to reappoint M/s. A F Ferguson & Co. as auditors of the Company for the financial year 2003-04 on the remuneration set out in the resolution.

A copy of the Memorandum and Articles of Association of the Company is available for inspection of member on any working day between 11 a.m. and 1 p.m. 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,

Usha Iyengar
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
7 August 2003

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 Ishaat Hussain	Mr F K Kavarana	Ms. Rama Bijapurkar	Mr K Skandan	Mr. N. N. Tata
Date of Birth	2.9.1947	17.3.1944	12.3.1957	8.12.1956	12.11.1956
Date of appointment	17.07.1989	27.01.1993	21.2.2001	30.10.2002	7.8.2003
Expertise in specific functional areas	Rich experience in business management and international finance	Rich experience in business management and international finance	Has rich expertise in the field of marketing. Is recognised as thought leader on marketing strategy and consumer related issues in India	Overall rich managerial and administrative capability. Is presently Secretary to the Government of Tamilnadu, Industries Department	Rich knowledge and experience in sales and marketing and possess the expertise in retailing business
Qualifications	FCA (England & Wales)	B.Com. (Hons.) MBA (Wharton) from University of Pennsylvania, USA FICA (England & Wales)	B. Sc. (Hons). PGDM - IIM Ahmedabad	IAS	B. A (Economics) from University of Sussex and IEP, INSEAD, France
List of Public Companies in which outside Directorships held as on 31st March 2003	Tata Sons Ltd. The Tata Iron & Steel Co. Ltd. Titan Industries Ltd. Tata Inc. Tata Infomedia Ltd. Tata Teleservices Ltd. Idea Cellular Ltd. Tata Industries Ltd. Tata Internet Services Ltd. Tata AIG General Insurance Co. Ltd. Tata AIG Life Insurance Co. Ltd. CMC Limited Videsh Sanchar Nigam Ltd. Tata Teleservices (Maharashtra) Ltd.	Tata Sons Ltd. Tata Industries Ltd. Tata Tea Ltd. Titan Industries Ltd. Tata Projects Ltd. Tata Infotech Ltd. Tata International Ltd. Tata AIG General Insurance Co. Ltd. Tata AIG Life Insurance Co. Ltd.	Infosys Technologies Ltd. Titan Industries Ltd. Godrej Consumer Products Ltd. Arvind Mills Ltd. Credit Rating Information Services India Ltd.	Tamil Nadu Petroproducts Ltd. Titan Industries Ltd. Tamil Nadu Sugar Corporation Ltd. Tamil Nadu Newsprint & Papers Ltd. Tamil Nadu Industrial Development Corporation Ltd. Tamil Nadu Industrial Investment Corporation Ltd. State Industries Promotion Corporation of Tamil Nadu Ltd. TICEL Bio-Park Ltd. Chennai Petroleum Corporation Ltd. Neyveli Lignite Corporation Ltd. Southern Petrochemical Industries Corporation Ltd. Southern Iron & Steel Co. Ltd. TIDEL Park Ltd. Mahindra Industrial Park Ltd.	Trent Limited Voltas Limited Titan Industries Ltd.
Chairman / Member of the Committee of the Board of Public Companies on which he / she is a Director as on 31st March 2003	Tata Sons Ltd. - Approvals Committee of Directors - Finance Committee - Debentures Transfer Committee - Properties Committee of Directors Tata Iron & Steel Co. Ltd. - Audit Committee - Investors' Grievance Committee (Chairman) Tata Industries Ltd. - Audit Committee (Chairman) - Investment Committee Titan Industries Ltd. - Audit Committee - Remuneration Committee - Committee of Directors Tata AIG General Insurance Co. Ltd. - Investment Committee Tata Teleservices Ltd. - Audit Committee (Chairman) Tata Finance Ltd. - Investor Relations & Share Transfer Committee (Chairman) - Remuneration Committee - Audit Committee Tata AIG Life Insurance Co. Ltd. - Investment Committee	Tata Sons Ltd. - Audit Committee Tata International Ltd. - Remuneration / Compensation Committee - Audit Committee (Chairman) Tata Industries Ltd. - Audit Committee Titan Industries Ltd. - Shareholders Grievance Committee (Chairman) Tata Infotech Ltd. - Shareholders Grievance Committee Tata AIG General Insurance Co. Ltd. - Audit Committee (Chairman) Tata AIG Life Insurance Co. Ltd. - Audit Committee (Chairman)	Infosys Technologies Ltd. - Audit Committee - Investor Grievance Committee Godrej Consumer Products Ltd. - Audit Committee - Human Resources Committee Arvind Mills Ltd. - Investors Grievance Committee (Chairperson) - Remuneration Committee Credit Rating Information Services India Ltd. - Executive Committee	Neyveli Lignite Corporation Ltd. - Audit Committee - Shareholders / Investors Grievance Committee	Trent Limited - Investment Committee

Titan Industries Limited

Directors' Report

To the Members of Titan Industries Limited

The Directors are pleased to present the Nineteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2003:

Financial Results

	2002-2003	Rs. in crores 2001-2002
Income	**800.59**	727.03
Expenditure	**720.85**	638.92
Gross profit	**79.74**	88.11
Interest	**41.35**	46.27
Cash operating profit	**38.39**	41.84
Depreciation	**21.14**	23.28
Operating profit before exceptional items	**17.25**	18.56
Exceptional items		
Dividend Income	**7.71**	—
VRS Cost	**(5.18)**	—
Provision for diminution in value of investments	**(10.00)**	0.40
Profit before taxes	**9.78**	18.16
Income taxes – Current	**4.87**	6.12
– Deferred	**(2.99)**	(1.05)
Profit after taxes for the year	**7.90**	13.09
Less : Income tax of earlier years	**1.69**	—
Net Profit	**6.21**	13.09
Profit brought forward	**19.61**	42.31
Less : Deferred tax liability of earlier years	**—**	25.00
	19.61	17.31
Amount available for appropriation	**25.82**	30.40
Appropriations :		
Dividend paid on preference shares	**3.67**	2.57
Proposed dividend on equity shares	**4.23**	6.34
Proposed dividend on preference shares	**—**	0.96
Tax on dividends	**0.54**	0.26
Transfer to general reserve	**0.20**	0.66
Balance carried forward	**17.18**	19.61

The financial year 2002-03 was, in many ways, a year of reckoning for the Company, a year in which several issues were successfully addressed. Many initiatives were undertaken during the year to streamline operations, contain costs and formulate a focused long-term strategy for the Company.

A voluntary retirement scheme (VRS) was introduced for the employees whereby the workforce of the Company was trimmed by over 600 at a cost of over Rs.50 crores. This investment would have a payback over five years and accordingly, the cost is being amortised over a sixty month period.

The Company also engaged the services of one of the world's leading consultancy firms to assist it in formulating its long-term strategy and in reducing operating costs. Recurring benefits have begun to accrue to the Company attributable to the implementation of the recommendations of the firm.

Interbrand, one of the world's leading brand valuation firms, was appointed to undertake a valuation of the Titan brand in India. Their valuation of the Titan brand at over Rs.350 crores clearly reinforces the Company's belief in continually investing in building and nurturing brands. Various options are under consideration to leverage this value of Titan brand in the most optimal manner.

Steps were taken during the year to restructure and downsize the Company's European operations where, as mentioned last year, an amount in excess of GBP 9 million has cumulatively been incurred. The Company made a provision during the year under review for an amount of Rs.10 crores for diminution in the value of its investments in Europe.

The three-year wage settlement agreement which came up for renewal during the year with the employee union ran into some difficulty and required hard and painful decisions to be taken in the long-term interests of the Company. The management was constrained to declare a lock-out in its most crucial fourth and last quarter of the year under review. The lock-out resulted in a significant loss in revenue and profit for the Company, which till the end of the third quarter was well on its way to achieving its targets for the year.

Many of the above initiatives impacted the results of the last year but in the opinion of the Company's management they were essential in developments of the future interest of the Company.

Despite this, the Company showed top-line growth with income from operations going up from Rs.724.78 crores to Rs.797.90 crores, an increase of 10%. This increase was fuelled by growth in the jewellery business whose results were less impacted by the lock-out situation due to its limited in house dependence. The additional cost for many of the initiatives stated above resulted in a 16% increase in operating and other expenses which went up from Rs.580.49 crores to Rs.675.50 crores. This, coupled with the impact of the lock-out, resulted in the Company's profit before tax declining sharply from Rs.18.16 crores to Rs.9.78 crores.

The disturbances at Hosur had a severe impact on the Time Products division which historically generates a significant part of its revenues and profits in the last quarter. Operating income of the division showed a slight downturn — Rs.457.12 crores to Rs.452.87 crores, and its profit before interest and taxes declined from Rs.51.52 crores to Rs.27.88 crores. The provision made for diminution in the value of investments in Europe has further eroded the bottom line of the division. However, the domestic business of the division improved its performance delivering better operating margins. Capital employed in the division grew marginally to Rs.492 crores primarily on account of the VRS payments.

A significant milestone was the sale of the 50 millionth watch during the year. This achievement within 15 years of commencement of operations is noteworthy even on a global standard.

The Jewellery division once again turned in an impressive 29% growth in operating income which increased from Rs.267.66 crores to Rs.345.03 crores. The division's profit before interest and taxes grew by 8% to Rs.13.72 crores. Profit before taxes grew by 129% to Rs 5.37 crores and capital employed simultaneously was reduced by Rs.11 crores to Rs.124 crores. The jewellery business provides much needed balance to the Company's fortunes as the watch business faces increasing competition in India.

Dividend

The Company had issued cumulative preference shares of a total value of Rs.40 crores at various rates of dividend from 7% to 10.50%. The terms and conditions for payment of preference dividend also vary. During the year ended 31 March 2003, interim dividend on preference shares amounting to Rs.3.67 crores was paid. 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.2.54 crores (Rs.9.30 crores in the previous year). In view of the sharp decline in profits, the Directors recommend a lower dividend on equity shares of Rs.1.00 per share (10%), which results in an outflow of Rs.4.23 crores and a consequent withdrawal from reserves of Rs.2.23 crores (previous year : accretion to reserves Rs. 2.96 crores). The shareholders will receive the dividend tax free.

Finance

During the year under review, the Company redeemed preference shares aggregating Rs.10.50 crores at an average dividend rate of 9.01% and privately placed an equivalent amount at an average dividend rate of 7.48%.

The Company raised a total of Rs.116.95 crores by way of borrowings from various sources, of which, Rs.90.01 crores were by way of loans from commercial banks and the balance of Rs.26.94 crores from other sources. Borrowings of Rs.93.18 crores were repaid during the year and Rs.13.35 crores was incurred as capital expenditure on infrastructure in the Titan Township at Hosur, computer hardware, balancing equipment and facility upgradation.

Foreign currency loans, availed of to take advantage of low interest rates, resulted in a negative exchange difference of Rs.1.31 crores on the revenue account, primarily because of forward cover contract costs, as compared to a negative difference of Rs.2.73 crores in the previous year. Nevertheless, these borrowings proved cheaper in the aggregate, when compared to the cost of rupee loans which averaged 11.57%.

Titan Industries Limited

As on 31st March 2003, the Company held fixed deposits of Rs.46.88 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs.0.21 crore.

Capital employed rose from Rs.652.56 crores to Rs.671.11 crores. Inventories rose from Rs.124.82 crores to Rs.141.92 crores reflecting the increased scale of operations. However, debtors declined from Rs.207.75 crores to Rs.186.38 crores. The increase in Loans and Advances is primarily on account of transactions with affiliates.

During the year under review, the Company made payments aggregating to Rs.153.16 crores by way of Central, State and local taxes and duties as against Rs.138.28 crores in the previous year.

International Operations

Shareholders will recall that the Company, with an eye on the future, had launched four initiatives simultaneously during the mid nineties. These were, the launch of jewellery, entry into the Middle East, Europe and the Far East. Of these, three have turned out to be successful, both in terms of sales and profitability. In Europe however, the cost of entry, brand building and market development has been far in excess of what was originally envisaged and sales have not kept apace. Consequently, large losses aggregating to about GBP 9 million have accumulated in the European company and the funds employed in the European operations remain at USD 38.50 million.

Titan International (Middle East) FZE (TIME), the associate company which looks after sales and marketing of our products in the Middle East and Africa, continued to do well selling over 3,00,000 watches. Sales turnover increased from USD 7.46 million to USD 7.87 million, an increase of 5% while net profit increased by 32% going up from USD 407,631 to USD 538,742.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. (TAPL), the subsidiary company in Singapore, looking after sales and marketing in South Asia, South East Asia, Australia and the South Pacific, had an exceptional year. While 2001–02 was the turnaround year for this company, 2002-03 was a year of growth. Sales turnover in 2002-03 grew by 28% over the nine-month period ended 31 March 2002, going up from SGD 7.07 million to SGD 9.04 million. The operation posted a profit after tax of SGD 245,969 compared to SGD 103,713 in the previous period, a growth of over 100%. The Company has wiped out accumulated losses of the past and now has a small reserve of SGD 9,415.

Titan International Marketing Limited (TIML), the associate company in London, continued to face difficult times. Its efforts to restrict operations to a few key markets with a view to contain costs, saw sales volumes and values dropping significantly. Sales turnover fell from GBP 3.44 million to GBP 1.58 million and the net loss went up from GBP 1.09 million to GBP 1.24 million. While a number of initiatives have been taken to cut costs even further, Europe remains the Company's most difficult overseas market. The restructuring of TIML by moving all back office operations and co-ordination activities back to India is expected to have a positive impact on its operations in the current year.

Associate Companies

Titan International Holdings B.V. (TIHBV), the Company's wholly owned subsidiary in the Netherlands, ended the year with a loss of Euros 591,234. Its subsidiary, Titan Brand Holdings N.V., which holds the overseas rights to our brands, ended the year with a small profit of Euros 99,274.

RDI Print & Publishing Ltd., publisher of the Reader's Digest monthly magazine in India, continued to perform very well, achieving a profit after tax of Rs. 11.32 crores on an income of Rs. 28.85 crores. It declared a total dividend of Rs.635 per share for the year 2002-03 up from Rs.120 the year before. During the year, your Company was able to purchase an additional 1,22,000 shares on which a return of over 35% (as dividend) has been received. However, shareholders are aware that, since publishing is not a core business of your Company, steps are being taken to dispose of its holding in RDI.

Titan TimeProducts Limited sold 5.61 million electronic circuit boards during the year under review and made a net profit of Rs.6.53 lakhs. Its products continue to be of exceptionally high quality and costs are well controlled.

Titan Properties Limited is in the process of selling off its real estate holdings in Bangalore. The second phase of development at the Titan Township near Hosur has almost been completed and sale of plots has commenced. Construction of the school building at the Township, jointly with the Titan Foundation for Education, has also been completed and will be inaugurated shortly.

Consolidated Financial Statements

The Consolidated Financial Statements of the Company prepared as per Accounting Standards AS 21, AS 23, and AS 27, with its subsidiaries, associates and joint venture has also been included as part of this Annual Report.

Outlook for 2003-04

Your Company has embarked on a strategic plan that is designed to deliver significantly higher growth in both the businesses. This together with the cost compression exercise initiated last year is expected to yield higher turnover and operating profits in the current year and in future. Accordingly, the watch business has been restructured along the lines of its two main brands – Titan and Sonata. The jewellery division, powered by the increasing stature of brand Tanishq, has begun to achieve higher levels of profitability based on its retailing business model. In addition, brand extension opportunities in the watch division and the leveraging of precision engineering capability will add impetus to the Company's business.

Your Company is intensely focussed on achieving the profit target set for the year through a combination of top-line growth and reduction in cost. Securing the economic future of your Company and in the process earning the right to grow is the prime objective in the year ahead.

Professional Recognition

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

Your company is an active participant in the Tata Business Excellence Model Assessment (TBEM). During the year under review, the Watch Division came in second (after Tata Steel) in the annual TBEM assessments conducted by a team of external assessors from across the Tata Group.

Your Company was adjudged the most respected company in India in the consumer durables category along with Philips in the annual survey conducted by Business World.

Titan watches ranked number one in the time wear category and Tanishq in the jewellery category at Images Fashion Awards 2003. These awards were determined on the basis of a survey carried out among 6,000 consumers by ORG Marg.

In recognition of the dramatic success the jewellery division has achieved in challenging the existing framework and paradigms of the Indian jewellery industry, Tanishq was selected for the Erehwon-Marico "Challenger Mission" study during 2002-03. Tanishq's successful business strategy and aggressive challenger mindset were showcased in this prestigious study.

The Watch Division participated in the CII National Competition for excellence in energy management and bagged the award for the most energy efficient unit for the year 2002. Both our divisions also obtained accredition to ISO 14001, Environment Management System Standards which acknowledges implementation and improvement of the Company's environment management systems in various areas.

Titan was awarded the best employer award by the Chief Minister of Tamil Nadu for providing the largest number of employment opportunities to disabled persons during the year 2002. Apart from this, your Company was rated the best corporate by ILO-SAVPOT and has been identified by ILO for their next project "Participatory Work Place Appraisal for Women".

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.

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 conducting eye camps in several villages around Hosur. Programmes targeted at improvement of communication and parenting skills for women were conducted in and around Hosur. Note books were distributed by volunteers to the children of ten orphanages in and around Hosur and programmes were conducted for teachers to update them on developments in the sphere of education. Apart from this, volunteers from your Company also assisted in distributing saplings for planting by companies in and around Hosur.

Your Company continues to support the income generation initiatives initiated in partnership with MYRADA and Partners-in-Change. At present, over two hundred young women benefit from this initiative.

The Scholarship Scheme started by your Company provided relief to many under-privileged students during the year.

Your 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.

Titan Industries Limited

The Titan Foundation for Education which was formed during the year 2002 for advancing, promoting and supporting the cause of education has, as a first initiative, taken up the responsibility for setting up the Titan School in the Titan Township at Mathigiri.

Environment

By virtue of being a signatory to UN Global compact, your Company adheres to Global Compact principles.

It supports and respects the protection of internationally proclaimed human rights principles by ensuring safe and healthy working conditions and not discriminating in any of its personnel practices (based on race, colour, gender or social origins).

Your Company by virtue of being accredited to ISO 14001, Environment Management System Standards, takes conscious and proactive steps in caring for the environment. Initiatives for Environment Management include objectives and targets for resource conservation in areas of energy, water and material usage.

Environment-friendly technologies in manufacturing such as use of Physical Vapour Deposition in place of conventional electro plating, and eliminating of Ozone depleting substances are some initiatives implemented.

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/- and a restructuring of the computation and extent of abatements permitted for reckoning excise duty.

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 imposition of a value cap of Rs.450/- per watch for purposes of calculating DEPB benefits regardless of whether or not the watches were branded. Your company continues to represent against this.

Luxury tax imposed by the Government of Tamil Nadu has had an adverse impact on the Company's jewellery business. The vagueness and complexity of the Act leaves the Company open to arbitary interpretation of the law. A writ petition has been filed by the Company, which is pending before the Madras High Court.

Service tax has had an impact on the Company's costs. The recent budget has increased the ambit of service tax to cover a larger number of services which will further impact costs and does not provide any input credit set-off.

Your Company continues to seek the framing of stricter rules governing country of origin claims made by imported watches and rampant under-declaration of value by unscrupulous importers.

Corporate Governance

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

Directors

Mr. Ishaat Hussain, Mr. F. K. Kavarana and Mrs. Rama Bijapurkar retire by rotation and are eligible for re-appointment.

Mr. Madhavan Nambiar has resigned as Director with effect from 30 October, 2002.

Mr. K. Skandan, nominated by TIDCO, was appointed as additional Director and as Chairman by the Board of Directors at their meeting held on 30th October, 2002. Mr. K. Skandan ceases to hold office at the forthcoming Annual General Meeting and is eligible for appointment. A notice under Section 257 of the Companies Act, 1956 has been received for his appointment in the forthcoming Annual General Meeting. The attention of the Members is drawn to item no. 5 of the Notice.

Dr. J. J. Bhabha who was a Director of the Company since 1990 tendered his resignation with effect from 24th July 2003. The Directors wish to place on record their appreciation for the wise counsel and contribution by Dr. J. J. Bhabha during his tenure as Director in the Company.

Mr. N. N. Tata, nominated by the Tata Group, was appointed as additional Director on 7th August 2003. Mr. N. N. Tata ceases to hold office at the forthcoming Annual General Meeting and is eligible for appointment. A notice under Section 257 of the Companies Act, 1956 has been received for his appointment in the forthcoming Annual General Meeting. The attention of the Members is drawn to item no. 6 of the Notice.

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 judgements 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 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 continued 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 Reports of the wholly-owned subsidiaries of the Company, Titan International Holdings BV, (Amsterdam), Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd and Titan Brand Holdings NV (Curacao).

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. Attention of the members is drawn to item no. 7 of the Notice.

ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 7 August 2003

Titan Industries Limited

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

Nine specific energy conservation projects were executed during the year under review with a saving potential of Rs.5.20 lakhs per annum. These projects include improvements in the areas of industrial lighting, distribution of compressed air and automation of air-conditioning plants.

TECHNOLOGY ABSORPTION

Research & Development

A ladies version of the ultraslim movement has been designed and developed in-house. Work on productionising the product as well as designing the appearance parts is progressing and the same is planned for market launch during 2003-04.

A new "big date" movement, in which the size of the date display is enlarged for better readability, has been developed and launched.

A process has been developed to manufacture watchcases through investment casting, which would result in cost reduction.

During the year, your Company introduced 122 new watch models that include the Bandhan collection and the new Raga collection for women.

The Company has designed and developed an innovative health related portable device to monitor the calories burnt by an individual. The product is an in-house development and the first of its kind in the country. The market launch is planned during the later part of the year.

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-three projects were completed at an investment of Rs.1.14 crores, which if outsourced, would have cost the Company Rs.2.62 crores.

The major projects include :

- Automatic movement assembly equipment resulting in improvement in productivity, error elimination and cost reduction.
- Servo-controlled pick 'n place unit for precision coil taping machine.
- Automatic UV curing machine for case assembly operation resulting in improvement in productivity.

Foreign Exchange earnings and outgo

During the year under review, your Company earned Rs.57.90 crores in foreign exchange and spent Rs.181.16 crores (consisting of Rs.1.41 crores on capital imports and Rs.179.75 crores on the revenue account).

ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 7 August 2003

Annexure to the Directors' 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 2003

Name	Designation	Age	Gross Rs.	Net Rs.	Qualification	Exper-ience (years)	Last employment held	Commen-cement of employment
Bhat B	Managing Director	49	4,406,191	2,782,825	B.Tech.,PGDM	25	Tata Press Ltd.	Jan-86
Kurian J	Chief Operating Officer - Jewellery & Sr. Vice President	47	2,670,546	1,699,512	B.E.,PGDBM	25	Tata Unisys Ltd.	Apr-93
Kurien B	Chief Operating Officer - Watches & Sr. Vice President	44	2,498,374	1,575,340	B.Sc.,PGDBM	20	Hindustan Lever Ltd.	Aug-87
Rajaram V	Chief Corporate Affairs Officer & Vice President	60	2,885,274	1,916,325	B.Sc.,MS, M.B.A.	37	Ghana Aluminium Products Ltd.	May-89
Shantharam M S	Chief Manufacturing Officer - Operations & Vice President	54	2,620,831	1,661,384	B.E.(Mech.)	32	HMT Ltd.	Oct-85

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.

ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 7 August 2003

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	**2002-03**
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	**42.28**
Share Capital - Preference	-	-	-	-	-	-	-	7.50	10.00	33.00	37.50	40.00	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	**80.19**
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44.58	**41.59**
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	**467.05**
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	**671.11**
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	**191.75**
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	**37.09**
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	**141.92**
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	**186.38**
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	**23.99**
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	**217.08**
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	**569.37**
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	**173.27**
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	**396.10**
Deferred revenue expenditure	-	-	-	-	-	-	-	-	-	-	-	-	4.27	3.20	6.18	**46.17**
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	**671.11**
PROFIT & LOSS ACCOUNT																
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	**60.02**
Jewellery	-	-	-	-	-	-	-	0.09	0.20	0.37	1.20	1.68	3.00	7.21	6.05	**13.72**
Table Clocks	-	-	-	-	-	-	-	-	0.67	3.64	3.05	4.30	3.29	1.62	0.51	**0.41**
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	**797.90**
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	**726.03**
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	**41.35**
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	**21.14**
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	**9.38**
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	**10.40**
Less: Exceptional Item	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(10.00)**
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	**9.78**
Taxes	0.04	0.21	0.78	-	-	-	-	-	-	3.58	1.60	1.87	2.16	2.09	5.06	**3.57**
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	**6.21**
Equity Dividend (%)	-	-	15%	18%	20%	22%	25%	30%	33%	33%	25%	26%	26%	26%	15%	10%
(Rs.)	-	-	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	**4.23**

Management Discussion and Analysis

An overview of the economy

The Indian economy experienced a mixture of fortunes in 2002-03, with the failure of the monsoon and a consequent drought situation on one hand, and a revival of industry on the other, all of which were overshadowed with geo-political unrest and a sluggish global economy. The economic indicators like GDP pointed that the growth in the economy had slowed down to about 4% which was below the 6% level achieved in the previous year and much lesser than the targeted 8% for the year. Industrial growth, however, increased from 3.3% to 6%. Core sector industries grew well and in line with the progress of the National Highways Project. Inflation remained steady.

Consequent to the failure of the monsoon, the agricultural sector declined by 3% and this adversely impacted the propensity to consume of a large 67% of the total population, which is directly and indirectly influenced by this sector.

Business Overview

Titan Industries Ltd., is involved in the two major businesses – the Time Products Division, comprising watches and clocks, and the Jewellery Division, offering plain and gem set jewellery, marketed primarily in the domestic and select overseas markets. Watches are sold under the brand names Titan and Sonata, while the Jewellery division markets its products under the Tanishq brand.

The revenue generated by these two divisions is indicated below:

Division	Sales Revenue (Rs.Crore)	Growth over previous year
Time Products	453	-1%
Jewellery	345	29%
Total	798	10%

GLOBAL TRENDS

a) Time Products

Continuing global sluggishness affected global watch majors. Neither the Swiss nor the Japanese were able to shrug this off and the only category which improved were the Fashion brands.

The Japanese majors witnessed a decline in their domestic market with volumes falling over 2.5% and income by 1%. Citizen sales were down by over 1% in 2002-03. Seiko's estimates show a decline of 7% in 2002-03 when compared to 2001-02.

The Swiss majors achieved a meagre growth of 1.7% after 8 years of decline. Exports remained flat, with the quartz segment declining by 7%. The Swatch Group's income declined by1.5%

b) Jewellery

During the year, gold prices rose to record levels, and touched a ten-year high of $ 385 per troy ounce. A key factor driving this increase in the price of gold was geopolitical instability, in particular, the prevailing situation in Iraq and the Middle East. In such an environment, gold is viewed as a "safe haven" investment, leading to an upsurge in demand. In addition, weak equity markets and unstable financial markets also led to enhanced investment demand for gold.

On account of these factors, a key trend witnessed throughout the year was the increased volatility in prices of gold, driven by varying levels of investment demand for the yellow metal. Volatility in gold prices normally has an adverse impact on demand for gold jewellery, as consumers wait for price stability to return. The jewellery division countered this impact successfully through a slew of innovative and focused marketing efforts.

MARKET TRENDS

a) Time Products

Titan Industries continues to be the market leader by far, in the Indian watch industry, garnering 50% of the market share by volume and 65% by value of the organized sector. It has successfully established two leading brands Titan and Sonata, with an enviable, widespread and profitable retail network and service chains comprising 7250 retail outlets in 1800 towns. It is distributed in 30 countries and has a customer base of more than 50 million customers.

The Watch Division's performance in the domestic market for the first 9 months was in line with the target. In the World of Titan channel (the network of exclusive showrooms) the retail sales grew by a healthy 13% during April to December 2002.

Titan Industries Limited

The partial lockout at Hosur significantly affected production and availability of watches during the peak selling season of January-March 2003 and despite improving the supplies from our other facilities, the shortfall in production of 0.5 million watches could not be made up. This affected the mix of stocks held and depleted the stock levels in the Company and the trade.

Titan's new retail identity, communicated through the World of Titan showrooms, has been implemented in all the major cities and the network grew significantly from 136 exclusive showrooms to 150 showrooms this year. The re-engineered Signet loyalty program is a much more holistic CRM (Customer Relationship Management) programme today – offering enhanced benefits and services to loyal customers contributing significantly to showroom sales.

Your Company's commitment to provide the 'best in class' service is reflected by the extensive coverage and access that it provides to all its customers. Titan service now covers 320 towns, across the length and breadth of the country.

The Company's Watch Division continues to be the only profitable organised sector player in the domestic market.

The Domestic Market

The domestic watch market is sharply divided between two main price segments - >Rs.1000 consumer price and <Rs.1000. Your Company has positioned Sonata in the lower end and Titan in the upper price band of the market. Most of the international brands are present in the >2000 price band, with the Swiss mostly positioned above Rs.5000 and the Japanese between Rs.2000-5000. Several new international brands were launched in India last year. Despite the entry of these brands, Titan was able to improve share in several key outlets which retail such brands.

The segment below Rs 1000 is the largest in volume – around 20 million. Our second brand, Sonata, is the single largest national brand here and competes with mechanical and quartz watches, many of them offered by unscrupulous grey market operators. Cheap Chinese products are also available in some pockets at throw-away prices.

Going forward into the New Year, we see significant marketing activity propelling both our brands forward. Innovative products, significant retail presence, extensive distribution, supported by a widespread customer service network of almost 600 Service Centers, will help us to improve the performance of the brands and gain market share in an increasingly competitive market.

To lend focus to these thrusts, the 2 brands have been designated as separate Business Units (BUs), each responsible for delivering on a set of objectives. Sales, Marketing and Retailing functions have been merged within the BUs for total integration of strategy development and deployment and the reorganisation would significantly enhance the performance of these two brands in the market place.

Titan is an iconic brand today, worth over Rs.350 crores as estimated by Interbrand. Widely recognized and greatly appreciated, the brand has immense potential to extend itself to several other personal accessory categories. Sunglasses and leather accessories appear to be most promising. Work is underway on test marketing these concepts.

Titan is today available in over 30 countries and has established a desirable niche for itself in several markets in the Middle East, Asia Pacific and key European markets. It is positioned as a blend of fashion, style and quality, offering to the young consumers in these markets, an affordable option between heritage European and Japanese brands and expensive, high fashion brands. The next few years should see your Company exploiting this opportunity to expand its network in several potential countries across the globe.

Exports

Titan International (Middle East) FZE (TIME), which looks after our business in Middle East and Africa, achieved sales of US$ 7.86 million in spite of an extremely difficult year due to the Iraq war. While the watch business showed a marginal drop of 8%, the jewellery business grew by a whopping 62%. Titan is the number 1 brand in Oman and your Company's products are being retailed through more than 1,000 outlets in the Middle East. The Tanishq brand with exclusive boutiques in Dubai has grown in stature and is a brand of choice among jewellery buyers today in the region.

Titan Watches & Jewellery (Asia Pacific), the subsidiary at Singapore, looks after markets in South Asia and South East Asia. This subsidiary grew substantially to register a turnover growth of 28% over the previous year (SGD 9.04mn vis-à-vis SGD 7.07mn). The operation also posted a profit of SGD 2,82,000 after providing for stock obsolescence. Titan's Asia Pacific operations have given the brand a lot of visibility in the region, with its presence in up-market retail malls and department stores in the developed economics of Singapore, Malaysia and Thailand.

Titan International Marketing Limited which looks after European operations worked towards reducing overheads and losses. The task of moving the nerve centre of operations to India was completed and marketing activities are now limited to only four countries i.e Greece, Spain, Portugal and the UK. The turnover in 2002 dropped to GBP 1.58 million and losses incurred were GBP 1.24 million. The focus during the current year is to substantially reduce our exposure in that theatre.

Manufacturing

In order to progress to a lean manufacturing system which would improve our competitiveness, a generous VRS was introduced last year. 600 employees accepted this separation package. Negotiations over the signing of the new long term wage settlement broke down and we were forced to declare a lock-out at our Hosur Plants. This affected the manufacturing performance during the last quarter.

However, considerable progress was made on driving new cost reduction and value engineering initiatives as a consequence of the engagement of a leading Management consultant. A review of various manufacturing shops was made to assess the long term competitiveness of our manufacturing. It reaffirmed our confidence in manufacturing being a long term strength, comparable in competitiveness to China which can be leveraged to our advantage in the coming years.

Our skills in precision engineering and capabilities in plastic injection moulding were used to extend our activities to new areas such as tool and die making, manufacture of precision components for the aerospace industry and dashboard clocks for the automobile industry. This promises to be a potential area of diversification and steps are being made to augment our capacity and pursue new opportunities in these areas.

Performance During 2002-03

Turnover in the Division dropped marginally from Rs 457.11 crores to Rs 452.87 crores and Profit Before Interest and Taxes was Rs 32.38 crores. However, the mainstay of this business, which is the domestic segment, showed improved performance with operating profit before contingencies and extraordinary items improving from 18.75 crores (4.1% of turnover) to Rs 21.98 crores (4.8% of turnover).

b) Jewellery

India is by far the world's largest consumer of gold. Jewellery is one of the largest consumer categories in the country, with an estimated market size exceeding Rs. 40,000 crores per annum. Gold and gem-set jewellery has always been an intrinsic element of Indian culture, and purchase of gold is closely associated with Indian weddings and festivals. Most Indian women view jewellery as an essential accessory and an important investment, and this has created a pattern of consistent demand.

The jewellery industry is, however, highly fragmented and largely unorganized, with over 300,000 independent jewellery stores across the country. Indian consumers have longstanding family relationships with these traditional jewellery stores and, therefore, hesitate to shift away to other stores or non-traditional sales channels for their purchases of jewellery.

The uniquely Indian characteristics of the domestic jewellery market have been a significant entry barrier to any foreign players entering this market.

Partly on account of the unorganized and fragmented nature of the market, and partly on account of inadequate statutory controls, the jewellery industry continues to be plagued by a range of unethical practices. These practices include lack of certification procedures, extensive under-karataging of gold jewellery, overstating the quality of diamonds, widespread evasion of sales tax and other statutory levies, and exploitation of artisans. The slow but inevitable growth of the organized sector is likely to combat these unethical practices, which cause enormous losses to consumers, the government and the society at large.

During the year, sales of gold jewellery declined, primarily on account of volatility in gold prices. This decline followed two years of flat sales. The only segment of the Indian jewellery market, which displayed robust growth, was diamond jewellery. Despite the rapid growth, diamond jewellery continues to be a relatively small segment of the large Indian jewellery market.

Recognising the size and potential of the Indian jewellery market, three global industry bodies - DTC (Diamond Trading Corporation) a De Beers associate company, WGC (World Gold Council) and PGI (Platinum Guild of India) have also made significant marketing efforts during the past three years in growing the branded market for diamond, gold and platinum jewellery respectively.

COMPETITIVE STRATEGY

The Jewellery Division now has a clear and consistent focus on the large domestic Indian market for jewellery and the immense range of opportunities offered by this market. Specifically, the "Tanishq" brand targets the premium end of this mainstream jewellery market in urban India.

Over the past three years, this revised strategy focused on the domestic market has been highly successful, and Tanishq has today emerged as one of India's most desirable brands. Today, it commands an overwhelming share of the branded jewellery market and is the country's pre-eminent national brand of fine jewellery.

The Tanishq brand has built an enviable reputation and enjoys a rapidly growing consumer franchise. The Tanishq chain of retail stores has expanded rapidly and now covers virtually every region of our vast country.

At the core of Tanishq's successful competitive strategy has been the unique value proposition, which it offers consumers. This proposition has been built around the assurance of trust and purity, exquisite jewellery designs, superb craftsmanship and finish, and a classy enjoyable shopping experience. An increasing number of discerning consumers have found this proposition very relevant and compelling, leading to the rapid growth achieved by your Company's jewellery business.

Your Company is happy to report that a comprehensive review of the jewellery division's strategy was undertaken during the year by a leading global firm of strategy consultants. This review resulted in a strong endorsement of Tanishq's business strategy and reconfirmed that the business holds potential for rapid, profitable growth.

Your Company believes that the jewellery business will not merely continue to grow rapidly but will be a key engine of the Company's growth and prosperity during the years ahead. The jewellery business has already achieved a significant and remarkable turnaround in its fortunes during the past three years and is now well positioned to deliver robust profitable growth. Multiple factors now support our renewed belief and confidence in the jewellery business: the enormous opportunities inherent in the large jewellery market, a proven strategic roadmap to drive profitable growth and an established track record of success.

In the years ahead, the jewellery business will also impart stability to your Company's profitability, even as the relatively mature watches business faces increasing competition in various segments.

Performance During 2002-03:

The year 2002-03 marks the completion of a dramatic three-year turnaround in the fortunes of your Company's jewellery business.

During this three-year period, the Jewellery Division has nearly tripled its revenues and has reported consistent year-on-year growth in its profitability. Your Company is happy to report that, over this period, Tanishq has established itself as one of the fastest growing businesses in the country, with an annual growth rate in revenues exceeding 40%.

During 2002-03, Tanishq launched a slew of innovative and highly successful marketing initiatives, continuing its aggressive consumer acquisition efforts of the previous year. These initiatives included the launch of two new and distinctive branded collections of fine jewellery, and three novel activation ideas specifically designed to draw new customers into Tanishq stores. In addition, a range of designer silverware was also launched.

Driven primarily by these initiatives in the domestic Indian market, the jewellery business registered handsome growth in revenues during the year, achieving a sales turnover of Rs.345 crores, which represents an increase of 29% over the previous year. This growth was particularly commendable in a year when the jewellery market in India witnessed a decline.

During the year, six new Tanishq stores were added, and for the third consecutive year, retail sales from existing and new stores in India significantly outperformed the market. In addition, institutional sales remained robust and jewellery worth Rs.20.4 crores was exported during the year.

The jewellery business also made significant progress on a wide range of operational programs focused on cost reduction, better capital utilization and improved profitability. These initiatives, combined with rapid revenue growth, resulted in the Jewellery Division delivering a profit before tax of Rs.5.37 crores, which represents an increase of 129% over the previous year. The Division focused efforts in operational initiatives have led to a 9% reduction in Capital employed to Rs.124 Crores. And a resultant return in Capital employed of 12.3% ahead of the Company's weighted average cost of capital.

Tanishq's remarkable growth and its leadership status in the organized jewellery market have drawn increasing attention from media and industry bodies alike. Tanishq was selected as the Images-IFA best jewellery brand last year and was extensively featured in leading Indian publications. The World Gold Council collaborated actively with Tanishq in launching a new collection of gold jewellery during the year. The Diamond Trading Council (DTC) and your Company have begun working together on several developmental initiatives.

The jewellery business has also successfully evolved a flexible manufacturing model which is not merely cost-effective but also enabled the business to overcome the industrial dispute in its manufacturing plant at Hosur without any significant impact on pèrformance. Tanishq's distributed manufacturing model now encompasses a large and proven base of vendors spread across various regions of the country.

HUMAN RESOURCES

The Company's belief that human capital is the main contributor to sustained success was reflected in the performance linked compensation offered and the impact this had on the retention of talent. The encouragement given to innovation, empowerment and openness, has created a unique work ethos, of which your Company can be justly proud. The long-term wage settlement, which included a variable component in the compensation, was also a significant step for long-term competitiveness. To facilitate leadership development, several interactions like 360° feedback, were introduced in the Company.

As of 31st March 2003, the Company had 2919 employees on its payroll of whom 2401 were in the factories, 163 in the Corporate office and 355 in the regional offices.

HOW YOUR COMPANY FARED

Despite sluggish market conditions in both the businesses, the Company achieved a 10% growth in the top line. The Company continued its efforts in bringing down the interest costs through judicious borrowing and improved working capital management. The result of the initiatives explained in this report on the Company's key indicators are recorded below:

	2002-03	2001-02
Sales to Net fixed assets (No. of times)	4.16	3.67
Sales to Inventory (No. of times)	5.62	5.81
Sales to Debtors (No. of times)	4.28	3.49
Retained Earnings – Rupees in Crores %	(2.23) -28.2%	2.96 22.6%
Operating Return on Capital Employed*	9.2%	9.7%
Return on Capital Employed (EBIT)	7.8%	9.7%
Return on Net Worth	2.4%	6.4%

* excluding extraordinary items

SOME RISKS AND CONCERNS

The Company's entry into overseas markets has entailed large investments, particularly in Europe. The Company has been successful in creating a physical presence in several countries and is being perceived as a global player. However, financial returns on the overseas investments have taken time to accrue – particularly in Europe where there are significant accumulated losses, in respect of which the Company has made a provision of Rs 10 crores. Slow growth in overseas markets could therefore entail additional provisioning on account of lower returns on overseas investments.

The Company faces significant capital constraints and a relatively heavy interest burden on account of the highly leveraged capital structure. Unless this is rectified, this may adversely impact continued growth particularly of the jewellery business in future years and is also likely to impact new growth opportunities.

On account of several economic factors, we foresee a period of continued volatility in gold prices, which is a deterrent to consumer purchases of jewellery. Consumers defer purchases during such periods and it is likely that growth of the jewellery market in India will continue to be affected adversely until stability returns to gold prices.

Several sectors of the Indian economy continue to witness a slowdown, which is likely to lead to lower disposable incomes. This may impact both our businesses since they are driven by consumer confidence and spending.

The success achieved by the jewellery business during the past three years has already spawned a number of competitors who desire to emulate its success in building a national branded jewellery business. While Tanishq has a significant first-mover advantage, it will have to contend with the challenges of increased competition in the years ahead.

INTERNAL CONTROL SYSTEMS

The Company's internal audit system is geared towards ensuring adequacy of internal controls, safeguarding the assets of the Company, risk assurance on operations of the twin business segments and the corporate departments based on annual audit plan, which in turn is based on a three year plan aiming 100% coverage of all the operational areas and geographical locations. The system enables reporting of significant audit observations to the Audit Committee. This Committee reviews the audit observations and follows up on the implementation through action taken reports. The Committee recommends on risk mitigation plans through its observations in the Audit Committee, which are acted upon by the Management.

The stabilisation of ERP package SAP R3 and the TRS in sales outlets have automated most of the control systems in the Watch Division.

The new GoldMine package designed and developed in the current year and proposed to be deployed in the second quarter of FY 2003-04 together with the POSS package at billing locations, have ensured in-built controls across major operational areas in the Jewellery Division.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and 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.

Titan Industries Limited

Corporate Governance

CORPORATE 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 realizes that it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations. The Company aims at attainment of the highest levels of transparency, accountability and equity in its operations.

BOARD OF DIRECTORS

Titan Industries Limited was promoted by the Tamil Nadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on March 31, 2003, the Company had 11 Directors, comprising 10 non-executive Directors and 1 Executive Director.

The Composition and category of Directors as of March 31, 2003 is as follows:

Category	Name of the Director	No. of Directors
Nominee Directors of TIDCO	Mr. K. Skandan[1]	
(Promoters, Non-Executive,	Mr. Arun Ramanathan[2]	
Not-Independent)	Dr. R. Vijaykumar	3
Nominee Directors of Tata Group	Mr. Ishaat Hussain	
(Promoters, Non-Executive,	Mr. F. K. Kavarana	
Not-Independent)	Dr. J. J. Bhabha	
Promoter, Executive, Not-Independent	Mr. Bhaskar Bhat	4
Other Directors	Mr. A. C. Mukherji	
(Non-Executive, Independent)	Mr. T. K. Balaji	
	Mrs. Rama Bijapurkar	
	Dr. C. G. Krishnadas Nair	4
Total		11

[1] Mr. K. Skandan was appointed as Director and Chairman of the Company, nominee of TIDCO, with effect from 30.10.02 in place of Mr Madhavan Nambiar.

[2] Mr. Arun Ramanathan was appointed as Director, nominee of TIDCO, with effect from 31.7.02 in place of Mr. M. A. Gowrishankar.

As on 31 March, 2003, the Company had a Non-executive Chairman and one-third of the Directors were independent. 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 nine times during the financial year 2002-03. The interval between any two successive meetings did not exceed four months. Board meetings were held on May 2, June 26, July 31, August 13, September 24, October 30, November 30 in 2002 and on January 25, March 22 in 2003.

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

Attendance of each Director at the Board of Directors meetings during the year and the last Annual General Meeting, the number of Directorships and Committee Directorships held by them in domestic public companies as at March 31, 2003 are as indicated below:

Name of Director	No. of Board meetings attended out of 9 meetings of the Board of Directors	Whether attended last Annual General Meeting	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. K. Skandan[4]	3	NA	3	10	-	2
Mr. Bhaskar Bhat	9	Yes	-	3	-	1
Dr. J. J. Bhabha	-	No	-	4	-	-
Mr. F. K. Kavarana	4	No	4	5	4	4
Mr. Arun Ramanathan[6]	3	Yes	5	10	-	5
Dr. R. Vijaykumar[2]	5	Yes	5	5	1	4
Mr. Ishaat Hussain	8	Yes	2	13	4	4
Mr. T. K. Balaji	8	Yes	2	9	2	4
Mr. A. C. Mukherji	8	Yes	-	10	4	6
Mrs. Rama Bijapurkar	5	Yes	-	5	1	4
Dr. C. G. Krishnadas Nair	6	Yes	-	2	-	1
Mr. M. Kalaivanan[1]	1	NA	-	-	-	-
Mr. M. A. Gowrishankar[3]	-	NA	-	-	-	-
Mr. M. Madhavan Nambiar[5]	2	No	-	-	-	-

NA – Not Applicable

[1]Mr. M. Kalaivanan was appointed as a Director on 2.5.02 in place of Mr. V. K. Jeyakodi who resigned on 27.3.02.

[2]Dr. R. Vijaykumar was appointed as a Director on 26.6.02 in place of Mr. M. Kalaivanan who resigned as Director on 26.6.02.

[3]Mr. M. A. Gowrishankar resigned as Director on 26.6.02 and Mr. Arun Ramanathan was appointed as Director and Chairman on 31.7.02.

[4]Mr. K. Skandan was appointed as Director and Chairman on 30.10.02 in place of Mr. Madhavan Nambiar.

[5]Mr. Madhavan Nambiar resigned on 30.10.02.

[6]Mr. Arun Ramanathan ceased to be Chairman effective 30.10.02 upon appointment of Mr. K. Skandan as Director & Chairman. However, Mr Arun Ramanathan continues to be a Director of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board was constituted in 1999. The Company has complied with the requirements of Clause 49(II)(A) of the Listing Agreements relating to the composition of Audit Committee.

The Audit Committee is responsible for effective supervision of the financial reporting process, ensuring financial and accounting controls and ensuring compliance with financial policies of the company. The Committee reviews the Reports of the Internal Auditor with the Statutory Auditor's periodically and discusses their findings. The Committee provides the overall direction on the risk management policies, including the focus of internal and management audits. The Committee reviews the annual and half yearly financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before they are submitted to the board. The Committee further monitors proposed changes in accounting policies having serious accounting implications of major transactions.

The audit committee has been granted powers as prescribed under 49(II)(C).

Mr A. C. Mukherji, Chairman of the Audit Committee, was present at the last Annual General Meeting of the Company. The Audit Committee comprises five members, out of which three are independent.

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

Name of the Director	No. of Meetings attended
Mr. A. C. Mukherji (Chairman) (Non-Executive) (Independent)	5
Mr. Ishaat Hussain (Chartered Accountant) (Non-Executive) (Not-Independent)	5
Mr. Arun Ramanathan[3] (Non-Executive) (Not-Independent)	1
Mr. M. Madhavan Nambiar[1] (Non-Executive) (Not-Independent)	2
Mr. T. K. Balaji (Non-Executive) (Independent)	5
Mrs. Rama Bijapurkar[4] (Non-Executive) (Independent)	2
Dr. C. G. Krishnadas Nair[2] (Non-Executive) (Independent)	3

[1] Resigned on 30.10.02. [2] Member from 30.10.02.

[3] Member from 30.10.02. [4] Resigned on 30.11.02.

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.

The Audit Committee met six times during the financial year 2002-03 on May 2, June 26, July 31, October 30 in 2002 and on January 25, March 22 in 2003.

OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

a. **Remuneration Committee**

The broad terms of reference of the Remuneration Committee are to determine and recommend to the Board, the remuneration payable to the Managing Director, periodic evaluation of his performance, and to determine and advise the Board regarding the quantum of annual commission/remuneration to be paid.

The composition of the Remuneration Committee are as follows:

Mr. T. K. Balaji (Chairman) (Non-Executive, Independent)
Mr. Ishaat Hussain (Non- Executive, Not-Independent)
Mr. Arun Ramanathan[1] (Non- Executive, Not-Independent)

[1] Mr. Arun Ramanathan is a member of the Committee in place of Mr. Madhavan Nambiar w.e.f. 30.10.02.

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. During the year 2002-03, a Meeting of the Remuneration Committee was held on 26 June 2002. Mr. T K Balaji and Mr Ishaat Hussain were present at the Meeting.

b. **Shareholder Grievance Committee**

A Shareholder Grievance Committee was constituted 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 the year 2002-03, one meeting of the Committee was held on 22 March 2003. Mr. F K Kavarana and Mr. Bhaskar Bhat were present at the meeting.

The composition of the Shareholders Grievance Committee are as follows:

Mr. F K Kavarana (Chairman) (Non-Executive, Not-Independent)
Mr. Arun Ramanathan[1] (Non-Executive, Not-independent)
Mr. Bhaskar Bhat (Executive, Not-Independent)

The Compliance Officer is the Company Secretary, Mrs. Usha Iyengar.

[1]Mr. Arun Ramanathan is a member of the Committee in place of Mr. Madhavan Nambiar w.e.f. 30.10.02.

INVESTOR SERVICES

Investor complaints on matters relating to shares during the financial year 2002-03:

Nature of Queries	Received	Replied
Non-receipt of Interest / Dividend Warrants	1947	1947
Non-receipt of shares sent for transfer	73	73
Dematerialisation of shares	47	47
Name correction	13	13
Letters received from SEBI and other statutory bodies	2	2
Change of address requests updated	940	940
ECS / Mandate Registration noted	787	787
Loss of shares	133	133
Split / Consolidation / Renewal / Duplicate issue of Shares	11	11
Request for nomination forms	27	27
Tax exemption forms received / updated	31	31
Transmission of securities	67	67
Exchange / Sub-division of old shares	7	7
Dividend / Interest including request for changes on live warrants	431	431
Document registration	32	32
Redemption	201	201
Other (Miscellaneous)	223	223
TOTAL	**4972**	**4972**

As at 31st March 2003, seventeen transfers of shares were pending, however, no transfers were pending beyond 30 days.

c. Committee of Directors

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

The composition of the reconstituted Committee of Directors is as follows:

Mr. Arun Ramanathan (Non-Executive, Not-independent)
Mr. Ishaat Hussain (Non-Executive, Not-independent)
Dr. R. Vijaykumar (Non-Executive, Not-independent)
Mr. Bhaskar Bhat (Executive, Not-independent)

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.

Titan Industries Limited

d. Ethics and Compliance Committee

The Ethics and Compliance Committee was constituted by the Board on 26th June 2002. The Committee reviews the compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992, and the Tata Code of Conduct.

The composition of the Committee is as follows:

Mr. F. K. Kavarana (Chairman) (Non-Executive, Not-Independent)
Mr. Arun Ramanathan (Non-Executive, Not-Independent)
Mr. Bhaskar Bhat (Executive, Not-Independent)

During the year 2002-03, this Committee held a meeting on 22 March 2003. Mr. F. K. Kavarana and Mr. Bhaskar Bhat were present at the meeting.

The Compliance Officer designated for this purpose is Mr. K F Kapadia, Senior Vice President, Finance.

REMUNERATION OF DIRECTORS

MANAGING DIRECTOR

The Company has during the year paid remuneration to its 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 24th September 2002, approved the appointment of Mr. Bhaskar Bhat as 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 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 Director during 2002-03 are as under:

(in Rs.)

Name	Salary	Perquisites & Allowances	Commission *
Mr. Bhaskar Bhat Managing Director	12,00,000	15,65,618	12,00,000

*Payable in 2003 -04

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

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

Period of Agreement : 5 years from 1st April 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

There are no stock options issued to the Managing Director.

DIRECTORS

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 2002-03 are as shown below:

(in Rs.)

Name of the Director	Commission	Sitting Fees
Mr. K. Skandan	—	15,000
Mr. Arun Ramanathan	—	20,000
Mr. M. Kalaivanan	—	5,000
Dr. R. Vijaykumar	—	25,000
Mr. Madhavan Nambiar	—	20,000
Dr. J J Bhabha	—	—
Mr. Farrokh Kavarana	—	25,000
Mr. Ishaat Hussain	—	70,000
Mr. T K Balaji	—	70,000
Mr. A C Mukherji	—	65,000
Mrs. Rama Bijapurkar	—	35,000
Dr.C. G. Krishnadas Nair	—	45,000

The Managing Director is not eligible to receive sitting fees as per the terms of appointment entered into with him.

Sitting fees in respect of Mr. K. Skandan, Mr. Arun Ramanathan, Mr. Kalaivanan, Mr. R. Vijaykumar and Mr. Madhavan Nambiar who are nominees of the co-promoters Tamil Nadu Industrial Development Corporation Ltd. (TIDCO) were paid directly to TIDCO.

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: There has been no instance of non-compliance 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 except that for the period from 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. No penalties or strictures have been imposed by them on the Company.

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, where 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.

Titan Industries Limited

PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

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

Year	Location	Date	Time
1999-2000	At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126	27 September 2000	3.30 p.m.
2000-2001	as above	28 September 2001	3.30 p.m.
2001-2002	as above	24 September 2002	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

GENERAL SHAREHOLDER INFORMATION

AGM : date, time & venue	:	Friday, September 12, 2003, 3.30 p.m. at the Registered Office at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Directors seeking appointment / reappointment	:	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 12 September 2003.
Book Closure Date	:	Friday, 29 August 2003 to Friday, 12 September 2003 (both days inclusive)
Dividend payment date	:	On or after 15th September 2003, however within 30 days from the date of AGM
Financial Calendar Period (tentative) - Quarter ending Jun 30, 2003 - Quarter ending Sep 30, 2003 - Quarter ending Dec 31, 2003 - Quarter ending Mar 31, 2004	:	Board Meeting to approve quarterly financial results - End July 2003 - End October 2003 - End January 2004 - May / June 2004
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	:	Listing fees as prescribed have been paid to both these stock exchanges up to 31 March 2004.
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

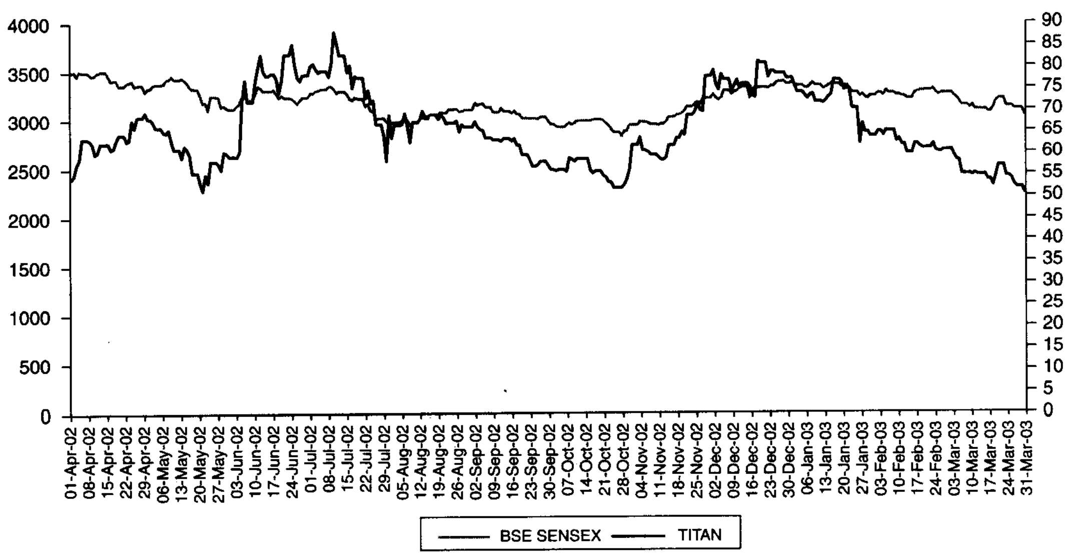
SHARE TRANSFER SYSTEM

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 i.e. National Securities Depository Ltd (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

STOCK PERFORMANCE

Market Price Data

Month & Year	Bombay Stock Exchange (BSE) (Amount in Rupees)		BSE Sensex
	High	Low	
April 2002	69.40	54.15	3,338.16
May 2002	67.20	51.35	3,125.73
June 2002	85.25	59.05	3,244.70
July 2002	88.05	58.10	2,987.65
August 2002	69.85	62.45	3,114.16
September 2002	67.30	56.85	2,991.36
October 2002	58.80	51.95	2,949.32
November 2002	77.70	58.35	3,228.82
December 2002	81.15	72.80	3,374.97
January 2003	77.30	62.10	3,250.38
February 2003	65.00	59.75	3,276.35
March 2003	60.60	50.60	3,048.72



Titan Industries Limited

DISTRIBUTION OF SHARES ACCORDING TO SIZE, CLASS AND CATEGORIES OF SHAREHOLDERS AS ON 31 MARCH 2003

No. of equity Shares held	No. of Shareholders	Percentage	No. of Shares	Percentage
1-500	60,261	95.50	75,89,512	17.95
501-2000	2,382	3.77	20,87,778	4.94
2001-3000	139	0.22	3,58,169	0.85
3001-4000	73	0.12	2,57,620	0.61
4001-5000	55	0.09	2,57,621	0.61
5001-10000	82	0.13	5,97,861	1.41
10001 and above	105	0.17	3,11,27,709	73.63
Total	**63,097**	**100.00**	**4,22,76,270**	**100.00**

CATEGORIES OF SHAREHOLDING AS ON 31 MARCH 2003

Category	No. of Shareholders	No. of shares held	Percentage of Shareholding
Tamil Nadu Industrial Development Corporation Ltd.	1	1,17,84,606	27.88
Tata Group Companies	13	1,14,13,523	27.00
FFI / FIIs/ OCBs	15	18,47,272	4.37
Bodies Corporate	1,006	9,65,118	2.28
Unit Trust of India	3	1,61,423	0.38
Life Insurance Corp. of India	1	3,78,332	0.89
Mutual Funds	28	17,01,637	4.03
Nationalised Banks	16	3,355	0.01
Others	62,014	1,40,21,004	33.16
Total	**63,097**	**4,22,76,270**	**100.00**

TOP TEN SHAREHOLDERS:

The Company's top ten shareholders as at 31st March 2003 are as shown below:

Sl. No.	Name of Shareholder	No. of Shares	Percentage of 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	Jhunjhunwala Rakesh Radheshyam	17,67,750	4.18
5	Tata Chemicals Ltd.	14,30,580	3.38
6	Tata Infomedia Ltd.	10,96,650	2.59
7	Morgan Stanley Investment Management Inc. A/c Morgan Stanley India Investment Fund	9,54,074	2.26
8	International Finance Corporation, Washington	8,75,832	2.07
9	Morgan Stanley Mutual Fund A/c Morgan Stanley Growth Fund	8,41,760	1.99
10	Tata Investment Corporation Ltd.	6,95,797	1.65

STOCK CODE

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

The Aggregate Non-promoter shareholding of the Company as at 31st March 2003 is as shown below:

Number of Shares : 19,078,141

Percentage to total holding : 45.13%

DEMATERIALISATION OF SHARES AND LIQUIDITY

As on 31 March 2003, 83.39% of the Companies Equity Capital is held in dematerialised form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialised form with effect from 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 and 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, 2003, 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.

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 2003, 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, 21st July, 2003

Auditors' Report

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 2003 and also the profit and loss account and the cash flow statement 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 statement 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, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

d) in our opinion, the balance sheet, profit and loss account and cash flow statement 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 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 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, 2003;

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

   (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

Place : Bangalore
Date : 28.06.2003

H. L. Shah
Partner

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, 2003.

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, 2003 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 : 28.06.2003

Titan Industries Limited

Balance Sheet as at 31 March 2003

			Rupees in lakhs	
SOURCES OF FUNDS	**Schedule**		**31-3-2003**	31-3-2002
Shareholders' funds				
Share capital	A	**8227.63**		8227.63
Reserves and surplus	B	**8018.52**		8241.54
			16246.15	16469.17
Deferred tax liability			**4158.59**	4457.66
Loan funds				
Secured loans	C	**12680.26**		21008.32
Unsecured loans	D	**34026.32**		23320.99
			46706.58	44329.31
Total			**67111.32**	65256.14
APPLICATION OF FUNDS				
Fixed assets	E			
Gross block, at cost		**38174.25**		37813.75
Less : Depreciation		**19964.64**		18049.72
Net block		**18209.61**		19764.03
Advances on capital account and capital work in progress, at cost		**965.67**		326.34
			19175.28	20090.37
Investments	F		**3709.33**	2462.43
Current assets, loans and advances	G			
Inventories		**14191.74**		12481.90
Sundry debtors		**18638.08**		20774.99
Cash and bank balances		**2399.08**		1732.98
Loans and advances		**21708.33**		19740.42
		56937.23		54730.29
Less :				
Current liabilities and provisions	H			
Current liabilities		**16138.97**		11436.92
Provisions		**1188.05**		1207.86
		17327.02		12644.78
Net current assets			**39610.21**	42085.51
Miscellaneous expenditure (To the extent not written off or adjusted)				
Deferred revenue expenditure			**4616.50**	617.83
Total			**67111.32**	65256.14
Notes	K			

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 28 June 2003

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

K. Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
Rama Bijapurkar
R. Vijaykumar
— Directors

Bhaskar Bhat — Managing Director

Profit and Loss Account for the year ended 31 March 2003

	Schedule		Current Year	Previous Year
			Rupees in lakhs	
INCOME				
Sales			**79789.64**	72478.36
Other income	I		**1039.97**	224.34
Total			**80829.61**	72702.70
EXPENDITURE				
Operating and other expenses	J		**67550.43**	58048.62
Excise duty			**6052.94**	5883.63
Depreciation			**2113.78**	2327.99
Interest			**4134.67**	4626.64
Total			**79851.82**	70886.88
PROFIT BEFORE TAXES			**977.79**	1815.82
Income taxes — Current		**487.00**		612.00
— Deferred		**(299.07)**		(105.54)
			187.93	506.46
PROFIT AFTER TAXES FOR THE YEAR			**789.86**	1309.36
Less : Income tax of earlier years			**168.85**	—
			621.01	1309.36
Profit brought forward		**1961.14**		4230.74
Less : Deferred tax liability of earlier years		—		2500.00
			1961.14	1730.74
Amount available for appropriation			**2582.15**	3040.10
Appropriations				
Dividend paid on preference shares		**367.10**		256.90
Proposed dividend on equity shares		**422.76**		634.14
Proposed dividend on preference shares		—		96.06
Tax on dividends		**54.17**		26.39
Transfer to general reserve		**19.75**		65.47
			863.78	1078.96
Balance carried to balance sheet			**1718.37**	1961.14
Notes	K			
Earnings per share - Basic and diluted (Rs.)			**0.60**	2.20

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 28 June 2003

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

K. Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
Rama Bijapurkar
R. Vijaykumar
} Directors

Bhaskar Bhat — Managing Director

Titan Industries Limited

Cash flow statement for the year ended 31 March 2003

Rupees in lakhs

	Schedule	Current Year	Previous year
A. Cash flow from operating activities			
Net profit before tax		**977.79**	1,815.82
Adjustments for :			
— Depreciation		**2,113.78**	2,327.99
— Exchange difference (Refer note 10)		**(690.52)**	(346.19)
— Financial lease payments		**60.88**	61.35
— Loss/(profit) on sale of fixed assets(net)		**52.18**	72.47
— Diminution in value of investments		**1,000.00**	40.09
— Interest received		**(95.96)**	(121.35)
— Dividend received		**(903.26)**	(52.59)
— Interest paid		**4,134.67**	4,626.64
Operating profit before working capital changes		**6,649.56**	8,424.23
Adjustments for :			
— (Increase)/Decrease in sundry debtors		**2,136.91**	(4,871.25)
— (Increase)/Decrease in inventories		**(1,709.84)**	2,140.85
— (Increase)/Decrease in loans and advances		**(1,621.04)**	(4,494.71)
— Increase/(Decrease) in current liabilities and provisions		**4,997.24**	4,128.94
— (Increase)/Decrease in miscellaneous expenditure		**(3,998.67)**	(297.93)
Cash generated from operations		**6,454.16**	5,030.13
— Direct taxes paid		**(845.27)**	(621.90)
Net cash from/(used in) operating activities		**5,608.89**	4,408.23
B. Cash flow from investing activities			
Additions to fixed assets(including capital work in progress and advances on capital account)		**(1,335.28)**	(1,453.04)
Proceeds from sale of fixed assets		**84.41**	77.74
Purchase of investments		**(2,246.90)**	(194.01)
Dividend received		**903.26**	52.59
Interest received		**820.83**	526.78
Net cash from/(used in) investing activities		**(1,773.68)**	(989.94)
C. Cash flow from financing activities			
Proceeds from issue of preference share capital		**1,050.00**	3,730.00
Redemption of preference share capital		**(1,050.00)**	(3,730.00)
Proceeds from new borrowings		**6,694.96**	15,070.69
Repayment of borrowings		**(4,317.69)**	(12,942.49)
Financial lease payments		**(60.88)**	(61.35)
Dividends paid		**(1,093.84)**	(1,350.54)
Interest paid		**(5,082.18)**	(5,499.50)
Exchange difference		**690.52**	346.19
Net cash from/(used in) financing activities		**(3,169.11)**	(4,437.00)
Net cash flows during the year(A+B+C)		**666.10**	(1,018.71)
Cash and cash equivalents (opening balance)		**1,732.98**	2,751.69
Cash and cash equivalents (closing balance)		**2,399.08**	1,732.98
Notes	K		

Per our report attached to the balance sheet

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 28 June 2003

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

K. Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
Rama Bijapurkar
R. Vijaykumar
— Directors

Bhaskar Bhat — Managing Director

Schedules forming part of the accounts

		Rupees in lakhs 31-3-2003	31-3-2002
"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 (2002 : 5,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**500.00**		500.00
6,50,000 (2002 : 9,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**650.00**		950.00
2,00,000 (2002 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**200.00**		200.00
8,00,000 (2002 : 8,50,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**800.00**		850.00
9,50,000 (2002 : 15,00,000) 8.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**950.00**		1500.00
2,00,000 (2002 : Nil) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**200.00**		—
7,00,000 (2002 : Nil) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**700.00**		—
		4000.00	4000.00
		8227.63	8227.63

		Rupees in lakhs 31-3-2003	31-3-2002
"B" Reserves and surplus			
Capital reserve		**13.23**	13.23
Share premium account		**6172.69**	6172.69
General reserve			
As per last balance sheet	**94.48**		2092.21
Less : Deferred tax liability of earlier years	**—**		2063.20
	94.48		29.01
Add : Transfer from profit and loss account	**19.75**		65.47
		114.23	94.48
Balance in profit and loss account		**1718.37**	1961.14
		8018.52	8241.54

Titan Industries Limited

Schedules forming part of the accounts

		31-3-2003	31-3-2002
		Rupees in lakhs	
"C" Secured loans			
Term loans from financial institutions		**2812.50**	9062.50
Term loans from banks		**4990.00**	6830.00
Interest free sales tax loan		—	33.32
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future		**4877.76**	5082.50
		12680.26	21008.32

		31-3-2003	31-3-2002
		Rupees in lakhs	
"D" Unsecured loans			
Fixed deposits		**4688.62**	4887.65
Short term loans and advances			
Loans from banks	**18987.70**		10713.34
Deposits from companies	**10350.00**		7720.00
		29337.70	18433.34
		34026.32	23320.99

"E" Fixed Assets

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-2002	**Additions**	**Deductions**	**Cost as at 31-3-2003**	**For the year**	**As at 31-3-2003**	**As at 31-3-2003**	As at 31-3-2002
Land - freehold	69.21	-	**3.62**	**65.59**	-	-	**65.59**	69.21
Land - leasehold	42.24	-	-	**42.24**	-	-	**42.24**	42.24
Buildings	4594.15	**10.39**	**25.92**	**4578.62**	**118.62**	**1029.16**	**3549.46**	3683.21
Plant, machinery and equipment	30515.35	**507.24**	**142.47**	**30880.12**	**1822.76**	**17659.00**	**13221.12**	14558.26
Furniture, fixtures and equipment	2336.93	**173.12**	**81.88**	**2428.17**	**137.67**	**1206.52**	**1221.65**	1238.37
Vehicles	255.87	**5.20**	**81.56**	**179.51**	**34.73**	**69.96**	**109.55**	172.74
TOTAL	37813.75	**695.95**	**335.45**	**38174.25**	**2113.78**	**19964.64**	**18209.61**	
As at 31st March 2002	36622.92	**1487.41**	**296.58**	**37813.75**	**2327.99**	**18049.72**		19764.03
Advances on capital account and capital work in progress, at cost							**965.67**	326.34
							19175.28	20090.37

Schedule forming part of the accounts

		Rupees in lakhs	
		31-3-2003	31-3-2002
"F" Investments - long term			
Trade investments			
Unquoted			
5,00,000 (2002: 5,00,000) fully paid equity shares of Rs. 10 each in Titan Time Products Limited	**50.00**		50.00
1,00,000 (2002: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited	**10.00**		10.00
5,010 (2002: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited	**0.50**		0.50
42,210 (2002: 2,510) fully paid equity shares of Rs. 10 each in Titan Holdings Limited .... (39,700 shares purchased during the year)	**40.15**		0.25
60,000 (2002: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited	**18.00**		18.00
15,000 (2002: 15,000) fully paid equity shares of Rs. 10 each in Tanishq (India) Ltd.	**1.50**		1.50
		120.15	80.25
Investment in subsidiary company - unquoted			
10,000 (2002: 10,000) fully paid equity shares of Euro 500 each in Titan International Holdings BV	**2244.79**		2244.79
Less : Provision for diminution in value of investments	**1000.00**		—
		1244.79	2244.79
Others - unquoted			
7,46,328 (2002: 7,46,328) units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs.41.50 lakhs; 2002: Rs.47.39 lakhs)	**114.72**		114.72
Less : Provision for diminution in value of investments	**40.09**		40.09
		74.63	74.63
Trade investments - current			
Unquoted			
1,42,000 (2002: 20,000) fully paid equity shares of Rs. 10 each in RDI Print & Publishing Ltd. (1,22,000 shares purchased during the year)		**2269.76**	62.76
		3709.33	2462.43
Aggregate amount of unquoted investments		**3709.33**	2462.43

Titan Industries Limited

Schedule forming part of the accounts

		Rupees in lakhs	
		31-3-2003	31-3-2002
"G" Current assets, loans and advances			
Inventories			
Consumable stores		**342.00**	353.49
Loose tools		**161.68**	145.03
Stock-in-trade			
Raw materials and bought-out components	**4816.36**		3615.37
Work in progress	**3670.14**		3617.37
Finished goods	**5201.56**		4750.64
		13688.06	11983.38
		14191.74	12481.90
Sundry debtors (unsecured)			
Over six months			
Considered good	**634.00**		2093.05
Considered doubtful	**165.20**		134.57
	799.20		2227.62
Others - considered good	**18004.08**		18681.94
	18803.28		20909.56
Less: Provision for doubtful debts	**165.20**		134.57
		18638.08	20774.99
Cash and bank balances			
Cash and cheques on hand	**508.86**		377.65
With scheduled banks - in current accounts	**731.78**		537.29
- on deposit	**469.20**		262.32
- in transit	**689.24**		555.72
		2399.08	1732.98
Loans and advances (unsecured and considered good) Advances recoverable in cash or in kind or for value to be received			
— from subsidiaries	**12165.83**		10555.57
— from others	**9374.94**		9150.68
Tax payments, net of provision	**144.07**		8.82
Balances with customs and excise authorities	**23.49**		25.35
		21708.33	19740.42
		56937.23	54730.29

Schedules forming part of the accounts

		Rupees in lakhs	
		31-3-2003	31-3-2002
"H" Current liabilities and provisions			
Current liabilities			
Sundry creditors			
Due to small scale industrial undertakings	**266.46**		391.38
Due to subsidiary	**38.91**		—
Others	**15555.05**		10759.43
	15860.42		11150.81
Unclaimed dividends	**67.11**		63.65
Interest accrued but not due on loans	**211.44**		222.46
		16138.97	11436.92
Provisions			
Proposed dividend on equity shares	**422.76**		634.14
Proposed dividend on preference shares	**—**		96.06
Retiring gratuities	**466.15**		198.44
Others	**299.14**		279.22
		1188.05	1207.86
		17327.02	12644.78

	Rupees in lakhs	
	Current Year	Previous Year
"I" Other income		
Interest from staff loans and bank deposits - gross (tax deducted at source on interest received Rs. 0.61 lakhs; 2002: Rs. 20.43 lakhs)	**95.96**	121.35
Income from trade investments - gross (tax deducted at source on dividend received Rs. 94.84 lakhs; 2002: Nil)	**903.26**	45.13
Dividend from units of Unit Trust of India (tax deducted at source Nil; 2002: Nil)	**—**	7.46
Miscellaneous income	**40.75**	50.40
	1039.97	224.34

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Schedule forming part of the accounts

			Rupees in lakhs Current Year	Previous Year
"J" Operating and other expenses				
Raw materials and components consumed			**45795.13**	36182.15
Loose tools, stores and spare parts consumed			**1212.34**	1531.99
Purchase of finished goods			**315.64**	208.81
Payments to and provisions for employees				
Salaries and wages		**5702.70**		6263.12
Company's contribution to provident and other funds		**346.25**		416.93
Welfare expenses		**643.37**		730.90
Gratuity		**464.85**		220.60
Deferred revenue expenditure written off - VRS		**517.84**		—
			7675.01	7631.55
Other expenses				
Power and fuel		**815.74**		785.22
Repairs to buildings		**79.07**		81.31
Repairs to plant and machinery		**222.04**		185.08
Advertising		**4744.08**		3654.84
Selling and distribution expenses		**1496.75**		1303.10
Insurance		**270.65**		250.19
Rent		**502.62**		467.50
Rates and taxes		**1194.97**		1114.06
Travel		**495.43**		347.37
Deferred revenue expenditure written off		**800.16**		511.20
Provision for diminution in value of investments		**1000.00**		40.09
Provision for doubtful debts		**30.63**		40.00
General expenses		**1440.90**		1869.79
			13093.04	10649.75
Auditors' remuneration				
Audit fees		**18.00**		18.00
Fees for taxation matters		**9.12**		3.86
Fees for consolidation (including Rs. 7 lakhs for earlier year)		**11.50**		—
Fees for other services		**7.76**		8.55
Reimbursement of expenses and levies		**3.68**		1.83
			50.06	32.24
Directors' fees			**3.95**	2.35
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	**3670.14**			3617.37
Finished goods	**5201.56**			4750.64
		8871.70		8368.01
Opening stocks				
Work in progress	**3617.37**			3852.87
Finished goods	**4750.64**			6398.76
		8368.01		10251.63
			(503.69)	1,883.62
			67641.48	58122.46
Less : Expenses capitalised			**91.05**	73.84
			67550.43	58048.62

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 26).

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% and 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.

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

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.

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

c) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is determined on the basis of the net present value of the future payments, and amortised over a period of 60 months.

d) Consultancy charges for long-term operating and strategic initiatives are amortised over a period of three 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 31).

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.199.50 lakhs (2002 : Rs.136.12 lakhs).

3. Contingent liabilities not provided for - Rs.7671.93 lakhs (2002 : Rs.9837.89 lakhs) comprising of the following :

i) Guarantees given by the Company to banks - Rs.4310 lakhs (2002 : Rs.2813 lakhs).

ii) Letter of comfort given to a bank - Rs.588 lakhs (2002 : Rs.1739 lakhs).

iii) Bills discounted by trade - Rs.2107 lakhs (2002 : Rs.4601 lakhs).

iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.666.93 lakhs (2002 : Rs.684.89 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.650 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.200 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 9.25% 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.

d) 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.

e) 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.

f) The 9% redeemable cumulative preference shares aggregating Rs.545 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 135 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.

g) The 8.75% redeemable cumulative preference shares aggregating Rs.775 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 125 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.

h) The 8.75% redeemable cumulative preference shares aggregating Rs.175 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

Rs 100 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.

i) The 8% 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., 31st March 2003). 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) The 7% redeemable preference shares aggregating Rs 700 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 31st March 2003). 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.

k) 9.50% redeemable cumulative preference shares aggregating Rs 50 lakhs and 8.75% redeemable cumulative preference shares aggregating Rs 100 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.2812.50 lakhs (2002 : 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.Nil (2002 : Rs.5000 lakhs) 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.1240 lakhs (2002 : 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.3750 lakhs (2002 : 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.

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

8. The interest free sales tax loans of Rs.Nil (2002 : Rs.33.32 lakhs) is secured 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 small scale industrial undertakings to whom the Company owes any sum, outstanding for more than 30 days are :

(i)	Bangalore Mechatronics Pvt Ltd	(ii)	Ratesh International
(iii)	Bangalore Refinary Pvt Ltd	(iv)	Safari Designs
(v)	Centura Watch Cases Pvt Ltd	(vi)	Jayshree Horologicals Pvt Ltd
(vii)	Conee Chains Private Limited	(viii)	Sona Band
(ix)	Cony Bands Pvt Ltd	(x)	Sona Horologicals Private Ltd
(xi)	Delta Products	(xii)	Sree Laxmi Enterprises
(xiii)	G B Rubber Products	(xiv)	Star Barrat Enterprises
(xv)	Hirsch Watch Straps Pvt Ltd	(xvi)	TKM Enterprises
(xvii)	Hitech Times	(xviii)	Vardhan Banda Limited
(xix)	Horological Components Pvt. Ltd	(xx)	T.S.International
(xxi)	Indo Plast	(xxii)	Classic Dials P Ltd.
(xxiii)	Kammaje Industries	(xxiv)	AAA Products P Ltd.
(xxv)	Medicon Leather Pvt Ltd	(xxvi)	Plasma Gold Coating Pvt Ltd
(xxvii)	P & S Galvasols	(xxviii)	P & S Precitech
(xxix)	Plastic Moulding Service	(xxx)	Dhanoor Industries

10. Exchange gain (net), included in the profit and loss account is Rs.690.52 lakhs (2002 : gain Rs.346.19 lakhs) inclusive of realised exchange gain of Rs.163.28 lakhs (2002:Rs.109.74 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 2003-2004 is Rs.4.14 lakhs (2002-2003 : Rs.27.17 lakhs).

    Cash and Cash equivalents in the cash flow statement include unrealised exchange loss in respect of EEFC balances of Rs.12.81 lakhs (2002 : gain Rs.20.25 lakhs).

11. Sales includes sale of scrap Rs.164.84 lakhs (2002 : Rs.217.31 lakhs), sale of accessories Rs.3276.32 lakhs (2002 : Rs.3057.91 lakhs), income from services provided Rs.187.10 lakhs (2002 : Rs.227.41 lakhs) and is net of all discounts including cash discount of Rs.264.10 lakhs (2002 : Rs.290.72 lakhs).

12. Interest expense disclosed in the profit and loss account is net of Rs.936.49 lakhs (2002 : Rs.600.80 lakhs) being interest received on advances (Tax deducted at source Rs.51.51 lakhs (2002 : Rs.49.50 lakhs)).

13. Interest on fixed loans amounts to Rs.3744.08 lakhs (2002 : Rs.4525.50 lakhs).

14. The Directors' remuneration of Rs.39.66 lakhs (2002 : Rs.147.77 lakhs) comprises of payments to the Managing Director (2002 : to the Vice Chairman & Managing Director and to the Deputy Managing Director) and is inclusive of contribution to provident and other funds Rs.3.24 lakhs (2002 : Rs.6.43 lakhs), perquisites Rs.12.42 lakhs (2002 : Rs.22.90 lakhs), commission Rs.12.00 lakhs (2002 : Rs.43.20 lakhs), gratuity Rs.Nil (2002 :37.67 lakhs) and other retirement benefits Rs.Nil (2002 :13.77 lakhs).

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

		Rupees in lakhs
	2003	2002
Number of Whole-time Directors	**1**	2
Profit before taxes as per Profit and Loss Account	**977.79**	1815.82
Add: Director's remuneration	**39.66**	147.77
Director's fees	**3.95**	2.35
Depreciation provided in the accounts for the current year	**2113.78**	2327.99
Provision for Doubtful debts	**30.63**	40.00
Provision for diminution in value of investments	**1000.00**	40.09
Wealth Tax	**0.54**	0.97
Loss on sale of fixed assets as per books (net)	**52.18**	72.47
	4218.53	4447.46
Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year	**2042.55**	2185.83
Loss on sale of fixed assets as per books (net)	**52.18**	72.47
Net profit	**2123.80**	2189.16

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 million watches (2002 : 7.00 million watches), 0.29 million jewellery pieces (2002 : 0.29 million jewellery pieces) and 0.10 million Table Clocks (2002 : 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 58,59,000 watches (2002 : 60,80,040 watches) sold 59,46,151 watches - Rs.41140.63 lakhs (2002 : 61,19,094 watches - Rs.41864.43 lakhs) and had a Closing Stock of 2,59,432 watches - Rs.2354.01 lakhs (2002 : 3,46,583 watches – Rs.3142.80 lakhs; 2001 : 3,85,637 watches - Rs.4064.83 lakhs).

The Company produced 23,874 Table Clocks (2002 : 14,593) sold 35,429 Table Clocks - Rs.249.63 lakhs (2002 : 44,217 Table Clocks - Rs.183.61 lakhs) and had a closing stock of 29,326 Table Clocks – Rs.60.18 lakhs (2002 : 40,881 Table Clocks - Rs.118.39 lakhs; 2001 : 70,505 Table Clocks - Rs.270.22 lakhs).

The Jewellery Division of the Company produced 13,92,338 jewellery pieces (2002 : 5,96,940 jewellery pieces), sold 13,72,450 jewellery pieces - Rs.34389.42 lakhs (2002 : 6,04,876 jewellery pieces - Rs 26594.89 lakhs) and had a closing stock of 55,428 jewellery pieces - Rs.2684.66 lakhs (2002 : 35,540 jewellery pieces - Rs 1434.03 lakhs, 2001 :43,476 jewellery pieces - Rs 2018.87 lakhs).

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17. The Company purchased 69,209 watches (2002 : 58,227 watches), sold 55,439 watches – Rs.362.10 lakhs (2002 : 57,818 watches - Rs.302.35 lakhs) and had a closing stock of 18,477 watches - Rs.80.56 lakhs (2002 : 4,707 watches - Rs.19.14 lakhs; 2001 : 4,298 watches - Rs.6.99 lakhs).

18. The Company purchased 2 clocks (2002 : 4,450 clocks), sold 5,600 clocks – Rs.19.61 lakhs (2002 : 7,032 clocks - Rs.30.45 lakhs) and had a closing stock of 6,274 clocks - Rs.22.15 lakhs (2002 : 11,872 clocks – Rs.36.29 lakhs; 2001 : 14,454 clocks - Rs.37.85 lakhs).

19. Analysis of raw materials and components consumed :

		Rupees in lakhs
	2003	2002
Precious metals -Gold (2003 : 4486 Kgs.)(2002 : 3501 Kgs.)	**24425.61**	15887.99
-Others	**1169.54**	1207.77
Components	**12637.04**	12618.06
Precious and semi-precious stones	**4755.15**	4325.88
Other materials	**2422.77**	1992.90
Sundry charges	**385.02**	149.55
	45795.13	36182.15

20. Value of imports on CIF basis :

		Rupees in lakhs
	2003	2002
Raw materials and components	**16182.39**	7264.30
Stores and spares	**263.96**	290.06
Capital goods	**141.17**	103.23
	16587.52	7657.59

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

		Rupees in lakhs
	2003	2002
Interest	**31.04**	90.10
Professional and consultancy services	**60.18**	8.67
Others	**1437.33**	939.77

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

	2003	2002
(i) Number of Shareholders	**8**	10
(ii) Number of equity shares on which dividend was paid	**33,700**	78,700
(iii) Year to which the dividend related	**2001-02**	2000-01
(iv) Amount remitted (net of tax) (Rs in lakhs)	**0.40**	2.05

23. Earnings in foreign exchange:

		Rupees in lakhs
	2003	2002
Export of goods on FOB basis	**5098.93**	5542.85
Interest	**691.22**	378.35

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

	2003		2002	
	Rupees in Lakhs	**%**	Rupees in Lakhs	%
Imported				
CIF Value	**16302.16**	**36**	7440.67	20
Customs duties	**1339.14**	**3**	643.12	2
	17641.30	**39**	8083.79	22
Indigenous	**28153.84**	**61**	28098.36	78
	45795.13	**100**	36182.15	100

25. Expenditure directly attributable to research and development [including capital expenditure of Rs.6.03 lakhs; (2002 : Rs.4.33 lakhs)] is estimated at Rs.226.59 lakhs (2002 : Rs.209.23 lakhs).

26. 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.5.20 lakhs (2002 : Rs.107.90 lakhs)

(b) Net carrying amount as on 31.03.2003 : Rs.71.53 lakhs (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	35.59 (2002: 33.97)	25.82 (2002: 28.43)
Later than one year and not later than five years	48.50 (2002:79.22)	29.75 (2002: 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.

27. Obligation in respect of future lease rentals relating to lease finance availed prior to 1st April 2001, net of interest, is Rs.102.82 lakhs (2002 : Rs.144.94 lakhs).

28. (a) Sundry creditors include Rs.49.88 lakhs (2002 : Rs.68.53 lakhs) towards liability for lease of vehicles which falls due later than one year.

(b) Unclaimed dividends do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.

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29. Transactions with the related parties during the year are set out in the table below :
(Previous year figures are in brackets)

Rs. lakhs

Sl. No	Nature of transaction	Promoters	Subsidiaries	Associates	Joint Venture Company	Key Management Personnel	Total
1.	Purchase of components and raw materials	—	—	3696.73	1198.06	—	4894.79
		(—)	(—)	(1241.12)	(1225.12)	(—)	(2466.24)
2.	Sale of components and finished goods	—	1781.53	23524.77	18.48	—	25324.78
		(—)	(1914.37)	(20576.36)	(19.26)	(—)	(22509.99)
3.	Construction of Buildings	—	—	—	—	—	—
		(—)	(—)	(695.22)	(—)	(—)	(695.22)
4.	Sale of Assets	—	—	—	0.44	—	0.44
		(—)	(—)	(—)	(—)	(—)	(—)
5.	Purchase of Assets	—	—	13.83	—	—	13.83
		(—)	(—)	(—)	(—)	(—)	(—)
6.	Construction of Infrastructure	—	—	499.84	—	—	499.84
		(—)	(—)	(—)	(—)	(—)	(—)
7.	Income from services	—	—	27.52	—	—	27.52
		(—)	(—)	(143.02)	(—)	(—)	(143.02)
8.	Reimbursement of Expenses	9.82	98.93	1207.90	—	—	1316.65
		(18.98)	(—)	(743.94)	(—)	(—)	(762.92)
9.	Interest income	—	691.22	245.28	—	—	936.50
		(—)	(358.12)	(242.66)	(—)	(—)	(600.78)
10.	Interest expense	91.85	—	5.51	—	—	97.36
		(60.17)	(—)	(28.96)	(—)	(—)	(89.13)
11.	Rent paid	31.74	—	—	—	—	31.74
		(37.60)	(—)	(—)	(—)	(—)	(37.60)
12.	Dividend received	—	—	898.76	4.50	—	903.26
		(—)	(—)	(40.63)	(4.50)	(—)	(45.13)
13.	Dividend paid	223.85	—	293.66	—	—	517.51
		(388.01)	(—)	(38.64)	(—)	(—)	(426.65)
14.	Sitting fees paid	0.85	—	—	—	—	0.85
		(0.62)	(—)	(—)	(—)	(—)	(0.62)
15.	Investments made	—	—	2246.90	—	—	2246.90
		(—)	(194.01)	(—)	(—)	(—)	(194.01)
16.	Bill discounting	—	—	1000.00	—	—	1000.00
		(—)	(—)	(1999.37)	(—)	(—)	(1999.37)
17.	Guarantees to bank and letter of comfort given	—	—	2788.00	—	—	2788.00
		(—)	(813.00)	(3739.00)	(—)	(—)	(4552.00)
18.	Intercorporate deposits Taken	3060.00	—	300.00	—	—	3360.00
		(4280.00)	(—)	(1545.00)	(—)	(—)	(5825.00)
19.	Intercorporate deposits Repaid	5640.00	—	300.00	—	—	5940.00
		(1700.00)	(—)	(1545.00)	(—)	(—)	(3245.00)
20.	Preference Shares allotted	—	—	850.00	—	—	850.00
		(—)	(—)	(3110.00)	(—)	(—)	(3110.00)
21.	Preference Shares redeemed	—	—	1000.00	—	—	1000.00
		(—)	(—)	(2230.00)	(—)	(—)	(2230.00)
22.	Brand equity subscription	5.00	—	—	—	—	5.00
		(100.31)	(—)	(—)	(—)	(—)	(100.31)
23.	Recovery of expenses	—	—	697.21	6.08	—	703.29
		(—)	(—)	(483.37)	(3.65)	(—)	(487.02)
24.	Rendering of services	—	—	85.46	19.49	—	104.95
		(—)	(—)	(70.49)	(10.63)	(—)	(81.12)
25.	Loans (net) (—) Repaid / Disbursed	—	(—)203.10	(—)2063.90	—	—	(-)2267.00
		(—)	(4649.21)	(2053.82)	(—)	(—)	(6703.03)
26.	Managerial remuneration	—	—	—	—	39.66	39.66
		(—)	(—)	(—)	(—)	(147.77)	(147.77)
27.	Consultancy Services	17.15	—	—	—	—	17.15
		(—)	(—)	(—)	(—)	(—)	(—)
28.	Advertising/Trademark advances	—	863.60	3054.53	—	—	3918.13
		(—)	(—)	(1414.24)	(—)	(—)	(1414.24)

Balance as on balance sheet date

Rs. lakhs

Balances as on balance sheet date	Promoters	Subsidiaries	Associates	Joint Venture Company	Key Management Personnel	Total
Debit balance	(—)	13068.14 (11769.01)	15631.37 (17284.01)	21.96 (86.32)	— (—)	28721.47 (29139.34)
Credit balance	4.21 (2680.94)	38.91 (—)	2.51 (—)	1.76 (—)	12.00 (89.33)	59.39 (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 : Questar Investments Ltd
Tanishq (India) Limited
Titan Holdings Ltd
Titan Properties Ltd
Titan Mechatronics 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
Titan Watch Co. Ltd, Hongkong

d) Joint Venture Company : Titan TimeProducts Ltd

e) Key Management Personnel : Mr. Bhaskar Bhat, Managing Director

30. Earnings per share :

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

Rupees in lakhs

		2003	2002
a)	Profit after tax for the year	**789.86**	1309.36
	Less : i) Income tax of earlier years	**168.85**	—
	ii) Dividend on preference shares	**367.10**	352.96
	iii) Dividend tax on preference shares	**—**	26.39
		253.91	930.01
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)	**0.60**	2.20

Titan Industries Limited

31. The details of deferred tax asset/(liability) are as under : Rs in lakhs

	As at 31.03.2002	Tax effect for the year	**As at 31.03.2003**
Deferred Tax (Liability)			
Fixed Assets	(4319.04)	114.12	(4204.92)
Deferred revenue expenditure	(220.56)	(12.31)	(232.87)
Sub Total	**(4539.60)**	**101.81**	**(4437.79)**
Deferred Tax Asset			
Provision for doubtful debts	48.04	12.67	60.71
Disallowances under section 43B	10.59	176.58	187.17
Provision for leave salary/gratuity	23.31	8.01	31.32
Sub Total	**81.94**	**197.26**	**279.20**
Net Deferred Tax Asset / (Liability)	**(4457.66)**	**299.07**	**(4158.59)**

32. Segment information for the year ended 31 March 2003

a) Primary Business Segments (Previous year figures are in brackets). Rs in lakhs

	Watches & Clocks	Jewellery	Corporate (Unallocated)	Total
Revenue				
Net sales/income from segments	45287	34503	—	79790
(There is no inter-segment revenue)	(45712)	(26766)	(—)	(72478)
Result				
Profit / -Loss from segments before interest, other income and taxes	2686	1362	26	4074
	(4990)	(1274)	(-45)	(6219)
Add : Other Income	102	10	927	1039
	(162)	(6)	(56)	(224)
Profit / -Loss from segments before interest and taxes	2788	1372	953	5113
	(5152)	(1280)	(11)	(6443)
Less : Interest				4135
				(4627)
Profit before taxes				978
				(1816)
Taxes				188
				(507)
Profit after taxes for the year				790
				(1309)
Other Information				
Segment Assets	59962	18972	5504	84438
	(55784)	(17530)	(4588)	(77902)
Segment Liabilities	10788	6539	—	17327
	(8703)	(3943)	(—)	(12646)
Capital expenditure during the year (including capital Work-in-progress)	980	20	—	1000
	(1128)	(28)	(—)	(1156)
Depreciation / Amortisation	3045	388	—	3433
	(2625)	(214)	(—)	(2839)

b) Secondary Geographical Segments

Rs in lakhs

	India	Others	Total
Revenue	74625 (66875)	5165 (5603)	79790 (72478)
Segment Assets	64312 (59577)	20126 (18325)	84438 (77902)
Capital expenditure during the year (including capital Work-in-progress)	1000 (1156)	— (—)	1000 (1156)

Details of secondary geographical segments for individual markets outside India are not disclosed as the same do not account for more than 10% of the total segment revenues, results and assets.

33. Disclosure under Accounting Standard - 27 on "Financial Reporting of Interest in Joint Ventures":

Name of the Company	Country of Incorporation	Propotianate percentage of owners' interest
Titan TimeProducts Limited	India	25%

Following are the aggregate amounts of each of the assets, liabilities, income, expenses, capital commitment and contingent liability related to the company's interest in the joint venture:

Rs in lakhs

	31.03.2003	31.03.2002
Assets		
Net fixed assets	**90.70**	83.08
Inventories	**32.42**	25.83
Sundry debtors	**13.30**	11.11
Cash & bank balance	**0.16**	0.13
Loans & advances	**10.17**	47.07
Liabilities		
Secured loans	**37.26**	38.55
Deferred tax	**15.10**	15.66
Current liabilities	**20.70**	37.71
Provisions	**9.45**	12.68
	2003	2002
Income		
Sales	**261.24**	261.26
Other income	**3.38**	3.90
Expenses		
Operating & other expenses	**243.64**	246.01
Depreciation/amortisation	**12.55**	11.37
Interest	**5.03**	4.94
Income tax	**2.33**	1.22
Deferred tax	**(0.56)**	0.18
Capital commitment	**0.16**	0.58
Contingent liability	**Nil**	Nil

34. During the year the Company amended the existing gratuity scheme which has resulted in additional charge of Rs 104.38 lakhs.

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

DATE	MONTH	YEAR
31	03	2003

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

PUBLIC ISSUE	RIGHTS ISSUE
NIL	NIL
BONUS ISSUE	PREFERENTIAL ALLOTMENT
NIL	NIL

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

TOTAL LIABILITIES	TOTAL ASSETS
8443834	8443834

SOURCE OF FUNDS

PAID-UP CAPITAL	RESERVES & SURPLUS
822763	801852
DEFERRED TAX LIABILITY	SECURED LOANS
415859	1268026
UNSECURED LOANS	
3402632	

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
1917528	370933
NET CURRENT ASSETS	MISC. EXPENDITURE
3961021	461650
ACCUMULATED LOSSES	
NIL	

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

TURNOVER	TOTAL EXPENDITURE
8082961	7985182
PROFIT/LOSS BEFORE TAX (+ ✓ / -)	PROFIT/LOSS AFTER TAX (+ ✓ / -)
97779	62101
EARNING PER SHARE IN Rs.	DIVIDEND RATE %
0.60	10

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

Per our report attached
For A. F. FERGUSON & CO.
Chartered Accountants

H L Shah
Partner

Bangalore, 28 June 2003

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,
K. Skandan — Chairman
Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A. C. Mukherji
Rama Bijapurkar
R. Vijaykumar — Directors
Bhaskar Bhat — Managing Director

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 2003, the consolidated profit and loss account and the consolidated cash flow statement for the year then ended.

These financial statements are the responsibility of the management of Titan Industries Limited. 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 16,254.43 lakhs as at 31st March 2003 and total revenues of Rs 2,936.95 lakhs for the year then ended and associates whose financial statements reflect Titan group's negative share of reserves and surplus of Rs. 4015.29 lakhs including loss of Rs. 591.16 lakhs for the year ended 31st March, 2003. The financial statements of subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors. In respect of the associate companies for which the audit is not yet completed, we have relied on the unaudited financial statements.

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/unaudited financial statements of each of the Titan Group companies as stated in Note 1, included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the individual audited/ unaudited 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 2003;

(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; and

(c) the consolidated cash flow statement gives a true and fair view of the consolidated cash flows of Titan Group for the year then ended.

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

Place : Bangalore
Date : 28.06.2003

H L Shah
Partner

Titan Group

Consolidated Balance Sheet as at 31 March 2003

	Schedule		Rupees in lakhs 31-3-2003	31-3-2002
SOURCES OF FUNDS				
Shareholders' funds				
Share capital	A	**8227.63**		8227.63
Reserves and surplus	B	**3777.54**		3623.67
			12005.17	11851.30
Deferred tax liability			**4173.69**	4473.32
Loan funds				
Secured loans	C	**12717.52**		21046.88
Unsecured loans	D	**34026.32**		24030.06
			46743.84	45076.94
Total			**62922.70**	61401.56
APPLICATION OF FUNDS				
Fixed assets	E			
Gross block, at cost		**41767.30**		41386.64
Less : Depreciation		**20077.78**		18150.34
Net block		**21689.52**		23236.30
Advances on capital account and capital work in progress, at cost		**965.67**		326.55
			22655.19	23562.85
Investments	F		**2576.02**	175.80
Current assets, loans and advances	G			
Inventories		**14532.60**		13048.26
Sundry debtors		**18060.07**		20137.68
Cash and bank balances		**2502.18**		1861.46
Loans and advances		**16273.19**		14581.12
		51368.04		49628.52
Less :				
Current liabilities and provisions	H			
Current liabilities		**18587.82**		13093.45
Provisions		**1197.50**		1226.81
		19785.32		14320.26
Net current assets			**31582.72**	35308.26
Miscellaneous expenditure (To the extent not written off or adjusted)				
Deferred revenue expenditure			**6108.77**	2354.65
Total			**62922.70**	61401.56
Notes	K			

Per our report attached

For A. F. Ferguson & Co.
Chartered Accountants

H L Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bangalore, 28 June 2003

For and on behalf of the Board of Directors,

K. Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A.C. Mukherji
Rama Bijapurkar
R. Vijaykumar
— Directors

Bhaskar Bhat — Managing Director

Consolidated Profit and Loss Account for the year ended 31 March 2003

Rupees in lakhs

INCOME	Schedule		Current Year	Previous Year
Sales			**80749.66**	73038.61
Other income	I		**1499.98**	653.78
Total			**82249.64**	73692.39
EXPENDITURE				
Operating and other expenses	J		**67362.83**	58690.51
Excise duty			**6052.94**	5883.63
Depreciation			**2126.52**	2343.29
Interest			**4642.89**	4977.78
Total			**80185.18**	71895.21
PROFIT BEFORE TAXES			**2064.46**	1797.18
Income taxes — Current		**534.72**		631.39
— Deferred		**(299.63)**		(105.72)
			235.09	525.67
PROFIT AFTER TAXES FOR THE YEAR			**1829.37**	1271.51
Less : Income tax of earlier years			**168.85**	—
			1660.52	1271.51
Share of profits less losses of associates			**(514.76)**	38.74
NET PROFIT			**1145.76**	1310.25
Details of movement in retained earnings	B			
Notes	K			
Earnings per share - Basic and diluted (Rs.)			**1.84**	2.20

Per our report attached to the balance sheet

For A. F. Ferguson & Co.
Chartered Accountants

H L Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bangalore, 28 June 2003

For and on behalf of the Board of Directors,

K. Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A.C. Mukherji
Rama Bijapurkar
R. Vijaykumar
— Directors

Bhaskar Bhat — Managing Director

Titan Group

Consolidated cash flow statement for the year ended 31 March 2003

		Schedule	Rupees in lakhs Current Year
A.	**Cash flow from operating activities**		
	Net profit before tax		**2,064.46**
	Adjustments for :		
	-Depreciation		**2,126.52**
	-Exchange difference (Refer note 10)		**(860.49)**
	-Financial lease payments		**60.88**
	-Loss/(profit) on sale of fixed assets(net)		**52.52**
	-Interest received		**(96.23)**
	-Dividend received		**(905.73)**
	-Interest paid		**4,642.89**
	-Translation adjustment on consolidation		**(156.51)**
	Operating profit before working capital changes		**6,928.31**
	Adjustments for :		
	-(Increase)/Decrease in sundry debtors		**2,077.61**
	-(Increase)/Decrease in inventories		**(1,484.34)**
	-(Increase)/Decrease in loans and advances		**(1,215.57)**
	-Increase/(Decrease) in current liabilities and provisions		**5,131.40**
	-(Increase)/Decrease in miscellaneous expenditure		**(3,754.12)**
	Cash generated from operations		**7,683.29**
	-Direct taxes paid		**(897.88)**
	Net cash from/(used in) operating activities (A)		**6,785.41**
B.	**Cash flow from investing activities**		
	Additions to fixed assets (including capital work in progress and advances on capital account)		**(1,355.83)**
	Proceeds from sale of fixed assets		**84.45**
	Purchase of investments		**(2,246.90)**
	Dividend received		**905.73**
	Interest received		**192.57**
	Net cash from/(used in) investing activities (B)		**(2,419.98)**
C.	**Cash flow from financing activities**		
	Proceeds from issue of preference share capital		**1,050.00**
	Redemption of preference share capital		**(1,050.00)**
	Proceeds from borrowings		**6,694.96**
	Repayment of borrowings		**(5,028.06)**
	Financial lease payments		**(60.88)**
	Dividends paid		**(1,093.84)**
	Interest paid		**(5,097.38)**
	Exchange difference		**860.49**
	Net cash from/(used in) financing activities (C)		**(3,724.71)**
	Net cash flows during the year(A+B+C)		**640.72**
	Cash and cash equivalents (opening balance)		**1,861.46**
	Cash and cash equivalents (closing balance)		**2,502.18**
	Notes	K	

Per our report attached

For A. F. Ferguson & Co.
Chartered Accountants

H L Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bangalore, 28 June 2003

For and on behalf of the Board of Directors,

K. Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A.C. Mukherji
Rama Bijapurkar
R. Vijaykumar
} Directors

Bhaskar Bhat — Managing Director

Schedules forming part of the consolidated accounts

Rupees in lakhs

			31-3-2003	31-3-2002
" 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 (2002 : 5,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**500.00**		500.00
6,50,000 (2002 : 9,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**650.00**		950.00
2,00,000 (2002 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**200.00**		200.00
8,00,000 (2002 : 8,50,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**800.00**		850.00
9,50,000 (2002 : 15,00,000) 8.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**950.00**		1500.00
2,00,000 (2002 : Nil) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**200.00**		—
7,00,000 (2002 : Nil) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**700.00**		—
			4000.00	4000.00
			8227.63	8227.63
" B " Reserves and surplus				
Capital reserve			**19.48**	19.48
Capital reserve on consolidation			**8.65**	—
Share premium account			**6172.69**	6172.69
Translation adjustment on consolidation			**(936.08)**	(779.57)
General reserve				
As per last balance sheet		**95.55**		2093.28
Less : Deferred tax liability of earlier years		—		2063.20
		95.55		30.08
Add : Transfer from profit and loss account		**19.75**		65.47
			115.30	95.55
Balance in profit and loss account				
Share of brought forward profits less losses of associates		**(3524.37)**		(3744.60)
Add : Adjustment due to change in shareholdings		—		181.49
Share of profits less losses of associates for the year		**(514.76)**		38.74
			(4039.13)	(3524.37)
Balance of profit brought forward	**1639.89**			3963.18
Less: Deferred tax liability of earlier years	—			2515.84
		1639.89		1447.34
Net profit after taxes for the year		**1660.52**		1271.51
		3300.41		2718.85
Appropriations				
Dividend paid on preference shares	**367.10**			256.90
Proposed dividend on equity shares	**422.76**			634.14
Proposed dividend on preference shares	—			96.06
Tax on dividends	**54.17**			26.39
Transfer to general reserve	**19.75**			65.47
		863.78		1078.96
			2436.63	1639.89
			3777.54	3623.67

Titan Group

Schedules forming part of the consolidated accounts

		31-3-2003	31-3-2002
			Rupees in lakhs
" C "Secured loans			
Term loans from financial institutions		**2812.50**	9062.50
Term loans from banks		**4990.00**	6830.00
Interest free sales tax loan		—	33.32
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future		**4915.02**	5121.06
		12717.52	21046.88
" D "Unsecured loans			
Fixed deposits		**4688.62**	4887.65
Short term loans and advances			
Loans from banks	**18987.70**		11422.41
Deposits from companies	**10350.00**		7720.00
		29337.70	19142.41
		34026.32	24030.06

" E " Fixed Assets

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-2002	Additions	Deductions	Cost as at 31-3-2003	For the year	As at 31-3-2003	As at 31-3-2003	As at 31-3-2002
Intangible assets								
Trademarks	3389.23	—	—	**3389.23**	—	—	**3389.23**	3389.23
Land - freehold	69.21	—	**3.62**	**65.59**	—	—	**65.59**	69.21
Land - leasehold	46.08	—	—	**46.08**	**0.13**	**1.40**	**44.68**	44.81
Buildings	4637.00	**10.39**	**25.92**	**4621.47**	**120.05**	**1042.69**	**3578.78**	3713.96
Plant, machinery and equipment	30641.32	**527.83**	**143.07**	**31026.08**	**1833.43**	**17749.79**	**13276.29**	14603.89
Furniture, fixtures and equipment	2345.98	**173.19**	**81.88**	**2437.29**	**137.99**	**1213.44**	**1223.85**	1240.83
Vehicles	257.82	**5.30**	**81.56**	**181.56**	**34.92**	**70.46**	**111.10**	174.37
TOTAL	41386.64	**716.71**	**336.05**	**41767.30**	**2126.52**	**20077.78**	**21689.52**	23236.30
As at 31st March 2002	40193.04	**1493.43**	**299.83**	**41386.64**	**2343.29**	**18150.34**		
Advances on capital account and capital work in progress, at cost							**965.67**	326.55
							22655.19	23562.85

Schedule forming part of the consolidated accounts

		31-3-2003	Rupees in lakhs 31-3-2002
" F " Investments			
Trade investments			
Long Term			
Share in associates (accounted on equity method)			
Equity shares - Fully paid, unquoted			
Titan Properties Limited	**10.41**		10.29
Titan Mechatronics Limited	**1.02**		0.55
Titan Holdings Limited	**127.44**		3.04
Questar Investments Limited	**89.64**		22.46
Tanishq (India) Ltd.	**3.12**		2.07
Titan International Investments BV (see schedule H)	**—**		—
		231.63	38.41
Preference shares - Fully paid, unquoted			
Titan International Investments B V (see schedule H)	**—**		—
Titan International Marketing Limited (see schedule H)	**—**		—
		—	—
Current Investments			
Equity shares in associates (accounted at cost)			
Fully paid, unquoted			
RDI Print & Publishing Ltd.		**2269.76**	62.76
Others - unquoted			
Units of Unit Trust of India	**114.72**		114.72
Less : Provision for diminution in value of investments	**40.09**		40.09
		74.63	74.63
		2576.02	175.80

Titan Group

Schedule forming part of the consolidated accounts

		31-3-2003	Rupees in lakhs 31-3-2002
" G " Current assets, loans and advances			
Inventories			
Consumable stores		**342.00**	353.49
Loose tools		**161.68**	145.03
Stock-in-trade			
Raw materials and bought-out components	**4834.50**		3631.46
Work in progress	**3671.38**		3620.32
Finished goods	**5523.04**		5297.96
		14028.92	12549.74
		14532.60	13048.26
Sundry debtors (unsecured)			
Over six months			
Considered good	**691.25**		2096.50
Considered doubtful	**165.20**		134.57
	856.45		2231.07
Others - considered good	**17368.82**		18041.18
	18225.27		20272.25
Less: Provision for doubtful debts	**165.20**		134.57
		18060.07	20137.68
Cash and bank balances			
Cash and cheques on hand	**508.88**		377.69
With scheduled banks - in current accounts	**829.47**		660.51
- on deposit	**474.59**		267.53
- in transit	**689.24**		555.73
		2502.18	1861.46
Loans and advances (unsecured and considered good)			
Advances recoverable in cash or in kind or for value to be received	**16119.98**		14554.42
Tax payments, net of provision	**129.37**		—
Balances with customs and excise authorities	**23.84**		26.70
		16273.19	14581.12
		51368.04	49628.52

Schedules forming part of the consolidated accounts

		31-3-2003	Rupees in lakhs 31-3-2002
" H " Current liabilities and provisions			
Current liabilities			
Sundry creditors	**16369.42**		11526.92
Share of losses of associates (net of investments in equity and preference shares)	**1939.85**		1280.42
Unclaimed dividends	**67.11**		63.65
Interest accrued but not due on loans	**211.44**		222.46
		18587.82	13093.45
Provisions			
Proposed dividend on equity shares	**422.76**		634.14
Provision for tax (net)	**—**		10.77
Proposed dividend on preference shares	**—**		96.06
Retiring gratuities	**473.58**		204.94
Others	**301.16**		280.90
		1197.50	1226.81
		19785.32	14320.26

" I " Other income

	Current Year	Previous Year
Interest from staff loans and bank deposits - gross	**96.23**	123.38
Income from trade investments - gross	**905.73**	41.50
Dividend from units of Unit Trust of India	**—**	7.46
Royalty Income	**456.52**	428.79
Miscellaneous income	**41.50**	52.65
	1499.98	653.78

Titan Group

Schedule forming part of the consolidated accounts

Rupees in lakhs

			Current Year	Previous Year
"J" Operating and other expenses				
Raw materials and components consumed			**45955.86**	36341.11
Loose tools, stores and spare parts consumed			**1213.90**	1546.30
Purchase of finished goods			**337.06**	217.20
Payments to and provisions for employees				
Salaries and wages		**5763.45**		6320.80
Company's contribution to provident and other funds		**349.02**		419.62
Welfare expenses		**645.86**		733.71
Gratuity		**465.93**		223.11
Deferred revenue expenditure written off -VRS		**517.84**		—
			7742.10	7697.24
Other expenses				
Power and fuel		**820.66**		791.17
Repairs to buildings		**80.13**		84.30
Repairs to plant and machinery		**225.33**		187.85
Office and administration expenses		**21.58**		15.53
Advertising		**4880.33**		3758.64
Selling and distribution expenses		**1524.05**		1319.54
Insurance		**272.18**		254.23
Rent		**508.34**		473.31
Rates and taxes		**1196.95**		1114.01
Travel		**504.97**		352.17
Deferred revenue expenditure written off - others		**1050.15**		765.17
Bad debts written off		**6.59**		—
Provision for doubtful debts		**30.63**		40.00
General expenses		**1302.62**		1903.72
			12424.51	11059.64
Auditors' remuneration				
Audit fees		**20.19**		22.27
Fees for taxation matters		**9.25**		3.99
Fees for consolidation (including Rs.7 lakhs for earlier year)		**11.50**		—
Fees for other services		**7.76**		8.56
Reimbursement of expenses and levies		**3.78**		1.89
			52.48	36.71
Directors' fees			**4.11**	2.49
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	**3671.38**			3620.32
Finished goods	**5523.04**			5297.96
		9194.42		8918.28
Opening stocks				
Work in progress	**3620.32**			3854.35
Finished goods	**5297.96**			6927.59
		8918.28		10781.94
			(276.14)	1,863.66
			67453.88	58764.35
Less : Expenses capitalised			**91.05**	73.84
			67362.83	58690.51

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.

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	
		31.3.2003	31.3.2002
Titan International Holdings BV (TIHBV)	Netherlands	100%	100%
Titan Brand Holdings NV (100 % held by TIHBV)	West Indies	100%	100%
Titan Watches & Jewellery International (Asia Pacific) Pte. Limited (100 % held by TIHBV)	Singapore	100%	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 2003.

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	
	31.3.2003	31.3.2002
Tanishq (India) Limited	0.58%	0.58%
Titan Properties Limited	29.85%	29.85%
Titan Mechatronics Limited	9.82%	14.29%
Titan Holdings Limited	49.66%	2.95%
Questar Investments Limited	25.00%	25.00%
Titan International Investments BV (TIIBV) (19% held by TIHBV)	19.00%	19.00%
Titan International Marketing Limited (68.75 % held by TIIBV)	13.06%	13.06%
Titan International (Middle East), FZE (100 % held by TIIBV)	19.00%	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 2003 except for Titan International Investments BV and Titan International Marketing Limited whose financial year is ending on 31st December 2002, however, effect has been given to unaudited financial statements upto 31st March 2003.

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.

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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. Current investments stated at cost or fair value, whichever is lower.

   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.

e) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is determined on the basis of the net present value of the future payments, and amortised over a period of 60 months.

f) Consultancy charges for long-term operating and strategic initiatives are amortised over a period of three 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 20).

3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.199.66 lakhs (2002: Rs.136.70 lakhs).

4. Contingent liabilities not provided for- Rs.7671.93 lakhs (2002 : Rs.9024.89 lakhs) comprising of the following :

i) Guarantees given by the Company to banks - Rs.4310 lakhs (2002: Rs.2000 lakhs).

ii) Letter of comfort given to a bank - Rs.588 lakhs (2002: Rs.1739 lakhs).

iii) Bills discounted by trade - Rs.2107 lakhs (2002: Rs.4601 lakhs).

iv) Claims against the Company not acknowledged as debts: Sales tax, Custom, Excise and Income Tax matters – Rs 666.93 lakhs (2002 : 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.650 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.200 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 9.25% 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.

d) 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.

e) 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.

f) The 9% redeemable cumulative preference shares aggregating Rs.545 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 135 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.

g) The 8.75% redeemable cumulative preference shares aggregating Rs.775 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 125 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.

h) The 8.75% redeemable cumulative preference shares aggregating Rs.175 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :

Rs 100 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.

i) The 8% 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., 31st March 2003). 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) The 7% redeemable preference shares aggregating Rs 700 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 31st March 2003). 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.

k) 9.50% redeemable cumulative preference shares aggregating Rs 50 lakhs and 8.75% redeemable cumulative preference shares aggregating Rs 100 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).

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

a) Loan of Rs.2812.50 lakhs (2002: 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.Nil (2002 : Rs.5000 lakhs) secured by a second charge by way of hypothecation of current assets including book debts and inventories, both present and future.

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

a) Loan of Rs.1240 lakhs (2002: 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.3750 lakhs (2002 : 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 security covered under notes 6(a) and 7 above rank pari passu.

9. The interest free sales tax loans of Rs. Nil (2002 : Rs.33.32 lakhs) is secured 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.

10. Exchange gain (net), included in the profit and loss account is Rs.860.49 lakhs (2002: gain Rs.408.16 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 2003-2004 is Rs.4.14 lakhs (2002-2003 : Rs.27.17 lakhs).

Cash and cash equivalents in the cash flow statement include unrealised exchange loss in respect of EEFC balances of Rs. 12.81 lakhs (2002: gain Rs.20.25 lakhs).

11. Sales includes sale of scrap Rs.164.84 lakhs (2002: Rs.217.31 lakhs), sale of accessories Rs.3276.32 lakhs (2002: Rs.3057.91 lakhs), income from services provided Rs.187.10 lakhs (2002: Rs.227.41 lakhs) and is net of all discounts including cash discount of Rs.264.10 lakhs (2002: Rs.290.72 lakhs).

12. Interest expense disclosed in the profit and loss account is net of Rs.443.47 lakhs (2002 : Rs.317.43 lakhs) being interest received on advances

13. The Directors' remuneration of Rs.39.66 lakhs (2002: Rs.147.77 lakhs) comprises of payments to the Managing Director and is inclusive of contribution to provident and other funds Rs.3.24 lakhs (2002: Rs.6.43 lakhs), perquisites Rs.12.42 lakhs (2002: Rs.22.90 lakhs), commission Rs.12.00 lakhs (2002: Rs.43.20 lakhs), gratuity Rs.Nil (2002: Rs 37.67 lakhs) and other retirement benefits Rs.Nil (2002: Rs 13.77 lakhs).

14. Expenditure directly attributable to research and development [including capital expenditure of Rs.6.03 lakhs; (2002: Rs.4.33 lakhs)] is estimated at Rs.226.59 lakhs (2002: Rs.209.23 lakhs).

15. 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.5.20 lakhs (2002 : Rs.107.90 lakhs)

(b) Net carrying amount as on 31.03.2003 : Rs.71.53 lakhs (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

	Minimum Lease Payments outstanding (Rs. Lakhs)	Present value of Minimum Lease Payments outstanding (Rs. lakhs)
Not later than one year	35.59 (2002: 33.97)	25.82 (2002: 28.43)
Later than one year and not later than five years	48.50 (2002:79.22)	29.75 (2002: 52.16)

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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.

16. Obligation in respect of future lease rentals relating to lease finance availed prior to 1st April 2001, net of interest, is Rs.102.82 lakhs (2002 : Rs.144.94 lakhs).

17. Sundry creditors include Rs.49.88 lakhs (2002 : Rs.68.53 lakhs) towards liability for lease of vehicles which falls due later than one year.

18. Transactions with the related parties during the year are set out in the table below :
(Previous year figures are in brackets) Rs. lakhs

Sl. No	Nature of transaction	Promoters	Associates	Joint Venture Company	Co-Venturer	Key Management Personnel	Total
1.	Purchase of components and raw materials	—	3696.73	898.55	—	—	4595.28
		(—)	(1249.51)	(918.84)	(—)	(—)	(2168.35)
2.	Sale of components and finished goods	—	23524.77	13.86	—	—	23538.63
		(—)	(20641.15)	(14.45)	(—)	(—)	(20655.60)
3.	Royalty Income	—	456.52	—	—	—	456.52
		(—)	(428.79)	(—)	(—)	(—)	(428.79)
4.	Construction of Buildings	—	—	—	—	—	—
		(—)	(695.22)	(—)	(—)	(—)	(695.22)
5.	Sale of Assets	—	—	0.33	—	—	0.33
		(—)	(—)	(—)	(—)	(—)	(—)
6.	Purchase of Assets	—	13.83	—	—	—	13.83
		(—)	(—)	(—)	(—)	(—)	(—)
7.	Construction of Infrastructure	—	499.84	—	—	—	499.84
		(—)	(—)	(—)	(—)	(—)	(—)
8.	Income from services	—	27.52	—	—	—	27.52
		(—)	(143.02)	(—)	(—)	(—)	(143.02)
9.	Reimbursement of Expenses	9.82	1207.90	—	—	—	1217.72
		(18.98)	(743.94)	(—)	(—)	(—)	(762.92)
10.	Interest income	—	458.20	—	—	—	458.20
		(—)	(244.13)	(—)	(—)	(—)	(244.13)
11.	Interest expense	91.85	5.51	—	—	—	97.36
		(60.17)	(28.96)	(—)	(—)	(—)	(89.13)
12.	Rent paid	31.74	—	—	—	—	31.74
		(37.60)	(—)	(—)	(—)	(—)	(37.60)
13.	Dividend received	—	898.76	4.50	—	—	903.26
		(—)	(40.63)	(4.50)	(—)	(—)	(45.13)
14.	Dividend paid	223.85	293.66	—	—	—	517.51
		(388.01)	(45.26)	(—)	(—)	(—)	(433.27)
15.	Sitting fees paid	0.85	—	—	0.03	—	0.88
		(0.62)	(—)	(—)	(0.03)	(—)	(0.65)
16.	Investments made	—	2246.90	—	—	—	2246.90
		(—)	(—)	(—)	(—)	(—)	(—)
17.	Bill discounting	—	1000.00	—	—	—	1000.00
		(—)	(1999.37)	(—)	(—)	(—)	(1999.37)
18.	Guarantees to bank and letter of comfort given	—	2788.00	—	—	—	2788.00
		(—)	(3739.00)	(—)	(—)	(—)	(3739.00)

Rs. lakhs

Sl. No	Nature of transaction	Promoters	Associates	Joint Venture Company	Co-Venturer	Key Management Personnel	Total
19.	Intercorporate deposits taken	3060.00	300.00	—	—	—	3360.00
		(4280.00)	(1545.00)	(—)	(—)	(—)	(5825.00)
20.	Intercorporate deposits repaid	5640.00	300.00	—	—	—	5940.00
		(1700.00)	(1545.00)	(—)	(—)	(—)	(3245.00)
21.	Intercorporate deposits given	—	—	—	—	—	—
		(—)	(33.75)	(—)	(—)	(—)	(33.75)
22.	Investments made in preference shares	—	—	—	—	—	—
		(—)	(3594.90)	(—)	(—)	(—)	(3594.90)
23.	Investments in preference shares disposed off	—	—	—	—	—	—
		(—)	(1042.50)	(—)	(—)	(—)	(1042.50)
24.	Preference Shares allotted	—	850.00	—	—	—	850.00
		(—)	(3110.00)	(—)	(—)	(—)	(3110.00)
25.	Preference Shares redeemed	—	1000.00	—	—	—	1000.00
		(—)	(2230.00)	(—)	(—)	(—)	(2230.00)
26.	Share Application deposit	—	466.38	—	—	—	466.38
		(—)	(—)	(—)	(—)	(—)	(—)
27.	Brand equity subscription	5.00	—	—	—	—	5.00
		(100.31)	(—)	(—)	(—)	(—)	(100.31)
28.	Recovery of expenses	—	697.21	4.56	—	—	701.77
		(—)	(483.37)	(2.74)	(—)	(—)	(486.11)
29.	Rendering of services	—	85.46	14.62	—	—	100.08
		(—)	(70.49)	(7.97)	(—)	(—)	(78.46)
30.	Loans (net) (—) Repaid / Disbursed	—	(-)2063.90	—	—	—	(-)2063.90
		(—)	(2053.82)	(—)	(—)	(—)	(2053.82)
31.	Managerial remuneration	—	—	—	—	39.66	39.66
		(—)	(—)	(—)	(—)	(147.77)	(147.77)
32.	Consultancy Services	17.15	—	—	—	—	17.15
		(—)	(—)	(—)	(—)	(—)	(—)
33.	Advertising / Trademark advances (net)	—	2788.23	—	—	—	2788.23
		(—)	(1414.24)	(—)	(—)	(—)	(1414.24)

Balances as on balance sheet date

Rs. lakhs

Balances as on balance sheet date	Promoters	Associates	Joint Venture Company	Co-Venturer	Key Management Personnel	Total
Debit Balance	—	21925.37	16.47	—	—	21941.84
	(—)	(17377.35)	(64.74)	(—)	(—)	(17442.09)
Credit Balance	4.21	470.91	1.32	—	12.00	488.44
	(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 Tata Sons Ltd
b) Associates	:	Questar Investments Ltd Tanishq (India) Ltd Titan Holdings Ltd Titan Properties Ltd Titan Mechatronics 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 Titan Watch Co. Ltd, Hongkong
d) Joint Venture Company	:	Titan TimeProducts Ltd
e) Co-Venturer	:	Economic Development Corporation of Goa, Daman & Diu Ltd
f) Key Management Personnel	:	Mr. Bhaskar Bhat, Managing Director

19. Earnings per share :

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

Rs lakhs

	2003	2002
a) Net profit	**1145.76**	1310.25
Less: i) Dividend on preference shares	**367.10**	352.97
ii) Dividend tax on preference shares	**—**	26.39
	778.66	930.89
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)	**1.84**	2.20

20. The details of deferred tax asset/(liability) are as under :

Rs lakhs

	As at 31.03.2002	Tax effect for the year	**As at 31.03.2003**
Deferred Tax (Liability)			
Fixed Assets	(4335.76)	114.18	(4221.58)
Deferred revenue expenditure	(220.56)	(12.31)	(232.87)
Sub Total	**(4556.32)**	**101.87**	**(4454.45)**
Deferred Tax Asset			
Provision for doubtful debts	48.04	12.67	60.71
Disallowances under section 43B	10.59	176.58	187.17
Provision for leave salary/gratuity	24.37	8.51	32.88
Sub Total	**83.00**	**197.76**	**280.76**
Net Deferred Tax Asset / (Liability)	**(4473.32)**	**299.63**	**(4173.69)**

21. Segment information for the year ended 31 March 2003

a. Primary Business Segments (Previous year figures are in brackets) — Rs lakhs

	Watches & Clocks	Jewellery	Corporate (Unallocated)	Total
Revenue				
Net sales/income from segments	46118	34632	—	80750
(There is no inter-segment revenue)	(46390)	(26649)	(—)	(73039)
Result				
Profit / - Loss from segments before interest, other income, taxes and share of profits / -losses of associates	3985	1351	-129	5207
	(5109)	(1287)	(-274)	(6122)
Add : Other Income	563	10	927	1500
	(595)	(6)	(52)	(653)
Share of profits / -losses of associates	-659	—	145	-514
	(38)	(—)	(1)	(39)
Profit / - Loss from segments before interest and taxes	3889	1361	943	6193
	(5742)	(1293)	(-221)	(6814)
Less : Interest				4643
				(4978)
Profit before taxes				1550
				(1836)
Taxes				235
				(526)
Profit for the year				1315
				(1310)
Income tax of earlier years				169
				(-)
NET PROFIT				1146
				(1310)
Other Information				
Segment Assets	57916	19026	5766	82708
	(53747)	(17285)	(4689)	(75721)
Segment Liabilities	13187	6539	59	19785
	(10017)	(3943)	(360)	(14320)
Capital expenditure during the year (including capital work-in-progress)	1000	20	—	1020
	(1131)	(28)	(—)	(1159)
Depreciation / Amortisation	3308	388	—	3696
	(2891)	(214)	(—)	(3105)

b. Secondary Geographical Segments — Rs lakhs

	India	Others	Total
Revenue	74886	5864	80750
	(67137)	(5902)	(73039)
Segment Assets	64569	18139	82708
	(61367)	(14354)	(75721)
Capital expenditure during the year (including capital work-in-progress)	1020	—	1020
	(1159)	(—)	(1159)

Titan Group

Details of secondary geographical segments for individual markets outside India are not disclosed as the same do not account for more than 10% of the total segment revenues, results and assets.

22. During the year the Company amended the existing gratuity scheme which has resulted in additional charge of Rs 104.38 lakhs.

23. Adoption of AS 21 has been made mandatory for accounting periods commencing on or after 1st April 2001. The consolidated cash flow statement is therefore presented for the financial year 2002-03 only.

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

25. Figures of the previous year have been regrouped/recast, where necessary.

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

		K Skandan	Chairman
	K. F. Kapadia Sr. Vice President - Finance	Arun Ramanathan Ishaat Hussain F. K. Kavarana A.C. Mukherji Rama Bijapurkar R. Vijaykumar	Directors
Bangalore, 28 June 2003	Usha Iyengar Company Secretary	Bhaskar Bhat	Managing Director

STATEMENT OF LOANS AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

(As required under Clause 32 of the Listing Agreement with the Stock Exchanges)

Details of Loans and Advances outstanding from subsidiaries and associates as at 31 March 2003 are as follows :

a) Loans and advances repayable within seven years and with interest not below the rate specified in Section 372 A of the Companies Act, 1956.

(1) to subsidiaries

(i) Titan International Holdings BV

— US$ 5,000,000 (Rs 2372.50 lakhs); maximum during the year : US$ 5,750,000 (Rs 2728.38 lakhs)
— GBP 1,000,000 (Rs 751.00 lakhs); maximum during the year : GBP 1,000,000 (Rs 751.00 lakhs)
— EUR 6,950,000 (Rs 3098.42 lakhs); maximum during the year : EUR 7,850,000 (Rs 4067.87 lakhs)

(ii) Titan Brand Holdings NV

— US$ 4,500,000 (Rs 2135.25 lakhs); maximum during the year : US$ 4,500,000 (Rs 2135.25 lakhs)
— NLG 7,500,000 (Rs 1763.62 lakhs); maximum during the year : NLG 12,500,000 (Rs 2938.75 lakhs)
— EUR 1,250,000 (Rs 647.75 lakhs); maximum during the year : EUR 1,250,000 (Rs 647.75 lakhs)
— US$ 500,000 (Rs 237.25 lakhs); maximum during the year : US$ 500,000 (Rs 237.25 lakhs)

(iii) Titan Watches & Jewellery International (Asia Pacific) Pte Ltd

— US$ 1,000,000 (Rs 474.50 lakhs); maximum during the year : US$ 1,000,000 (Rs 474.50 lakhs)

(2) to associates

(i) Titan International Marketing Ltd

— US$ 975,000 (Rs 462.64 lakhs); maximum during the year : US$ 975,000 (Rs 462.64 lakhs)
— GBP 575,000 (Rs 431.83 lakhs); maximum during the year : GBP 575,000 (Rs 431.83 lakhs)

(ii) Titan International Investments BV

— US$ 800,000 (Rs 379.60 lakhs); maximum during the year : US$ 800,000 (Rs 379.60 lakhs)
— EUR 1,900,000 (Rs 984.58 lakhs); maximum during the year : EUR 1,900,000 (Rs 984.58 lakhs)

(iii) Titan Holdings Ltd : Rs 738 lakhs; maximum during the year: Rs 1278.93 lakhs

(iv) Questar Investments Ltd : Nil ; maximum during the year: Rs 1221.84 lakhs

b) Advertising advances without interest, being utilised for brand-building, advertising and related expenses :

(1) to subsidiaries : Nil

(2) to associates

Titan International Marketing Ltd

— US$ 2,983,144 (Rs 1415.50 lakhs); maximum during the year : US$ 2,983,144 (Rs 1415.50 lakhs)
— GBP 136,648 (Rs 102.62 lakhs); maximum during the year : GBP 1,206,347 (Rs 905.96 lakhs)
— EUR 300,000 (Rs 155.46 lakhs); maximum during the year : EUR 300,000 (Rs 155.46 lakhs)

c) Advances, without interest, for purchase /development of land at Bangalore and the Titan Township near Hosur :

(1) to subsidiaries : Nil

(2) to associates

Titan Properties Ltd : Rs 2057.92 lakhs; maximum during the year: Rs 2595.57 lakhs

d) Firms / companies in which Directors are interested :

Mr F K Kavarana is also a Director of Titan International Holdings BV, Titan International Investments BV and Titan International Marketing Ltd; and may therefore be considered to be interested in his fiduciary capacity.

Mr Bhaskar Bhat is also a Director of Titan International Holdings BV, Titan Watches & Jewellery International (Asia Pacific) Pte Ltd, Titan Holdings Ltd, Titan Properties Ltd and Titan International Marketing Ltd; and may therefore be considered to be interested in his fiduciary capacity.

FOR AND ON BEHALF OF THE BOARD,

K Skandan — Chairman

Arun Ramanathan
Ishaat Hussain
F. K. Kavarana
A.C. Mukherji
Rama Bijapurkar
R. Vijaykumar
— Directors

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bhaskar Bhat — Managing Director

Bangalore, 28 June 2003

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 2003	31st March 2003	31st March 2003
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 2003	Nil	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31st March 2003	EUR (591,234)	EUR 99,274	SGD 244,969
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 2003	Nil	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31st March 2003	EUR 8,326	EUR (105,511)	SGD (235,554)

* held by Titan International Holdings BV

ON BEHALF OF THE BOARD OF DIRECTORS,

K F Kapadia Sr Vice President – Finance	Usha Iyengar Company Secretary	Ishaat Hussain Director	Bhaskar Bhat Managing Director

Bangalore, 21 July 2003

Accounts of Subsidiary Companies

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, 2003.

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

Amsterdam, May 15, 2003

F K Kavarana — X S Desai
M N Ramdas — B Bhat

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, 2003. 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, 2003 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 of royalty income in the future.

The Hague, The Netherlands,
May 15, 2003

BOUWER & OFFICIER - *Accountants*

C M Oosterling
Registeraccountant

Balance Sheet as of March 31, 2003

(after proposed appropriation of results)

	Notes	2003 Euros	2002 Euros
ASSETS			
Fixed Assets			
Intangible assets	(4)	**3,656,316**	4,255,507
Investments	(5)	**4,959,585**	5,559,585
		8,615,901	9,815,092
Current Assets			
Receivable from subsidiaries and affiliated companies	(6)	**11,431,164**	12,436,397
Interest receivable from affiliated companies	(7)	**641,319**	462,667
Other receivables and prepaid expenses		**24,692**	14,533
Cash at banks		**35,566**	41,077
		12,132,741	12,954,674
TOTAL ASSETS		**20,748,642**	22,769,766
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity			
Issued and fully paid-in share capital	(8)	**5,000,000**	5,000,000
Retained earnings		**(582,908)**	8,326
		4,417,092	5,008,326
Long-term Liabilities	(9)	**13,356,669**	13,985,034
Current Liabilities			
Short-term bank loans	(10)	**0**	1,666,667
Due to group and affiliated companies	(11)	**1,964,797**	1,364,916
Corporate tax payable		**3,493**	40,000
Interest payable		**922,595**	655,824
Accounts payable and accrued expenses		**83,996**	48,999
		2,974,881	3,776,406
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**20,748,642**	22,769,766

Profit and Loss Account for the year ended March 31, 2003

	Notes	2003 Euros	2002 Euros
Operating Income (Expense)			
Royalty income		**733,786**	815,667
General and administrative expenses		**(33,465)**	(27,453)
Amortization expense		**(599,191)**	(607,308)
Net operating income (loss)		**101,130**	180,906
Financial Income (Expenses)			
Interest expenses, net	(12)	**(567,969)**	(394,916)
Currency exchange differences		**(58,213)**	209,827
Net financial income (expenses)		**(626,183)**	(185,089)
Result before provision for income taxes		**(525,052)**	(4,183)
Provision for income taxes	(13)	**(66,181)**	(40,000)
NET PROFIT / (LOSS) FOR THE YEAR		**(591,234)**	(44,183)

The accompanying notes form part of these accounts.

Notes to the Annual Accounts — March 31, 2003

(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.

The parent company issued a credit note for EUR 75,000 to cover certain general & administrative costs.

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.

		2003	2002
Exchange rates used at year-end are:	GBP 1	**1.4489404**	1.6350335
	USD 1	**0.9154575**	1.0464172
	SGD 1	**0.5190110**	0.6227925
	INR 1	**0.0192975**	0.0235349

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, 2003 the amount represents incorporation expenses and design and development expenses, and is specified as follows:

	2003	2002
Incorporation expenses	**23,605**	23,605
Accumulated depreciation	**(22,532)**	(20,171)
Book value of incorporation expenses	**1,073**	3,434
Legal expenses	**2,542**	2,542
Accumulated depreciation	**(508)**	—
Book value of legal expenses	**2,034**	2,542
Design and Development expenses		
Total cost at the beginning of the year	**5,963,222**	5,963,222
Additions during the year	—	—
Total cost before accumulated amortization	**5,963,222**	5,963,222
Accumulated amortization	**(2,310,013)**	(1,713,691)
Book value at the end of the year	**3,653,209**	4,249,531
Total intangible assets	**3,656,316**	4,255,507

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	2003	2002
Titan International Marketing Ltd., U.K. Representing 3 million 5.75% redeemable cumulative preference shares of GBP 1 each	40	**4,841,834**	4,841,834
Titan International Investments B.V., the Netherlands Representing all of the 5% preference shares of EUR 10 each		—	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**	50,161
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**	12,500
Total investments stated at cost		**4,959,585**	5,559,585

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

The shareholders' equity as of March 31, 2003 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 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, 2002;

	GBP	EUR
Shareholders' equity	**98,525**	142,757
Net loss for the period (12 months)	**(1,236,735)**	(1,791,955)

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, 2002 and the net profit/(Loss) for the period then ended are EUR 627,604 and EUR (179,062) respectively based on audited financial statements.

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

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, 2003:

	SGD	EUR
Shareholder's equity	**109,415**	56,788
Net profit for the period	**244,969**	127,142

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

The shareholder's equity of this entity as of March 31, 2003 and the profit for the period then ended amount to EUR 6,263 and EUR 99,274 respectively, based on audited financial statements.

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

6 Receivable from Subsidiaries and Affiliated Companies

	2003	2002
TIML, U.K.	**5,391,957**	2,967,202
TBHNV, Netherlands Antilles	**—**	340,335
TIIBV, the Netherlands, including interest	**6,039,207**	9,128,860
	11,431,164	12,436,397

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

	2003	2002
TIML, U.K.	**641,319**	462,667
	641,319	462,667

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:

	2003	2002
Share capital		
Authorized share capital	**5,000,000**	5,000,000
Not issued	**—**	—
Issued and paid-in share capital	**5,000,000**	5,000,000
Retained earnings:		
Retained earnings carried forward	**8,326**	52,509
Result for the year	**(591,234)**	(44,183)
Retained earnings	**(582,908)**	8,326
Total shareholder's equity	**4,417,092**	5,008,326

9 Long-term Liabilities

	2003	2002
Parent Company:		
EUR account	**6,950,000**	7,850,000
GBP account (GBP 1,000,000)	**1,448,940**	1,635,034
USD account (USD 5,000,000)	**4,957,729**	4,500,000
	13,356,669	13,985,034
Other Loans		
Hongkong & Shanghai Banking Corporation, Bahrain	**—**	1,666,667
Less: short-term portion	**—**	(1,666,667)
	13,356,669	13,985,034

All loans from the parent company bear interest at a rate equivalent to the bank rate declared by the Reserve Bank of India from time to time which was 6.5% per annum up to 29 October 2002 and has been reduced to 6.25% per annum from 30 October 2002.

10 Short-term Liabilities - Bank Loans

	2003	2002
Short-term portion of KBC Bank loan	**—**	1,666,667
	—	1,666,667

11 Due to Group and Affiliated Companies

	2003	2002
Titan International (Middle East) FZE, UAE	**390,001**	560,898
TAPL, Singapore	**1,034,163**	620,247
Titan Brand Holdings N.V., Netherlands Antilles	**278,678**	(65,656)
Titan Industries Ltd., India	**261,955**	249,427
	1,964,797	1,364,916

12 Interest Expense

During the fiscal year, about 10% 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. On August 13, 2002, Mr. Bhaskar Bhat was appointed as a Director. No loans or advances have been given to or received from the directors.

The Company has no supervisory directors.

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 deduct the net result for the year from 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 & Officier Accountants have carried out the audit of this annual report. The Auditors' Report is annexed and dated May 15, 2003.

Titan Brand Holdings N.V.

MANAGING DIRECTOR:

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

DIRECTOR'S REPORT:

Management herewith submits the Annual Report for the year ended March 31, 2003.

During the year under review, the Company recorded a net realized gain of EUR 339,274 details of which are set out in the attached Statement of Income and Expenses.

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

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

Curaçao Corporation Company N.V.
(Managing Director)

May 12, 2003

AUDITOR'S REPORT:

Introduction

We have audited the financial statements of Titan Brand Holdings N.V. Curacao, for the period from April 1, 2002 through March 31, 2003. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2003 and of the result for the period from April 1, 2002 to March 31, 2003, in accordance with International Accounting Standards.

For John Thomas & Co.
Chartered Accountants

John P. Thomas
Proprietor

May 14, 2003

Balance Sheet at March 31, 2003

(Expressed in Euros)

			03/31/2003	03/31/2002
ASSETS				
FIXED ASSETS				
Trademarks	(1)	8,304,178		8,304,178
Participation	(2)	360,000		0
			8,664,178	8,304,178
CURRENT ASSETS				
Royalty receivable		0		0
Intercompany receivable	(3)	1,178,022		0
Prepaid expenses		1,099		1,377
Cash at bank	(4)	4,815		1,528
			1,183,936	2,905
			9,848,114	8,307,083
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital paid up	(5)	12,500		12,500
Earned surplus (deficit)	(6)	233,763		(105,511)
Unrealized appreciation (depreciation)		(240,000)		0
			6,263	(93,011)
Loans payable	(7)		4,119,559	4,903,604
Other payables	(8)		3,403,352	3,403,352
CURRENT LIABILITIES				
N.A. profit tax	(Exh.I)	6,540		5,771
Interest payable	(9)	89,163		63,657
Intercompany payable	(10)	2,221,617		7,186
Accounts payable and accrued expenses	(11)	1,620		16,524
			2,318,940	93,139
			9,848,114	8,307,083

12 May 2003

Statement of Income and Expenses for the year ended March 31, 2003.

(Expressed in Euros)

		03/31/2003	03/31/2002
INCOME		233,559	262,622
Royalty income			
EXPENSES			
Interest expenses	387,514		327,481
Bank account expenses	1,200		27
Notarial expenses	0		784
Accounting fees	4,587		4,521
Audit fees	247		1,343
Domiciliary and administrative expenses	6,736		6,781
General expenses	1,437		1,377
		401,721	342,314
Income before realized gains/(losses)		**(168,162)**	(79,692)
Realized currency exchange gain/(loss)		509,561	(14,332)
Net result before taxes		**341,399**	(94,024)
N.A. profit tax		(2,125)	(1,945)
Income before unrealized gains/(losses)		**339,274**	(95,969)
Change in unrealized appreciation (depreciation)		(240,000)	0
Net result for the period		**99,274**	(95,969)

12 May 2003

Titan Brand Holdings N.V.

Notes to the Financial Statements for the year ended March 31, 2003

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	0.91546	1.00538
Neth. Antillean Guilders	1.94438	1.77047
Pound Sterling	1.44894	1.55574
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.

(Expressed in Euros)

(2) Participation:				360,000
Represents 60,000 5% preference shares of Titan International Investments B.V., a Dutch company.				
Costprice			600,000	
Provision for diminution			(240,000)	
			360,000	
(3) Intercompany receivable:			1,178,022	
Represents funds advanced to:				
- Titan International Investments B.V. for issuance of 5% preference shares.			900,000	
- Titan International Holdings B.V.			278,022	
			1,178,022	
(4) Cash at Bank:				4,815
Represents the balance on the current account held at Citco Banking Corporation N.V., Curaçao	USD	2,198	2,012	
			2,803	
			4,815	
(5) Share capital paid up:				12,500
Authorized Share Capital				
- 10,000 common shares @ EUR 5.-			50,000	
Unissued Shares @ EUR 5.-			(37,500)	
			12,500	
(6) Earned surplus Deficit:				233,763
Balance as at April 1, 2002			(105,511)	
Realized gain for the period			339,274	
Balance as at March 31, 2003			233,763	
(7) Loans payable:				4,119,559
Represents the following :				
- Loan payable to Titan Industries Ltd, India at variable interest rates, which are linked to the Bank rate of the Reserve Bank of India	USD	4,500,000	4,119,559	
(8) Other payables:				3,403,352
Amount payable to Titan Industries Ltd. of NLG 7,500,000				
(9) Interest payable:				89,163
Represents interest payable on the loan to Titan Industries Ltd.				
(10) Intercompany payable:				2,221,617
Represents funds advanced by :				
- Titan Industries Ltd to cover advertising costs			1,707,729	
- Titan International (Middle East) FZE	USD	561,346	513,888	
			2,221,617	
(11) Accounts payable and accrued expenses:				1,620
- Accrued audit expenses			247	
- Accrued accounting fees	USD	1,500	1,373	
			1,620	

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd
(Incorporated in the Republic of Singapore)

DIRECTORS' REPORT

The Directors submit their report together with the audited accounts of the Company for the year ended 31March 2003.

1 **DIRECTORS**

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

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

2 **PRINCIPAL ACTIVITIES**

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

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

3 **SUBSIDIARIES**

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

4 **ACCOUNTS**

Net profit for the period after taxation	S$ 244,969

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 year.

7 **ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS**

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

8 **DIRECTORS' INTEREST IN SHARES**

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

9 **DIVIDENDS**

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

10 **BAD AND DOUBTFUL DEBTS**

Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts have been written off and that where necessary adequate provision has been made for doubtful debts. At the date of this report, the Directors are not aware of any circumstances which would render any accounts written off or provided for bad and doubtful debts inadequate to any substantial extent.

11 **CURRENT ASSETS**

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

12 **CHARGES ON ASSETS AND CONTINGENT LIABILITIES**

As at the date of this report:-

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

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

13 **CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END**

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial 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 year have not been substantially affected by any item, transaction or event of a material and unusual nature.

16 **SUBSEQUENT EVENTS**

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

17 **DIRECTORS' BENEFITS**

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

18 **SHARE OPTIONS GRANTED**

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

19 **SHARE OPTIONS EXERCISED**

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

20 **UNISSUED SHARES UNDER OPTION**

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

21 **AUDITORS**

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

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

DATED: 30 April 2003

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 2003 and of the results of the business and changes in equity and cash flows of the Company for the year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

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

DATED: 30 April 2003

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd

(Incorporated in the Republic of Singapore)

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 2003, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:-

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

  (i) the state of affairs of the Company as at 31 March 2003 and of the results and changes in equity and cash flow of the Company for the year then ended on that date; and

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

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

H. WEE & CO.

CERTIFIED PUBLIC ACCOUNTANTS,
SINGAPORE

Dated : 30 April 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

	NOTE	1.4.2002 TO 31.3.2003 S$	1.7.2001 TO 31.3.2002 S$
REVENUES			
Sales of goods		**9,042,513**	7,078,205
Fixed deposit Interest Income		**393**	473
Other Income		**134,054**	6,672
Total Revenues		**9,176,960**	7,085,350
COSTS AND EXPENSES			
Cost of sales		**7,222,044**	6,222,379
Audit fee			
— statutory		**4,600**	4,000
— non-statutory		**950**	—
— prior year's underprovision		**600**	300
Depreciation	4	**703**	422
Amortisation of deferred trademark royalty		**21,047**	18,938
Foreign currency fluctuation		**172,399**	21,116
Bad debts		**13,194**	—
Provision for stock obsolescence		**497,589**	—
Salaries and employee benefits		**73,950**	56,518
Other operating expenses		**774,957**	565,284
Total costs and expenses		**8,782,033**	6,888,957
PROFIT FROM OPERATING ACTIVITIES		**394,927**	196,393
FINANCE COST			
Interest on loan		**(112,811)**	(92,680)
PROFIT BEFORE TAXATION		**282,116**	103,713
Taxation	12	**(37,147)**	—
NET PROFIT		**244,969**	103,713

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

BALANCE SHEET AS AT 31 MARCH 2003

	NOTE	2003 S$	2002 S$
SHARE CAPITAL	3	**100,000**	100,000
ACCUMULATED PROFIT/(LOSSES)		**9,415**	(235,554)
		109,415	(135,554)
Represented by:-			
FIXED ASSETS	4	—	703
DEFERRED TRADEMARK ROYALTY EXPENDITURE	5	**766,657**	787,704
CURRENT ASSETS			
Stocks	6	**1,190,557**	2,191,368
Trade debtors		**1,150,313**	2,130,354
Other debtors	7	**6,286**	32,257
Loan to holding company	8	**2,137,672**	1,111,272
Fixed deposit	9	**20,047**	19,654
Cash and bank balances		**284,965**	395,896
		4,789,840	5,880,301
Less: CURRENT LIABILITIES			
Trade creditors and accruals	10	**3,554,228**	4,841,692
Loan repayable within 12 months	11	**797,307**	489,770
Provision for taxation		**37,147**	—
		4,388,682	5,331,462
NET CURRENT ASSETS		**401,158**	548,839
NON-CURRENT LIABILITIES			
Loan repayable after 12 months	11	**(1,058,400)**	(1,472,800)
		109,415	(135,554)

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

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd
(Incorporated in the Republic of Singapore)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2003

	1.4.2002 TO 31.3.2003 S$	1.7.2001 TO 31.3.2002 S$
ISSUED CAPITAL		
Balance at beginning of year/period	**100,000**	100,000
Balance at end of year/period	**100,000**	100,000
ACCUMULATED PROFIT / (LOSSES)		
Balance at beginning of year/period	**(235,554)**	(339,267)
Net Profit	**244,969**	103,713
Balance at end of year/period	**9,415**	(235,554)
TOTAL EQUITY	**109,415**	(135,554)

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

NOTES TO THE ACCOUNTS – 31 MARCH 2003

1 **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.

The Company has adopted all the applicable new/revised SAS which became effective during the year. The adoption of the new/revised SAS does not materially affect the results of current or prior years.

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 forecasted 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**

Income tax expense is determined on the basis of tax effect accounting, using the liability method, and is applied to all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

f. **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.

g. **Cash and cash equivalents**

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

h. **Financial Risk Management**

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. Financial risk management is carried out by the Company in accordance with established policies and guidelines.

(i) **Foreign exchange risk**

The Company is exposed to foreign exchange risk arising from certain currency exposures. The Company monitors the foreign currency exchange rates movements closely to ensure that their exposures are minimised.

(ii) **Interest rate risk**

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest bearing assets or borrowing.

(iii) **Credit risk**

The Company has no significant concentrations of credit risk. The Company has policies in place to minimise customer credit risk.

(iv) **Liquidity risk**

The Company's policy on liquidity risk management is to maintain sufficient cash and the availability of funding through adequate amounts of committed credit facilities.

i. **Employee Benefits**

(a) **Pension obligations**

As required by law, the Company makes contributions to a defined contribution pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as an expense in the same period as the employment that gives rise to the contribution.

j. **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of any impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account whenever the carrying amount of an asset of its cash-operating unit exceeds its recoverable amount.

An impairment loss is only reversed to the extent the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment loss are recognised in the profit and loss account.

2 **GENERAL**

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

The registered office of the Company is located at No. 5 Shenton Way, #22-08 UIC Building Singapore 068808.

The Company operates in Singapore and employed 1 employee as of 31 March 2003.

The financial statements of the Company were authorised by the Board of Directors on 30 April 2003.

3 **SHARE CAPITAL**

	2003 S$	2002 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**

	As @ 1.4.02 S$	Addition S$	Disposal S$	As@ 31.3.03 S$	Depreciation 2002 S$
COST					
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	
ACCUMULATED DEPRECIATION					
Computer hardware	7,156	703	—	7,859	422
Computer software	990	—	—	990	—
Furniture & fittings	9,969	—	—	9,969	—
Telephone	2,275	—	—	2,275	—
	20,390	703	-	21,093	422
NET BOOK VALUE	703			—	

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd

(Incorporated in the Republic of Singapore)

5 DEFERRED TRADEMARK ROYALTY EXPENDITURE

	2003 S$	2002 S$
Lump sum payment	850,000	850,000
Amount amortised	(83,343)	(62,296)
Balance carried forward	766,657	787,704

6 STOCKS

Trading stocks	1,688,146	2,191,368
Less : Provision for stock obsolescence	(497,589)	—
	1,190,557	2,191,368

7 OTHER DEBTORS

Staff advance	851	500
Prepayments	5,435	31,757
	6,286	32,257

8 LOAN TO HOLDING COMPANY

Loan to holding company is unsecured, bears interest at 6.25%-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 are amounts of S$3,355,572 (2002 : S$4,585,965) and S$144,944 (2002 : S$1,326) due to the Company's ultimate holding company and holding company respectively.

11 LOAN

	2003 S$	2002 S$
Repayable within 12 months	797,307	489,770
Repayable after 12 months	1,058,400	1,472,800
	1,855,707	1,962,570

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 6.25% 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.

12 TAXATION

	2003 S$	2002 S$
Current year's provision	38,537	—

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:-

	2003 S$	2002 S$
Accounting profit	288,435	103,713
Tax at the applicable tax rate of 22%	63,456	22,817
Tax effect of:-		
- expenses not deductible for tax purposes	—	3,933
- changes in tax rate	—	(1,119)
- non taxable income	(11,024)	—
Tax on exempted income	(11,550)	—
Deferred tax asset not recognised	20,238	2,742
Utilisation of prior years' tax losses	(22,583)	(28,373)
	38,537	—

13 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.

14 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:-

	2003 S$	2002 S$
Holding companies		
Purchases	6,376,175	6,320,238
Trademark royalty	140,360	92,089
Design royalty	35,225	13,808
Purchase - Merchandising materials	65,456	89,229
- Spare	25,152	27,649
Interest expense	112,811	92,680
Selling expenses	—	18,703
Interest income	134,054	6,672
Related companies		
Sales	—	245,934
Purchases	68,655	31,848

Included in trade debtors is an amount of S$141,494 (2002: S$221,880) due from a related party.

15 COMPARATIVES

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	1.4.2002 TO 31.3.2003 S$	1.7.2001 TO 31.3.2002 S$
CASH FLOWS FROM OPERATING ACTIVITES		
Net profit before taxation	282,116	103,713
Adjustments for:-		
Loan interest income	(134,054)	(6,672)
Interest on loan	112,811	92,680
Depreciation	703	422
Decrease in deferred expenditure	—	24,969
Decrease in trademark royalty expenditure	21,047	18,938
Operating profit before working capital changes	282,623	234,050
Decrease/(Increase)in stocks	1,000,811	(216,666)
Decrease/(Increase) in trade debtors	980,041	(1,236,574)
Decrease in other debtors	25,971	96,205
(Increase) in fixed deposits	(393)	(2,473)
(Decrease)/Increase in trade creditors and accruals	(1,287,464)	2,983,465
	1,001,589	1,858,007
Interest paid	(140,694)	(20,908)
Interest received	119,590	—
Net cash provided by operating activities	980,485	1,837,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in amount due to related party	—	(460,411)
Net cash used in investing activities	—	(460,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to holding company	(1,105,800)	(1,104,600)
Net cash (used in) financing activities	(1,105,800)	(1,104,600)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(125,315)	272,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	395,396	105,506
EFFECT OF EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCIES	14,884	17,802
CASH AND CASH EQUIVALENTS AT END OF YEAR	284,965	395,396
Cash and cash equivalents at end of year consist of :		
Cash and bank balance	284,965	395,396

THE ATTACHED NOTES TO THE ACCOUNTS FORM AN INTEGRAL PART OF THE ACCOUNTS

TITAN INDUSTRIES LIMITED

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

Attendance Slip

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126 at 3.30 p.m. on Friday, 12th September 2003.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

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

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

TITAN INDUSTRIES LIMITED

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

Proxy

I/We ....

of .... in the district of .... being

a Member/Members of the above named Company, hereby appoint ....

.... of .... in the district of .... or failing him

.... of .... in the district of

.... as my/our Proxy to attend and vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company, to be held on Friday, 12th September 2003 and at any adjournment thereof.

Signed this .... day of 2003

Reference Folio

DP ID/BEN ID

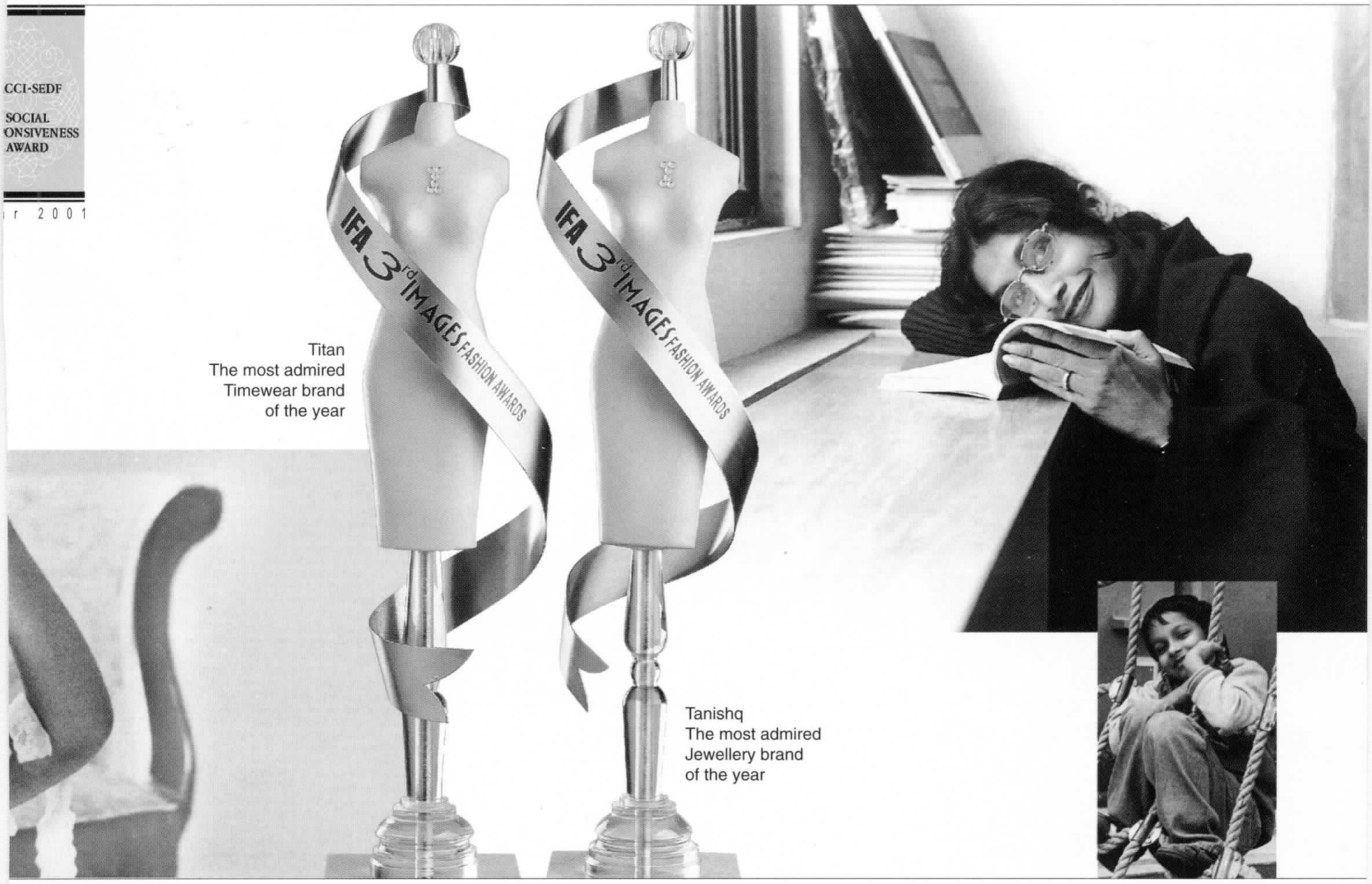
No. of Shares held

Signature ______ Affix 30 Paise Revenue Stamp ______

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

* Strike out whichever is not desired.

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



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TITAN INDUSTRIES LIMITED

3, SIPCOT Industrial Complex, Hosur 635 126