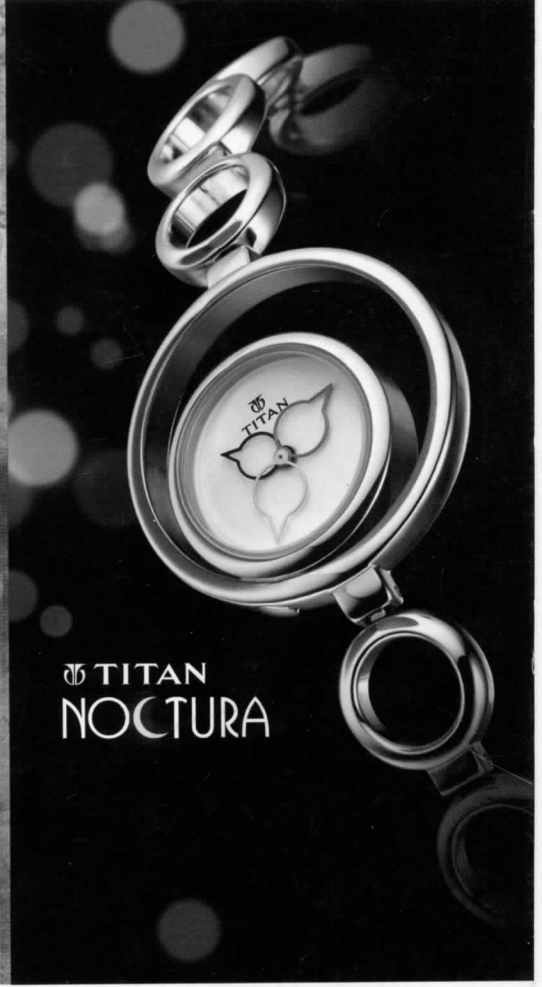
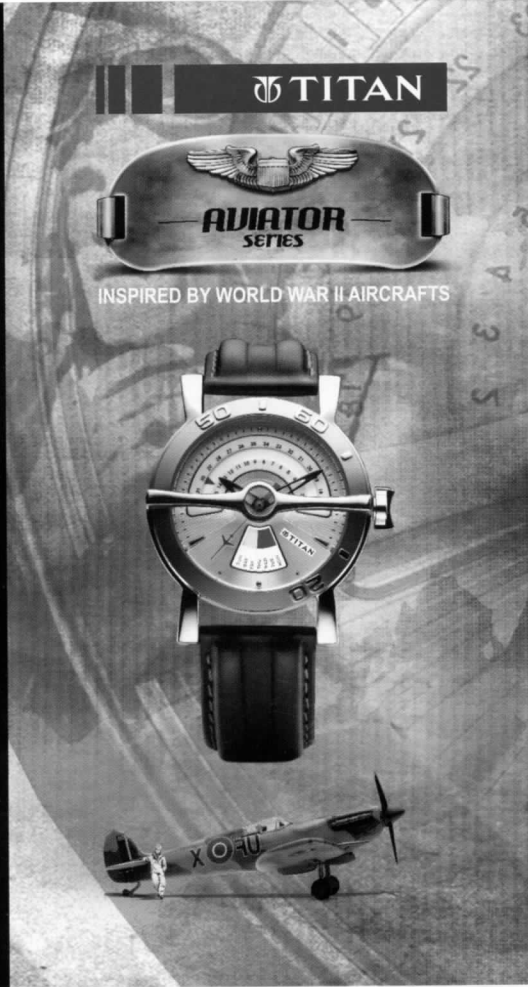


TITAN INDUSTRIES



23rd Annual Report
2006-2007



Sustaining Excellence

BOARD OF DIRECTORS

Shaktikanta Das (Chairman)
Bhaskar Bhat (Managing Director)
Farrokh Kavarana
Ishaat Hussain
N. N. Tata
S. Ramasundaram
T. S. Surendranath (upto 26.02.2007)
Sunil Paliwal (from 26.02.2007)
S. Susai
T. K. Balaji
C. G. Krishnadas Nair
A. C. Mukherji (upto 18.10.2006)
Nihal Kaviratne (from 28.09.2006)
Vinita Bali (from 18.10.2006)

COMPANY SECRETARY

Usha Iyengar

AUDITORS

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

BANKERS

Canara Bank
 Bank of Baroda
 Hongkong Bank
 Standard Chartered Bank
 Oriental Bank of Commerce
 Union Bank of India
 Indian Bank

REGISTERED OFFICE

3, SIPCOT Industrial Complex,
 Hosur 635 126

SHARE DEPARTMENT

TSR Darashaw Ltd.
 (formerly Tata Share Registry Limited)
 Unit : Titan Industries Ltd.,
 6-10, Haji Moosa Patrawala Industrial Estate,
 20, Dr. E Moses Road, Mahalaxmi,
 Mumbai 400 011

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Titan Industries is a **TATA** Enterprise
 in association with Tamilnadu Industrial Development Corporation

TITAN INDUSTRIES

Titan Industries Limited

Notice

The Twenty-third 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, 27th July, 2007 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, 2007 and the Balance Sheet as at that date together with the report of the Auditors thereon.
- 2) To declare dividend on Equity Shares.
- 3) To approve the declaration and payment of interim dividend as final dividend on preference shares.
- 4) To appoint a Director in place of Mr. Ishaat Hussain who retires by rotation and is eligible for re-appointment.
- 5) To appoint a Director in place of Mr. F. K. Kavarana who retires by rotation and is eligible for re-appointment.
- 6) To appoint a Director in place of Mr. S. Susai who retires by rotation and is eligible for re-appointment.
- 7) To appoint a Director in the place of Mr. Nihal Kaviratne, CBE who was appointed as an Additional Director by the Board of Directors with effect from 28th September, 2006 and who holds office up to 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, and 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.
- 8) To appoint a Director in the place of Ms. Vinita Bali who was appointed as an Additional Director by the Board of Directors with effect from 18th October, 2006 and who holds office up to 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, and 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 her candidature for the office of Director.
- 9) To appoint a Director in the place of Mr. Sunil Paliwal who was appointed as an Additional Director by the Board of Directors with effect from 26th February, 2007 and who holds office up to 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, and 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.
- 10) To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:
"RESOLVED that pursuant to Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act, approval be and is hereby accorded to the reappointment of Mr. Bhaskar Bhat as Managing Director of the Company for a period of five years from 1st April, 2007 to 31st March, 2012, upon the terms and conditions set out in the explanatory statement attached hereto and comprised in an Agreement, which Agreement is specifically approved and sanctioned with liberty to the Board of Directors to alter/vary, without further reference to the Shareholders, any of the terms and conditions of the said re-appointment and in such a manner as may be agreed to between the Board of Directors and Mr. Bhaskar Bhat.
RESOLVED FURTHER that the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."
- 11) 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 are 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 2007-08, including audit of Cash Flow Statements, on a remuneration to be mutually agreed upon between the Company and the Statutory Auditors."

Notes:

- a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item Nos. 7, 8, 9, 10 & 11 above are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING. A PROXY MAY NOT VOTE EXCEPT ON A POLL.
- c) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., TSR Darashaw Ltd (formerly Tata Share Registry Ltd.), 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, 13th July, 2007 up to Friday, 27th July, 2007, both days inclusive.

e) Members may please note that pursuant to Section 205C of the Companies Act, 1956 all unclaimed/unpaid dividends up to the financial year ended 31st March, 2000, have been transferred to the Investor Education and Protection Fund, as required by statute.

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) The dividend on equity shares as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period of 30 days to those members whose name appear on the Register of Members of the Company as on 27th July, 2007. In respect of shares held in electronic form, dividend will be paid to the beneficial holders as per the beneficiary list as on 13th July, 2007, provided by the National Securities and Depository Limited and Central Depository Services (India) Limited.

g) As per the provisions of the amended Companies Act, 1956, the facility for making nominations is 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. TSR Darashaw Limited (formerly Tata Share Registry Ltd.) A specimen nomination form (Form 2B) is attached to this Annual Report for use by the Shareholders.

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

Bombay Stock Exchange Ltd.,
25, 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

National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
Mumbai 400 051

The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2007-08.

i) 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. Members are requested to bring their copies of Annual Reports to the Annual General Meeting.

j) 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 1.30 p.m. from the following four locations:

- 1) Jayanagar - Southend Circle
- 2) Malleswaram/Rajajinagar - near ISKCON temple
- 3) Golden Palm Station, near BRV theatre
- 4) Airport Road, adjacent to Leela Palace Hotel

By Order of the Board of Directors

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
1st June, 2007

Usha Iyengar
Company Secretary

TITAN INDUSTRIES

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. 7, 8, 9, 10 & 11 of the accompanying Notice dated 1st June, 2007.

Item No. 7:

Mr. Nihal Vijaya Devadas Kaviratne, CBE, was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th September, 2006. In terms of Section 260 of the Companies Act, 1956, Mr. Nihal Kaviratne, CBE, 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 proposing Mr. Nihal Kaviratne, CBE, as a candidate for the office of Director.

Mr. Nihal Kaviratne, CBE, is an Independent Director whose career with the Unilever Group spans 40 years during which he held various senior level management positions across Asia, Europe and Latin America. Mr. Kaviratne was cited in the Queen's 2004 New Year Honour List in the UK and was awarded the CBE (Commander of the Order of the British Empire) for services to UK business interest and sustainable development in Indonesia. Mr. Kaviratne, CBE, holds a Bachelor of Arts (Honours) with major in Economics from the Bombay University Ltd., India and attended the Advanced Management Program at the Harvard Business School.

The Board considers it desirable that the Company continues to avail of the services and wise counsel of Mr. Nihal Kaviratne, CBE and accordingly the Directors recommend that he be appointed as a Director of the Company.

Other than Mr. Nihal Kaviratne, CBE, none of the other Directors, are in any way, concerned or interested in this resolution.

Item No. 8:

Ms. Vinita Bali was appointed as an Additional Director of the Company by the Board of Directors with effect from 18th October, 2006. In terms of Section 260 of the Companies Act, 1956, Ms. Vinita Bali 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 proposing Ms. Vinita Bali as a candidate for the office of Director.

Ms. Vinita Bali is an Independent Director and presently Chief Executive Officer of Britannia Industries Ltd. She received her Bachelor's degree in Economics from Delhi University and MBA at the Jamnalal Bajaj Institute of Management Studies. She pursued postgraduate studies in Business and Economics at Michigan State University.

Ms. Vinita Bali is a highly qualified manager with national and international experience and had held several positions in Cadbury India and Coca-Cola. She was responsible for worldwide strategy for Coke and was one of the key players in helping the soft drink giant double its growth rate.

The Board considers it desirable that the Company continues to avail of the services and wise counsel of Ms. Vinita Bali and accordingly the Directors recommend that she be appointed as a Director of the Company.

Other than Ms. Vinita Bali, none of the other Directors, are in any way, concerned or interested in this resolution.

Item No. 9:

Mr. Sunil Paliwal was appointed as an Additional Director of the Company by the Board of Directors with effect from 26th February, 2007. In terms of Section 260 of the Companies Act, 1956, Mr. Sunil Paliwal 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 proposing Mr. Sunil Paliwal as a candidate for the office of Director.

Mr. Sunil Paliwal is an Executive Director of TamilNadu Industrial Development Corporation Ltd., the co-promoter of the Company. Mr. Sunil Paliwal is a B.Tech, M.S., from Indian Institute of Technology, Kanpur who joined the IAS in 1993. Mr. Sunil Paliwal held several administrative and executive positions in the Government of Tamilnadu.

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

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

Item No. 10:

Mr. Bhaskar Bhat's tenure as Managing Director expired on 31st March, 2007. At the Board Meeting of the Company held on 28th March, 2007, the Board had approved the re-appointment of Mr. Bhaskar Bhat as Managing Director for a further period of five years from April 1, 2007 to March 31, 2012 on terms and conditions as set out below and subject to approval by the Shareholders at the Annual General Meeting of the Company.

(a) Salary

Salary upto a maximum of Rs. 4,50,000 per month, with authority to the Board to fix the salary within the said maximum amount from time to time. The annual increments shall be effective 1st April each year, and shall be decided by the Board and will be merit based and take into account the Company's performance.

(b) Perquisites

- (1) In Addition to the salary, Mr. Bhaskar Bhat shall be entitled to perquisites such as:
 - i. Furnished accommodation, with expenditure on gas, electricity, water and maintenance and repairs thereof or, House Rent Allowance and house maintenance allowance with expenditure on gas, electricity, water and furnishings
 - ii. Leave Travel Allowance for self and family
 - iii. Medical expenses and Medical Insurance for self and family
 - iv. Personal Accident Insurance
 - v. Club Fee

And such other perquisites and allowances in accordance with the rules of the Company and as may be agreed by the Board of Directors and Mr. Bhaskar Bhat; and such perquisites and allowances will be subject to overall ceiling as may be fixed by the Board of Directors from time to time.

- (2) Company maintained Car with Driver for official and personal use
- (3) Telecommunication facilities at residence
- (4) Contribution to Provident Fund, Superannuation Fund and Annuity Fund and Gratuity as per the rules of the Company.
- (5) Leave and encashment of unavailed leave as per the rules of the Company.

(c) Commission

Such remuneration by way of Commission, in addition to salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of the each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956 ("The Act"). The exact amount payable will be decided by the Board of Directors based on certain performance criteria and shall be payable only after the Annual Accounts of the Company have been approved by the Board of Directors and adopted by the Shareholders.

(d) Minimum Remuneration

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

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended and as in force from time to time.

In due compliance with the provisions of the Sections 309 & 310 read with Schedule XIII with the Act, the re-appointment of Mr. Bhaskar Bhat as Managing Director for a further period of 5 years from 1st April, 2007 to 31st March, 2012 is being placed for approval by the Shareholders at the Annual General Meeting of the Company.

The terms and conditions of re-appointment of the Managing Director also include clauses pertaining to adherence with the Tata Code of Conduct, including no conflict of interest with the Company, non-compete and maintenance of confidentiality.

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

The abstract of the draft Agreement between the Company and the Managing Director pursuant to Section 302 of the Companies Act, 1956 has already been mailed to the Shareholders of the Company.

Mr. Bhaskar Bhat may be deemed to be concerned or interested in this resolution as it relates to his re-appointment and variation of the terms of his appointment as mentioned above.

Item No. 11:

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

Accordingly it is proposed to re-appoint M/s. A. F. Ferguson & Co. as auditors of the Company for the financial year 2007-08 on the remuneration as 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

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
1st June, 2007

Usha Iyengar
Company Secretary

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

(In pursuance of Clause 49 of the Listing Agreement)

| Name of the Director | Mr. Bhaat Hussain | Mr. S. Susai | Mr. Nihal Kavayane, CBE | Ms. Vinita Rali | Mr. Sunil Paliwal |
|--|---|---|--|------------------------------|--|
| Date of Birth | 02/09/1947 | 17/03/1944 | 17/03/1944 | 11.11.1955 | 25.11.1968 |
| Date of appointment | 17.07.1989 | 27.01.1993 | 29.01.2004 | 18.10.2006 | 16.02.2007 |
| Expertise in specific functional areas | Rich experience in Finance and Management | Rich experience in Management of Strategic and Organizational issues | Rich experience in appraisal, promotion and implementation of joint venture projects | Rich experience in marketing | Rich experience in Sales and Marketing |
| Qualifications | CA (England and Wales) | MBA (University of Pennsylvania) FCA (England and Wales) Member (ICAI, India) | PGDBA with specialization in Finance Management | MBA | B.Tech, M.S., IAS |
| Shareholdings | 703 Shares | - | - | - | - |

Titan Industries Limited

TITAN INDUSTRIES

| List of Public Companies in which outside Directorships held on 31st March, 2007 | Tata Sons Ltd. Tata Steel Ltd. Voltas Ltd. Tata Inc. Tata Teleservices Ltd. Tata Industries Ltd. Tata AG General Insurance Co. Ltd. Tata AG Life Insurance Co. Ltd. CNC Ltd. Videsh Sanchar Nigam Ltd. Tata Sky Ltd. Tata Refractories Ltd. Bombay Stock Exchange Ltd. Tata Capital Ltd. | Tata Sons Ltd. Tata Industries Ltd. Tata Tea Ltd. Tata Projects Ltd. Tata AG General Insurance Co. Ltd. Tata AG Life Insurance Co. Ltd. Tata Asset Management Ltd. Trent Ltd. Trent Brands Ltd. | Sree Maruthi Marine Ind Ltd. Tamilnadu Telecommunications Ltd. Nova Roofings & Pipes Ltd. Arkonam Castings & Forgings Ltd. Tanjora Infrastructure Park Ltd. Jayankondam Lignite Power Corp. Ltd. Tamilnadu Petroproducts Ltd. Samrat Holdings Ltd. Titan Timetronics Ltd. Questar Investments Ltd. | Agro Tech Foods Ltd. Fullerton India Credit Company Ltd. Glaxo Smithkline Pharmaceuticals India Ltd. | Britannia Industries Ltd. Mphasis Ltd. | Lactochem Ltd. Mexco Industries Ltd. TIDEL Park Ltd. TICEL Bio Park Ltd. Tantlic Industries Ltd. Emnore SEZ Company Ltd. Tamilnadu Petroproducts Ltd. Titan Holdings Ltd. Tanishq India Ltd. Titan Mechatronics Ltd. |
|--|---|---|---|---|---|---|
| Chairman/Member of the Committee of Board of Public Companies on which he/she is a Director as on 31st March, 2007 | Audit Committee TISCO Ltd. - Member Tata Industries Ltd. - Chairman Titan Industries Ltd. - Member Tata Trustee Co Pvt Ltd. - Member Tata AG General Insurance Co. Ltd. - Member Tata Teleservices Ltd. - Chairman Tata AG Life Insurance Co. Ltd. - Member Tata Sky Ltd. - Member Bombay Stock Exchange Ltd. - Chairman | Audit Committee Tata Sons Ltd. - Member Tata Industries Ltd. - Member Tata AG Life Insurance Co. Ltd. - Chairman Tata AG General Insurance Co. Ltd. - Chairman | Audit Committee Tamilnadu Petroproducts Ltd. - Member Tamilnadu Telecommunications Ltd. - Member Tanjora Infrastructure Park Ltd. - Chairman Titan Industries Limited - Member | Audit Committee Agro Tech Foods Ltd. - Member Glaxo Smithkline Pharmaceuticals India Ltd. - Member Starhub Ltd. - Member Titan Industries Ltd. - Chairman | Audit Committee Titan Industries Ltd. - Member | IPR Committee Britannia Industries Ltd. - Member |

Investors' Grievance Committee
TISCO Ltd. - Chairman

Investors' Grievance Committee
Titan Industries Ltd. - Chairman
Tata Tea Ltd. - Chairman
Trent Ltd. - Chairman

Investors' Grievance Committee
Tamilnadu Petroproducts Ltd. - Member
Tamilnadu Telecommunications Ltd. - Member
Titan Industries Limited - Member

Investors' Grievance Committee
Agro Tech Foods Ltd. - Member

Investors' Grievance Committee
Agro Tech Foods Ltd. - Member

Remuneration Committee
Agro Tech Foods Ltd. - Member

CSR Steering Committee
Fullerton India Credit Company Ltd. - Chairman

Risk Committee
Fullerton India Credit Company Ltd. - Member

Senior Management Review Committee
Glaxo Smithkline Pharmaceuticals India Ltd. - Member

Strategy Committee
Starhub Ltd. - Chairman

Directors' Report

To the Members of Titan Industries Limited

The Directors are pleased to present the Twenty-third Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2007:

Financial Results

| | Rs. in crores | |
|---|------------------|-----------|
| | 2006-2007 | 2005-2006 |
| Net Income | 2093.46 | 1442.61 |
| Expenditure | 1891.80 | 1286.23 |
| Gross profit | 201.66 | 156.38 |
| Interest | 20.42 | 24.84 |
| Cash operating profit | 181.24 | 131.54 |
| Depreciation/Amortisation | 25.59 | 19.66 |
| Operating profit before exceptional items | 155.65 | 111.88 |
| Exceptional items : | | |
| Provision for doubtful loans and advances | 24.00 | 25.00 |
| Profit before taxes | 131.65 | 86.88 |
| Income taxes - Current | 36.95 | 14.89 |
| - Deferred | (2.86) | (5.57) |
| - Fringe Benefit Tax | 3.23 | 3.01 |
| Profit after taxes for the year | 94.33 | 74.55 |
| Less : Income tax of earlier years | 0.20 | 0.93 |
| Net Profit | 94.13 | 73.62 |
| Profit brought forward | 77.50 | 29.62 |
| Amount available for appropriation | 171.63 | 103.24 |
| Appropriations : | | |
| Debenture redemption reserve | 4.85 | - |
| Dividend paid on preference shares | 0.39 | 2.72 |
| Proposed dividend on equity shares | 22.20 | 13.32 |
| Tax on dividends | 3.83 | 2.25 |
| Transfer to general reserve | 9.43 | 7.45 |
| | 40.70 | 25.74 |
| Balance carried forward | 130.93 | 77.50 |

The Company achieved a significant growth during the financial year 2006-07 with sales income at Rs. 2136.46 crores growing by 44% from the previous year and Profit before taxes going up to Rs. 131.65 crores, up by 52% from previous year.

Net profit for the year stood at Rs. 94.13 crores as compared to Rs. 73.62 crores in the previous year.

The Watch segment grew by 20% to a sales income of Rs. 782.76 crores, while Jewellery sales went up by 63% to Rs. 1290.89 crores. Sales of other products, including Accessories and Precision Engineering components, rose by 69% to Rs. 62.81 crores.

All brands of the Company have performed well and new introductions in both watches and jewellery, viz., the Aviator series in gents watches, Raga Collection for ladies and Zoya line in Tanishq jewellery have had very good responses, which augur well for the future.

The Company continued to expand its retail network and now has perhaps the largest reach in its category, with 211 World of Titan Show rooms and 88 Tanishq boutiques. Plain gold jewellery also made significant inroads into smaller towns through 10 GoldPlus show rooms and the Company's prescription eyewear began with the first Titan Eye + store at Bangalore, located at

TITAN INDUSTRIES

Titan Industries Limited

the same place where the first Titan watch show room opened in 1987. As on date the Company has three Eye + stores in Bangalore and one at Nagpur.

Exports/International Operations

The Company achieved an export turnover of Rs.116 crores during the year. Exports include sale of watches, Jewellery and precision engineered components.

The International Business Division of the Company is spearheading the Company's globalization efforts for its watches and jewellery businesses. The key challenge for this division is an ongoing exercise of identification of profitable business opportunities across the globe, given the immense competition and clutter of brands in overseas markets. The international business division achieved a sales growth of 32% in 2006-07 over the previous year, while the Watch sales grew by 36%, Jewellery sales went up by 31% as compared to 2005-06.

While the Company had in the past provided for its accumulated losses in Europe, further provisioning to the extent of Rs.24 crores has been considered in respect of certain loans and advances to its overseas subsidiaries/associates towards slow moving inventories held by these associates and operating losses for the year. This provisioning has been shown as an exceptional item in the Company's accounts. The Company has initiated various steps in restructuring its overseas companies and this exercise is expected to be completed during the current financial year.

Dividend

The Company had issued cumulative preference shares of a total value of Rs. 40 crores at various rates of dividend from 6% to 8% which have subsequently been redeemed out of the proceeds of the Rights Issue in May 2006. Final Dividend on these preference shares amounting to Rs. 0.39 crore was paid till date of redemption.

The Directors are pleased to recommend payment of dividend on equity shares at an enhanced rate of 50% (Rs.5.00 per equity share), if approved by the shareholders at the Annual General Meeting.

Rights Issue

During May 2006, the Company allotted 2,113,038 Partly Convertible Debentures (PCD's) of Rs. 600 each (Equity share of Rs. 10 each at a premium of Rs. 340 and Non-convertible Debentures of Rs. 250 each) aggregating to Rs. 126.79 crores, in the ratio of one PCD for twenty equity shares held on the Record Date, i.e., 6th March 2006.

The Issue was oversubscribed by about 1.2 times and the Directors wish to place on record their appreciation of the shareholders' continued support to the company's growth plans of its various businesses.

The infusion of equity will help the Company to support its ambitious growth plan and profitability improvement strategy, besides keeping the debt financing at optimum levels.

Finance

During the year under review, the Company redeemed preference shares aggregating Rs.40 crores, out of the proceeds of the Rights Issue in May 2006.

The Company raised a total of Rs. 378.30 crores from borrowings, of which Rs. 259.12 crores were from Commercial banks and the balance of Rs. 119.18 crores from other sources. Borrowings of Rs. 400.02 crores were repaid during the year. The Company incurred Rs. 37.98 crores as capital expenditure in respect of refurbishment and expansion programmes, Capital investment in Precision Engineering Division and in IT Hardware systems.

During the year, the Company acquired the overseas trademark rights to the Titan brand and certain other brands for a consideration of Rs. 63.27 crores which is being amortised over a period of 120 months.

During the year 2006-07, interest rates started climbing due to inflationary pressures and tight money market conditions. The increase in CRR and SLR announced by RBI had its impact, with the commercial banks raising their lending rates. Given the current inflation rate and the tight liquidity position of banks, it expected that this high interest rate regime will continue for some more time.

As a result the average cost of borrowings for the year was 8.71% as against 8.21% in the previous year.

As on 31st March, 2007, the Company held fixed deposits of Rs. 8.29 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs. 0.11 crore.

An amount of Rs. 4.85 crores has been transferred to the debenture redemption reserve in accordance with statutory requirements and the terms of Rights Issue.

During the year under review, the Company made payments aggregating to Rs. 308.97 crores by way of central, state and local taxes and duties as against Rs. 221.45 crores in the previous year.

Subsidiaries

The Company has four subsidiaries, viz. two direct wholly-owned subsidiaries, Titan TimeProducts Ltd., Goa (TTPL) and Titan International Holdings BV, Amsterdam (TIHBV) and two other subsidiaries, viz. Titan Brand Holdings NV, Curacao (TBHNV) and Titan Watch Company Ltd., Hongkong (TWC).

TTPL sold 7.10 million Electronic Circuit Boards in 2006-07 and made a net profit of Rs. 66.23 lakhs. TWC is only a name saver corporation and has no income or expenses. TBHNV made a loss of EUR 196,099 and TIHBV made a loss of EUR 14.44 million primarily on account of the provisions for its investments in, and loans to, the erstwhile European marketing arm, Titan International Marketing Ltd. Corresponding provisions had already been made earlier by your Company. TIHBV also wrote off the balance value of Design Rights capitalized in its books, and your Company has accordingly provided about Rs. 7 crores during the year, against its loans to TIHBV on this account.

As per Section 212(1) of the Companies Act, 1956, the Company is required to attach to its Accounts the Directors' Report, Balance Sheet and Profit and Loss Account of each of these subsidiaries. As the consolidated accounts present a complete picture of the financial results of the Company and its subsidiaries, the Company had applied to the Central Government seeking exemption from attaching the documents referred to in Section 212 (1). Approval for the same has been granted. Accordingly, the Annual Report of the Company does not contain the individual financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The Annual Accounts of these subsidiary companies, along with the related information, is available for inspection at the Company's registered office and copies shall be provided on request. The statement pursuant to the approval under Section 212(8) of the Companies Act, 1956, is annexed together with the Annual Accounts of the Company.

Associates

The Company has approved a scheme of amalgamation/merger of three of its domestic Associate Companies viz Samrat Holdings Ltd, Titan Holdings Ltd and Questar Investments Ltd as transferor companies. The said companies shall stand merged with Titan Industries Ltd as Transferee Company, subject to required approvals and consents and subject to conditions if any imposed by High Courts of relevant jurisdiction. The appointed date of the scheme of amalgamation/merger is 1st April 2007. The swap ratio of the shares of the Transferee company to be issued to the minority shareholders of the Transferor companies shall be based on valuation of the transferor companies as on 31st March, 2007.

Samrat Holdings Ltd. made a net profit of Rs. 728.88 lakhs in 2006-07 and had paid two interim equity dividends of 200% each during the year. Questar Investments Ltd. and Titan Holdings Ltd. made a net profit of Rs. 140.23 lakhs and Rs. 28.63 lakhs respectively, but have not declared any dividend on equity shares.

Tanishq (India) Ltd. and Titan Mechatronics Ltd. also made a net profit of Rs. 1.58 lakhs and Rs. 0.38 lakh respectively. Titan Properties Ltd made a small loss of Rs. 0.33 lakh. None of these companies have declared a dividend.

Titan International (Middle East) FZE (TIME), Dubai, made a loss of US \$ 0.23 million, while Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd., (TAPL), Singapore made a loss of SGD 0.83 lakh.

Titan International Marketing Ltd. (TIML) London posted an operating loss of GBP 1.48 million for the year 2006.

Consolidated Financial Statements

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

Outlook for 2007-08

The Company can look back with satisfaction at the last year's (2006-07) performance as being one of the best ever. The Company is working towards sustaining this momentum in the current year also. The domestic watch division is pursuing aggressive growth through the ever increasing strength of all its major brands. Constant exploration of new consumer segments, introduction of innovative new products which would fuel consumer demand, and the rapid growth of our retail net work would certainly drive this growth.

The Jewellery division continues to set for itself a very ambitious growth targets, through various key initiatives including launching of new collections, setting up new Tanishq and GoldPlus stores, improving the walk-ins, and improving the merchandising at the stores.

TITAN INDUSTRIES

Titan Industries Limited

The International Business Division will be pursuing a balanced growth between watches and jewellery to ensure that the overall business margins are protected. The division will also be exploring entry into new markets besides growing in the existing markets. Plans are also being developed to launch Tanishq Jewellery in the USA as a pilot project, based on a research and brand positioning exercise, which is currently underway.

The Precision Engineering Division of the Company will be targeting a significant top line growth and most importantly to achieve a break even in terms of profitability.

The Company's new stream of consumer business viz. Prescription Eyewear which has been launched as a pilot project under the brand name Titan Eye + had opened its first Prescription Eyewear stores in Bangalore. Based on the results of the Pilot project which will be across 5 stores, the Company will decide on a national rollout of this new venture.

The Company's continued efforts in driving the business and economic performance through various initiatives will accelerate both growth and profitability in the current year.

Social Responsibility

Titan Industries has a clearly defined policy on Social Responsibility and believes that 'inclusive development' being the route to sustainable growth.

The approach of its CSR policy continues to be at three levels, the first one being at the Group level where it works closely with the Tata Council for Community Initiatives, the nodal apex body for facilitating Tata Group initiatives.

The emphasis this year at the Group level, apart from supporting specific programmes has been towards adopting a common Tata Protocol for measuring the outcomes of Community initiatives.

At the Company level, key initiatives have been expanded e.g.:

- The Meadow Women's Empowerment Programme has now five units, including Movement Assembly.
- The Titan School with a student strength of 580 children, is nearing the completion of the Phase two project, to accommodate the new classes VII to X.
- Support to the new Sankara Eye Hospital in Bangalore as a part of the Company's Vision Improvement programme.
- The Titan Scholarship programme continues with increased support, covering 52 students during the year. Cumulative coverage exceeds 550 students. A further 1580 students benefitted from the Career Guidance Programme.
- The Tanishq Karigar Park Social Entrepreneurship project now covers six parks.
- The Titan Township has completed Phase I & II and is awaiting final Government approval to expand to Phase III, covering 11 acres.

At the individual level, your Company has a 250 strong volunteering force comprising the Community Development Forum, who mobilize men and resources to make some of these CSR initiatives happen. Their activities also encompass Orphanage support, Aids Awareness Camps and Village adoption, where health and developmental activities are carried out.

Your Company is proactive in its approach towards the Environment and is compliant with statutory and regulatory requirements. The Watch, Jewellery as well as the Precision Engineering Divisions are certified under ISO 14000:2004 Environment Management System Standards and under ISO 9001:2000, Quality Management Systems Standards.

Titan Industries is a signatory to the 10 principles of the Global Compact with its 'Communications on Progress' (CoP) duly posted on the UN Global Compact website.

Awards and Recognition

Awards capture the external perception of the Company's brands and performance and validate the robustness of the Company's processes:

1. In its journey towards excellence, the Company's Watch Division was awarded the coveted JRD QV Award, having exceeded 600 marks in the Tata Business Excellence programme (TBEM). The Jewellery Division also moved its scoring band to a higher category.
2. Images Fashion Awards again voted both Titan & Tanishq as India's most admired brands in their categories, for the fifth consecutive time.

3. Images Retail Forum acknowledged both Titan & Tanishq as the 'Fashion Retailer' of the year. Also Retail Asia Publishing, Singapore awarded your Company as the No.2 Retailer of the country
4. The Platinum Award for India's most trusted brand from Reader's Digest as well as the most preferred worth brand by 'CNBC Awaaz' went to Titan.
5. The Sona Kaizen Champion's Trophy Award was awarded to Titan
6. The Watch Division won the Golden Peacock Award for Environment Management as well the Amity Corporate Excellence Award.

Government Policy

Substantial share of the watch market demand in India continues to be met by the unorganized segment and counterfeit watches. The high indirect taxes imposed on the category i.e. Excise and VAT encourages the growth of the unorganized market at the cost of the organized players.

Your Company's representation for an upward revision in abatement rates for the purpose of levy of Excise duty has not been considered by the Government. However it is hoped that the plea of the watch industry will be considered favourably based on factual data provided for the last five years and having regard to the fact that there is unquestionably an increase in the cost of sales/post manufacturing expenses.

The RBI regulation for allowing re-import of Jewellery within 180 days continues without any change despite our request for extension of the time period. In view of your Company's export plans in jewellery and having regard to the unrealistic timeline for re-import, we have reiterated our request for considering extension of the time-limit to a period of one year.

Your Company's endeavours to export to Pakistan, our neighbour, where the business potential seems to be high, have not resulted in any progress worthy of mention as watches continue to be in the restricted list of trade with Pakistan. This matter continues to be taken up for review by our Business Associates in Pakistan.

The recent levy of Service tax on commercial lease rentals has affected adversely the economics of the retailing industry in general as also speciality retailers like your Company. The same is being challenged for constitutional/legal validity through Retailers Association of India.

Corporate Governance

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

Directors

Dr. Jamshed J. Bhabha, a former Director of the Company, passed away in May 2007, at the age of 92. Dr. Bhabha was well known for his keen interest in the arts, which formed expression in the setting up of the National Centre for the performing Arts in Mumbai. He played a role in the formation of the Company and took keen interest in its progress even after his formal tenure as a Director of the Company.

Mr. Ishaat Hussain, Mr. F. K. Kavarana and Mr. S. Susai retire by rotation and are eligible for re-appointment.

Mr. Nihal Kaviratne, CBE, an Independent Director was appointed as an Additional Director of the Company with effect from 28th September, 2006.

Ms. Vinita Bali, an Independent Director was appointed as an Additional Director of the Company with effect from 18th October, 2006.

Mr. Sunil Paliwal, IAS, Executive Director of Tamilnadu Industrial Development Corporation, and nominee of TIDCO, was appointed as an Additional Director, with effect from 26th February, 2007.

Mr. A. C. Mukherji, an Independent Director resigned from the Board of the Company on 19th October, 2006 after serving as a Director for more than 20 years. The Directors wish to place on record their gratitude and appreciation for the wise counsel and contribution by Mr. A C Mukherji during his tenure as a Director and in his capacity as Chairman of the Audit Committee of the Board.

Mr. T. S. Surendranath, nominee Director of Tamilnadu Industrial Corporation Ltd. who was appointed on 26th June, 2006 resigned on 26th February, 2007. The Directors wish to record their appreciation for the counsel and contribution by Mr. T. S. Surendranath during his tenure as a Director of the Company.

TITAN INDUSTRIES

Titan Industries Limited

The five-year term of the Managing Director, Mr. Bhaskar Bhat ended on 31st March, 2007 and the Board has, subject to the shareholders' consent for re-appointment and the terms thereof, re-appointed him as Managing Director for a further term of 5 years from 1st April, 2007 to 31st March, 2012. Members' attention is drawn to Item No 10 of the notice in this regard.

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 the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, bankers, the business associates including distributors, suppliers and customers, the press and, most importantly, our employees.

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.

Annexures

Required information as per Section 217(1)(e) and 217(2A) of the Companies Act, 1956, are annexed.

Auditors

Members will be requested at the Annual General Meeting to appoint auditors for the current year and to pass resolutions per Item 11 of the notice.

On behalf of the Board of Directors,

Shaktikanta Das
Chairman

Bangalore, 1st June, 2007

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

The Company has successfully implemented various energy conservation projects with state of art equipment and technology in the areas of Air Conditioning system, Compressed air system and Process cooling system at its watch manufacturing facility. This has resulted in energy savings of Rs. 0.45 crore during 2006-07.

Green Power

Your Company is planning to consume 50% of its energy consumption at watch manufacturing facility through the renewable energy resources. Around 65 Lakh units of energy will be sourced from the private wind farms and this project will be operational from June 2007. This will lead to the energy cost reduction to an extent of Rs. 0.20 crore.

Technology absorption, adaptation and innovation

Your company has established injection-moulding facility on a pilot scale to build the capability for the manufacturing of specific micro precision module components.

As a measure to comply with the latest technology and manufacturing cost reduction, your Company has adopted SMD (Surface Mount Device) type quartz crystal based Electronic Circuit Boards for the EDGE movements. Your Company has also developed the technology for in-house manufacturing of Step Motors for its EDGE movements. The above initiatives will lead to a substantial savings in manufacturing cost to the tune of Rs. 1.75 crores.

The Company has designed the "TINY" watch movement and established capability for manufacturing the same, which will aid in introduction of new range of watches. The year 2007-08 will witness the Productionisation of these movements from its Hosur Manufacturing facility. This will lead to an estimated cost reduction to the tune of Rs.1.00 crore.

Special Quartz movement is developed for Braille watch and first batch launch is planned during IInd quarter of 2007-08.

The Precision Engineering Division of the Company has set up Non Destructive Testing facilities as per aerospace standards. These facilities have been approved by overseas Aerospace sector customers and our Engineers have absorbed these standards and have qualified for carrying out these tests in-house.

The machine building segment of the Precision Engineering Division has developed turnkey end to end solutions for automatic assembling of motors used in automotive applications.

Apart from assembling the motor, the line carries out all functional tests on the motor including vibration measurement using non-contact type laser sensors. The division has also developed vision based high speed inspection equipments.

Foreign Exchange earnings and outgo

During the year under review, the Company earned Rs. 120.45 crores in foreign exchange and spent Rs. 449.85 crores (consisting of Rs. 7.04 crores on capital imports and Rs. 442.81 crores on the revenue account).

On behalf of the Board of Directors,

Shaktikanta Das

Chairman

Bangalore, 1st June, 2007

TITAN INDUSTRIES

Titan Industries Limited

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, 2007

| Name | Designation | Age | Gross Rs. | Net Rs. | Qualification | Experience (years) | Last employment held | Commencement of employment |
|--------------------|--|-----|------------|-----------|---------------------------|--------------------|---------------------------------------|----------------------------|
| Babu S.S. | Associate Vice President -Manufacturing Services | 59 | 2,438,045 | 1,646,597 | B.E., PGDBM | 37 | HMT Ltd. | Jun-86 |
| Bhat B. | Managing Director | 53 | 10,777,500 | 6,778,050 | B.Tech., PGDM | 29 | Tata Press Ltd. | Jan-86 |
| Bhat H. * | Chief Operating Officer - Time Products & Exec. Vice President | 44 | 3,609,835 | 2,088,145 | B.E. (Hons), MBA | 20 | Tata Teleservices Ltd | Apr-06 |
| Chakravarti M. K. | Vice President - Corporate Affairs | 60 | 3,233,920 | 1,880,759 | B.A.(Hons), M.A | 37 | Suhail & Saud Bahwan Muscat | Jul-96 |
| Dwarkanath B. G. | Business Head - Precision Engineering & Sr. Vice President | 59 | 3,964,630 | 2,478,032 | B.E. | 36 | HMT Ltd. | Oct-85 |
| Govind Raj V. | Vice President - Retail & Marketing - Tanishq | 51 | 2,681,615 | 1,709,615 | B.Sc, MBA | 30 | Kinetic Engineering Ltd. | Jan-87 |
| Kailasanathan N. | Chief Information Officer & Vice President | 55 | 4,070,342 | 2,499,930 | B.Sc., PGDSEM, MFM, PGDSE | 34 | ABB Ltd. | Jul-99 |
| Kapadia K.F. | Executive Vice President - Finance | 57 | 5,913,600 | 3,643,600 | B.A., PGDM | 32 | Tata Press Ltd. | Mar-92 |
| Kulhalli S. | Business Head - Retailing Services Group | 47 | 2,535,151 | 1,665,339 | B.Sc., MBA | 27 | Khimline Pumps Ltd. | Jul-88 |
| Kurien B. * | Chief Operating Officer - Watches & Sr. Vice President | 48 | 3,196,045 | 2,259,279 | B.Sc., PGDBM | 24 | Hindustan Lever Ltd. | Aug-87 |
| Narayana N.V. | Associate Vice President -Movement Mfg. & Watch Assembly | 58 | 2,465,383 | 1,204,080 | B.E. (Elect) | 30 | HMT Ltd. | May-86 |
| Natarajan L. R. | Vice President - Manufacturing - Tanishq | 52 | 2,730,308 | 1,742,170 | D.M.I.T | 29 | Protech Services | Feb-03 |
| Nayak K. S. * | Divisional Manager -Quality Engineering | 60 | 2,403,901 | 1,691,295 | B.E. (Mech), MIE | 36 | Concord Marketing & Services (P) Ltd. | Oct-87 |
| Raghunath H. G. | Vice President - Sourcing & Supply Chain | 52 | 2,684,716 | 1,748,037 | B.Sc., B.E. | 28 | HMT Ltd. | Jun-86 |
| Ramadoss S. | Vice President - Human Resources | 56 | 2,772,451 | 1,756,683 | B.A., PGD.PM & IR LLB | 34 | Greaves Ltd. | Jun-97 |
| Ravi Kant S. | Chief Operating Officer - Intl. Bus. Div. & Vice President | 47 | 3,712,473 | 2,395,573 | B.Sc., MBA | 23 | HCL Ltd. | Jun-88 |
| Shantharam M. S. | Chief Manufacturing Officer -Operations & Sr. Vice President | 58 | 4,085,992 | 2,265,709 | B.E. (Mech.) | 36 | HMT Ltd. | Oct-85 |
| Srinivasan C. | Business Head - Sonata | 51 | 2,762,435 | 1,739,099 | B.Sc., PGDM | 29 | Berger Paints India Ltd. | Dec-87 |
| Talati R. | Business Head - Fastrack & New Brands | 47 | 2,595,012 | 1,645,524 | B.Com., LL.B | 29 | Tata Press Ltd. | Apr-86 |
| Venkataraman C. K. | Chief Operating Officer - Jewellery & Exec. Vice President | 46 | 4,168,371 | 2,614,950 | B.Sc., PGDM | 23 | Mudra Communications Ltd. | May-90 |

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 employee is related to any Director of the Company.
6. *Indicates employed for part of the year.

On behalf of the Board of Directors,

Shaktikaanta Das
Chairman

Bangalore, 1st June, 2007

Management Discussion and Analysis

An Overview of the Economy

The Indian economy experienced sustained growth with strong macro-economic fundamentals characterizing it during 2006-07. A growth of over 9 per cent in GDP surpassed most expectations. The manufacturing sector specifically, has grown at double-digit rates.

The concern however is of sluggish growth in Agriculture. After an annual average growth of 3 per cent during the first five years of the new millennium, the growth of agriculture was a dismal 2.7 per cent in 2006-07 on a base of 6 per cent growth in the previous year. India is predominantly an agricultural country with more than half its population directly depending on this sector. This is a cause for concern since it has a direct bearing on the rate of inflation and consumption expenditure of the large base of population in semi-urban and rural areas.

The international annual price of the Indian basket of crude also increased and the impact was contained by a 3-way burden sharing arrangement between the Government, oil-marketing companies and the consumer, for whom the increase was 12.5 per cent last year. However international crude prices have shown a softening in the latter half of the financial year.

Exports continue to grow crossing the US\$ 100 billion mark in 2005-06 and at US\$ 90 billion; the figures for the first nine months of 2006-07 reflect a growth of over 36 per cent when compared to the corresponding period last year.

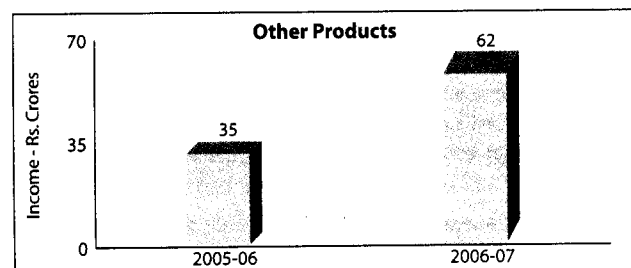
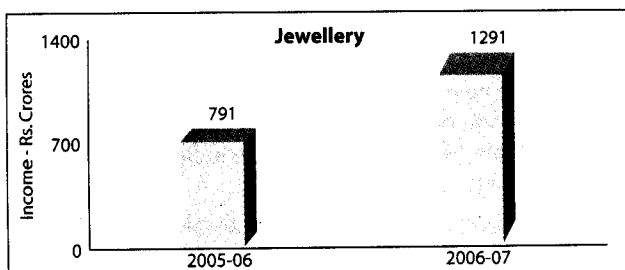
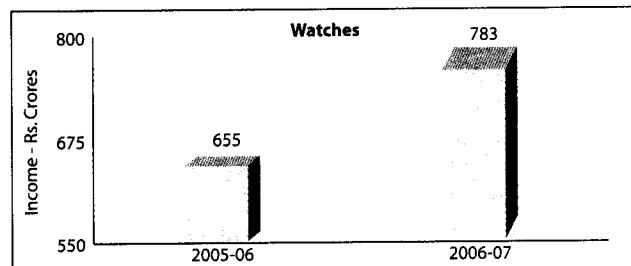
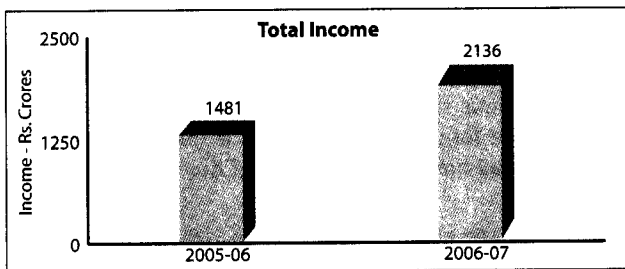
Finally, on the balance of payments front, the buoyancy in the foreign investment flows reflected the bullish sentiments of the domestic capital markets. Indian market capitalization of 91.5 per cent of GDP in January 2007 compares favourably not only with that of the emerging economies but also with that of Japan and Korea.

As per the projection made by the Federation of Indian Commerce and Industry (FICCI), based on data compiled by Technopak Advisors Pvt. Ltd. – a leading retail and consumer insight consulting firm, India's retail industry is likely to cross Rs. 100,000 crore by 2010 and the share of organized retail could go as high as 20 to 22 per cent from the present 3 per cent. Also organized retail will ride on mushrooming of malls. Jewellery and watches constitutes 7 per cent of organized retail.

Overall business confidence and consumer sentiments continue to be positive particularly for personal lifestyle products in which Titan Industries has a strong presence.

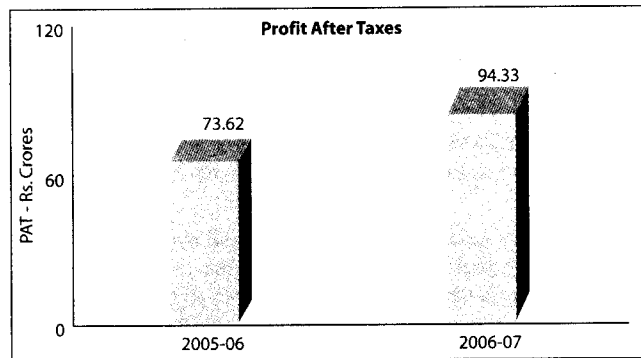
Business Overview

Titan Industries sustained its momentum on the growth path during the year ended 2006-07, crossing the Rs. 2,000 crore mark, with sales income at Rs. 2,136 crores, growing by 44 per cent from the previous year and profit after taxes growing to Rs. 94.33 crores, as compared to Rs. 74.55 crores in the previous year.



TITAN INDUSTRIES

Titan Industries Limited



TIME PRODUCTS

Global Trends in the Watch Industry

The global watch industry witnessed two divergent trends during 2006. At one end, European watch majors had a "glorious year". At the other end, Japanese watch giants witnessed a year of little or no growth. These trends further re-emphasise increasingly strong global consumer preference for luxury brands.

Reflecting this consumer preference, Swiss watch exports reached a figure of CHF 13.7 billion in 2006 – double digit growth of 11 per cent over 2005. The Swatch group, world leader in watches, crossed the revenue threshold of CHF 5 billion, with the highest sales growth of 13.8% in their core segments of watches and jewellery. The luxury brands group LVMH recorded a 28% increase in sales, while the Richemont group grew sales by 17%.

Contrast this with the performance of the Japanese giants. Seiko ended the year with a 5.7% drop in watch sales and a flat forecast for 2007. Citizen Watch Company registered negligible growth in all products combined, grew by 6.4% in the category of wristwatches and clocks, and has forecast an increase of only 3% in 2007-08. Casio Japan also grew in single-digits (6.9%), though the main contributors to this growth were digital cameras and cellular phones.

The Indian Watch Market

The Indian watch market is estimated to have grown by 6% during 2006, to a present annual size of 39 million watches. However, of this large market, only 15 million watches are marketed by organized sector players. Titan Industries Limited holds a lion's share of 65% in the organized sector. A host of other foreign and Indian brands constitute the remainder of the organized sector. While the number of foreign brands sold in India has been on the increase in the past few years, Titan Industries has successfully defended and grown its overall market share.

Titan Industries has used a well orchestrated brand portfolio strategy to make this achievement possible. Our brands are sharply positioned across all mainstream segments of the Indian market – Titan which is our flagship brand, Titan Raga for women, Fastrack for youth, Sonata for the mass market and the newly launched brand Xyllys at the premium end of the market. Our nationwide reach – stretching across multi-brand outlets, large departmental stores, our own network of "World of Titan" retail stores and Time Zone stores – makes our brand portfolio even more formidable. Our vision of being world-class, innovative, contemporary and building India's most desirable product and retail brands is at the root of our strength and our steady progress.

Based on this strong foundation, the domestic watch business of the Company grew by a handsome 20% (in value terms) during 2006-07, delivered a profit before tax of Rs. 98.45 crores and a return on capital employed of over 52%.

Brand Titan

Our flagship brand, Titan, achieved very good performance during 2006-07, growing by about 20% in topline over the previous year.

The brand focused on innovation through constant introduction of exciting new watches for various consumer segments. Indeed, a record number of new watches were launched last year. This was made possible by excellent consumer insight and superb design effort. The new products were accompanied by sustained marketing campaigns, including a memorable relaunch of Titan Raga, the Titan Edge campaign and appealing seasonal advertising.

Titan was once again selected as the most admired watch brand in the country, and won several other accolades through the year.

Brand Xylys

Our new premium brand, Xylys, which had been launched in early 2006, expanded its footprint to 11 towns of the country. It is now available in "World of Titan" stores and select multi-brand outlets across these towns.

Xylys is a Swiss-made watch from Titan, and is designed to leverage the relatively rapid growth of the premium watch segment in India. During its first year, the brand focused on building consumer awareness and distribution expansion, and has made good inroads on both fronts.

Brand Sonata

During the year, Sonata strengthened its position as the largest volume brand of watches in India, and continues to grow its market share. Sonata addresses the mass-market segment, and is backed by the twin values of durability and affordability.

The brand focused on the sub-Rs. 500 price band, thereby enhancing affordability to a large population of consumers in the bottom half of the pyramid. The brand also focused on first-time buyers of watches in small town India, since penetration of watches in these markets is still very limited.

Sonata also took concerted action to address the menace of counterfeit watches and illegal grey operators, which continues to ail the mass market.

Brand Fastrack

For the Company's youth brand, Fastrack, the year was extraordinary. The brand grew by a handsome 85% in value terms, on the back of a 100% growth achieved during the previous year.

Fastrack focused on exciting, affordable new products in watches and sunglasses, and equally exciting and irreverent new marketing campaigns to woo youth. The brand has clearly become a favourite amongst Indian youth today, and has chalked out an exciting future for itself in a young India.

Licensed Brands

The Company continues to pursue licensing and distribution of premium fashion watch brands, alongside its own brands of watches. Tommy Hilfiger, our first licensed brand, saw a very successful year, with a 50% growth in value terms during 2006-07. The brand launched new collections each season, with distribution now across several "World of Titan" stores, multi-brand outlets and large departmental stores.

Towards the end of the year, we have also finalised a distribution agreement with our second licensed brand, Hugo Boss, which will soon be launched across the country.

Retailing

Organised retailing is gaining rapid pace in India. We are strongly positioned in this space, with our premier retail chain, the "World of Titan". During the year, "World of Titan" grew to 211 stores in 112 cities across the country. The chain was also awarded the "Retail Brand of the Year" award by the Images Fashion and Retail Forum.

A key milestone during the year was the launch of our first flagship store in New Delhi, spanning 2,000 square feet. The large flagship store uses the theme of "celebration" to create a shopping destination which is at once elegant, stylish, warm and contemporary. An array of value-added services make the flagship store a compelling experience.

Yet another key retailing initiative was the launch of Fastrack kiosks, located in malls, to retail Fastrack watches and eyegear to youth. Malls are transforming the retail landscape in urban India, and are also becoming preferred "hangouts" for youth. We have put in place a focused mall strategy to leverage this modern retailing space.

Other key areas of retailing focus during the year included the training, motivation and retention of retail frontline staff ; and building strong partnerships with large format departmental stores like Shoppers' Stop, Pantaloons, Central, Lifestyle and Westside as well as emerging hypermarkets and discount stores.

Customer Service

Our customer service network is by far the largest in the country, with over 730 service centres. During the year, over 80 service centres were added, and our network now covers over 90% of the watch sales population, providing readily accessible watch repair and part replacement services to millions of watch wearing customers.

Over 80% of all watches received for servicing are repaired and returned to customers within 30 minutes, which is a service benchmark in the country. During the year, a "Quick Service" initiative was launched to further reduce the time taken and enhance customer satisfaction levels.

TITAN INDUSTRIES

Titan Industries Limited

Several watch service camps were also undertaken at customer doorsteps in large companies, educational institutions, IT parks, housing colonies and apartments. Using a strong IT backbone, our service centres monitor product performance and service deliverables on a daily basis, thus providing exemplary customer satisfaction.

Watch Manufacturing

A new watch assembly unit was established at Roorkee, Uttaranchal. The new facility, with an assembling capacity of 2 million watches per annum, is aligned to the Company's ambitious growth plans. The new unit also avails fiscal benefits as announced under the new industrial policy for the states of Uttaranchal and Himachal Pradesh.

In line with business projections of rising market demand, the Company has also established a dedicated, captive vendor facility for the manufacture of shaped watch case blanks at Hosur. This new facility, with a capacity of 1 million case blanks per annum, became operational from June 2006.

The Titan Design Studio and Innovedge

The Titan Design Studio, which focuses on design of watches, clocks, eyewear, trophies and a range of other products is today one of India's finest centres of design excellence. It reflects the creative restlessness and innovative spirit of Titan Industries, and caters to the design needs of Titan, Fastrack, Sonata and Xylys.

During the year, the Design Studio created over 1,000 new watches, which were well appreciated by critics and customers. The Titan Raga Desire collection and the Fastrack Kiosk won national awards at the Business World-NID annual design competition. One of our designers also won the Designer of the year award.

Working closely with the Design Studio is a small team called Innovedge, which targets breakthrough technology innovation in watches.

The Design Studio also designs and fabricates trophies for a range of clients. A prestigious client list stands testimony to the Studio's outstanding skills.

Prescription Eyewear

Towards the end of the year, the Company launched its third major line of consumer business, a chain of opticals store. The company has identified this as a major growth area, and a pilot project with five stores has commenced. The stores will operate under the brand name "Titan Eye+." Results of the pilot project are expected by the middle of next year.

A national player such as Titan which can offer quality, reliability and trust along with state-of-the-art products and services can make a significant impact and also greatly expand this market.

Precision Engineering

The Precision Engineering Division (PED), which is the Company's only B2B enterprise, witnessed good growth during the year. PED manufactures and markets precision engineered components and sub-assemblies, utilizing highly specialized skills inherent in the watch manufacturing arena.

The business has successfully acquired long-term contracts and agreements with reputed global customers in the areas of aerospace, automotive and hi-tech sectors such as oil exploration and production. Specific capabilities required for these sectors have been added, and the quality systems put in place have earned accolades from current and potential customers.

The Division has achieved certification for stringent quality management such as AS 9100B for aerospace segment, TS 16949 for automotive segment, ISO 14000 for environmental management, etc. The division has also achieved the highest possible supplier recognition from Ford – the coveted Ford Q1 status.

The machine building and automation business, which is a part of PED, has achieved excellent recognition by creating innovative solutions based on several platforms such as non-contact type online vibration measurement systems; vision-based high-speed inspection solutions, etc. Our product range has now moved up the value chain from being suppliers of stand-alone equipments to being a provider of end-to-end technology solutions.

Jewellery Division

The way gold ornaments enhance the beauty of a woman, the same way they add to the wealth of the family. The lure and importance of gold cuts across caste and economic boundaries. India is the fastest-growing gold market in the world, according to the World Gold Council. In the calendar year 2006, the demand declined by 7%, to 790 metric tons from 850 metric tons a year earlier, however the first quarter of 2007 has shown a 50% demand surge over the first quarter of calendar year 2006.

Following its vision of being the most desirable jewellery brand for the Indian woman, Tanishq continues to appeal emotionally and personifies her aspirations.

Competition

Jewellery is a very high involvement category and perhaps the only one where the seller is conferred upon the title of "family" jeweller, thereby making him an extended member of the family. These jewellers have been around for generations and have grown from being goldsmiths to owners of large and well-furnished showrooms today. The names and history of his patrons are still intact in his memory to service them as personally and intimately as his ancestors.

Another driver of the category is that it is culture specific, especially with respect to weddings. Weddings contribute to about 70 per cent of total jewellery sales. The family jeweler usually belong to the same community as his client. With over 4000 communities, the need for customization, product design and proliferations are far more complex than other businesses.

Today however we see a nascent but relevant shift from these jewellers and the acceptance of branded jewellers as being a one-stop shop for wedding jewellery. Although one cannot expect a radical shift, consumers today have become more discerning, aided by BIS Hallmarking which is making purity the norm and challenging previously unquestioned standards of jewellery.

Competition for Tanishq comes from not only the top family jewellers in every city that we are present in, but also from the other branded national players present in the country.

New Products & Category Management

Being a national jeweller, over 4000 new designs were introduced by Tanishq catering to the demands of the market in terms of traditional gold jewellery, coloured stone jewellery and fashionable diamond jewellery.

Better inventory management, merchandise management, stock planning by assortment and efficiency of the integrated supply chain has ensured a Return on Capital Employed (ROCE) of 61.9 per cent on capital employed of Rs. 138 crores.

Manufacturing

The back end of this category is far more disorganized than the front end. There are very few technical or vocational institutes to train craftsmen in jewellery. The craft is essentially handed down generations from father to son and also craftsmen in different regions specialize in a particular kind of jewellery. The manufacturing team in addition to its known manufacturing base needs to supplement and source different types of jewellery from various karigar (artisan) bases and align them to Tanishq purity and quality standards. To ensure easier control, Tanishq has set up special karigar parks at Hosur for this purpose. These Karigars working in karigar parks are provided a steady income, good working conditions and regular opportunities for developing their craft, thus ensuring that they evolve with changing times.

For diamond jewellery, the manufacturing team achieved 90 per cent in-house productivity and initiated programs for skill and technology enhancement across levels.

Performance

Tanishq has set standards in quality and design in a market rampant with malpractices. Through aggressive marketing that abolished myths of gold buying in the market, Tanishq empowers consumers to question 'why'. The name Tanishq has now become synonymous with quality and design excellence.

A significant initiative has been the opening of large format stores in metros. The first large format store in South Extension, New Delhi with 6000 sq. ft., enhanced range of products, store ambience and customer service has attracted a large number of walk-ins and conversions.

Tanishq continued to sponsor stunning crowns & jewellery for the prestigious 'Pond's Femina Miss India Pageant'.

The results are apparent in the Division's performance. Tanishq's turnover grew by 63 per cent over last year, making it the biggest brand in Titan's portfolio. With 5 new stores added this year and Tanishq is now present in 88 exclusive stores spread across 64 cities. Tanishq has earned a PBT of Rs. 77.86 crores.

Goldplus Jewellery

Goldplus – addressing the mass market segment of jewellery was started during September – 2005 with two pilot stores, one in Tamil Nadu and the other in Madhya Pradesh. Both of these performed extremely well. Based on the encouraging results from the pilot, Goldplus has expanded with eight new stores in Tamil Nadu, taking the total number of stores to ten.

With strategic pricing, appropriate merchandise, relevant retail ambience, cost effective communication, creating awareness to public on purity, innovative methods to connect with society and coupled with the 'trust' that the brand enjoys, performance during the year has been very encouraging indeed.

In the coming years, GoldPlus will grow to the national level particularly through stores in tier 2 and tier 3 cities.

TITAN INDUSTRIES

Titan Industries Limited

International Business Division

The International Business Division is responsible for the Company's globalization efforts for its businesses, watches and jewellery. International expansion plans were executed with a sharp focus on country prioritization and appropriate market positioning. The key challenge for this division is an ongoing exercise of identification of profitable business opportunities across the globe, given the immense competition and clutter of brands in overseas markets. The total income of international operations in 2006-07 grew by 32% over the previous year.

Watches

The watch business grew by 36% in 2006-07. Most of the growth in the watch business came from the Middle East and Africa region through retail expansion and launch of new and exclusive products created specifically for the overseas markets. A strong economy and retail boom in markets like UAE helped fuel growth. Titan watches were re-launched with new business partners in African markets like Nigeria and Uganda. 'Business Today-Oman' once again recognized Titan as one of the top three-lifestyle brands in the watches category, through a research undertaken by an independent International Agency.

Jewellery

The Tanishq jewellery business in international markets grew 31% over 2005-06. This was achieved through the creation of exclusive product lines to suit the tastes of consumers in overseas markets, backed by effective marketing programmes and enhanced in-store presence. The shop-in-shop concept was extended to 55 stores in seven countries. Tanishq presence was enhanced in Singapore, which has resulted in good growth and acquisition of new customers. With a view to develop the right entry strategy, extensive research and studies have been undertaken in USA, to understand this highly competitive market.

Human Relations

The Company strongly believes that employees make the difference and it has been the Company's continuous endeavour to create an environment where people 'own' their jobs and feel empowered to take decisions, and this approach has propelled the Company towards excellence.

In order to support the growing needs of our business, talent acquisition and leadership grooming are the focus areas of the Company.

The Company continues to benchmark its compensation with the market and compensation revisions have been made periodically. HR continues to lay great emphasis on capability building of employees, especially in front end retail and new businesses.

618 employees joined us during the year. Attrition percentage during the year was in single digits and was lower than the industry average. Considering the rapid growth of retail industry and increased demand for trained personnel, a comprehensive retention strategy is being worked out. As of 31st March, 2007, the Company had 3588 employees on its rolls of which 2642 were in the factories, 306 in the corporate office and 640 in the regional offices.

The overall industrial relations scenario in manufacturing is favourable with a recently concluded, satisfactory Wage Settlement for the next three years.

Knowledge and Business Excellence Management Add KBEM

The KBEM group has completed a year of eventful existence at Titan.

During this year, the Time Products Division achieved a significant and notable milestone in winning the JRDQV Award for Business Excellence. The division is only the fourth, and the youngest in the Tata Group to have achieved this recognition. This award is based on the guidelines of the Malcolm Balridge National Quality Award in the US. The Jewellery Division also exceeded the 500-mark rating during this year.

HOW THE COMPANY FARED

The Company achieved a growth of 44 per cent in Sales Turnover and Net Profit before Taxes (NPBT) went up by 52 per cent over the previous year. Net profit after taxes grew by 28 per cent over the previous year.

The Company continued its efforts to bring down the interest costs through judicious borrowings and better working capital management, which has resulted in the reduction of interest outgo from Rs. 24.84 crores in 2005-06 to Rs. 20.42 crores in 2006-07.

Some of the key financial indicators of the Company are as under:

| | 2006-07 | 2005-06 | 2004-05 |
|--|---------|---------|---------|
| Sales to Net fixed assets (No. of times) | 8.00 | 7.56 | 6.49 |
| Sales to Debtors (No. of times) | 23.21 | 16.44 | 14.72 |
| Sales to Inventory (No. of times) | 3.15 | 3.96 | 4.18 |
| Retained Earnings – Rupees in crores | 67.72 | 55.33 | 12.12 |
| - % of Net Profit for the year | 71.9% | 75.2% | 44.3% |
| Operating Return on Capital Employed* | 30.7% | 24.0% | 16.8% |
| Return on Capital Employed (EBIT) | 25.8% | 19.5% | 10.8% |
| Return on Net Worth | 36.0% | 42.8% | 16.6% |

* excluding extraordinary items.

SOME RISKS AND CONCERNS

In the watch industry, market saturation for the product category continues to be a risk in the long term which is being addressed through brand extensions to other product categories viz. Sunglasses and Prescription Eyewear. The lower end of watch market continues to be pre-dominantly serviced by counterfeit and cheap watches and poses a challenge for gaining market share in the watch segment. Possible technological obsolescence in the product category is a risk to reckon with, which is being addressed by constant efforts towards innovations and adding more features and functionality to the watch so that it becomes much more than a fashion accessory/style statement.

The attrition rate in retail industry being high has affected our Company also although minimally and retention of front-end staff has become a priority area for the Company and is being addressed in a focused manner by the Company's HR function. The growing stature of the retailing industry has pushed up the cost of real estate significantly over the past and this trend is likely to continue and has an impact on both the watch and jewellery businesses in operating cost.

The gold price volatility continues to be a risk factor as the volatility has increased in the recent past due to currency fluctuations exacerbated by investment demand for gold. However, the Company has fine tuned its hedging strategies and is proposing to add 'Option contracts' to its repertoire of hedging tools/techniques in addition to futures. Bulk of the gold continues to be procured in the form of Gold loans from commercial banks which is a perfect hedging tool besides being cost effective.

The international market continues to be fiercely competitive with a plethora of offerings across price points and the geopolitical risk in the Middle East and other politically sensitive markets could also pose a challenge for maintaining the profitability of our international operations. The recent appreciation of the Rupee vis-à-vis the USD, which has been close to 10% in the trailing twelve months periods poses a challenge in maintaining the profitability of the International Business Division.

The capital intensity of the Precision Engineering business as also the long lead time from Orders to Dispatch, due to stringent international accreditation and certification requirements have been factors to reckon with for the Company. The Company is however poised to cater to major portion of the orders procured in the aerospace and automotive components/sub-assembly space. The Division has not yet broken even and is slated to scale up its operations due to a good order backlog and its readiness to supply on fulfillment of all pre-certifications and accreditations. The recent appreciation of the Rupee vis-à-vis USD would impact the rupee realization of the Division to the extent of lined up contracts in the aerospace and automotive segment in respect of supplies to US based customers.

The withdrawal of Excise duty concession from some of the areas of our operations in Dehradun, where it was previously exempted, is being contested by the Company at the highest level. The recent levy of service tax on Commercial Lease rentals has also added to the costs of retailing and your Company along with other retailers has taken this up for re-consideration by the Government.

INTERNAL CONTROLS

The Internal controls are constantly upgraded based on internal audit recommendations as also the perceived need to automate controls due to the increasing complexity of operations. The ERP systems, SAP for watches and Oracle for Jewellery have stabilized and have been deployed in every possible area of deployment. Internal controls relating to Financial Reporting are being closely monitored and related systems and processes are being refined based on recommendations from Internal and Statutory auditors as also specialists engaged for the purpose. The internal audit programme focuses on Operational and Systems audit aiming at upgradation of controls to meet changing times and complex operating environment.

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

Titan Industries Limited

Corporate Governance

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of revised Clause 49 of the Listing Agreement.

A. MANDATORY REQUIREMENTS

CORPORATE GOVERNANCE PHILOSOPHY

The Company believes that it must so govern its affairs as to optimise satisfaction amongst all its stakeholders, which includes its esteemed 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 views the governance norms originating in the institutions of the capital 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. The Company has therefore become a signatory to Global Compact, which has social dimensions to the functioning of the Corporate entity within the ecosystem.

BOARD OF DIRECTORS

Titan Industries Limited was promoted by the Tamilnadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on March 31, 2007, the Company had 12 Directors, comprising 11 Non-Executive Directors and 1 Executive Director.

The composition and category of directors as of March 31, 2007 is as follows:

| Category | Name of the Director | No. of Directors |
|--|--|------------------|
| Nominee Directors of TIDCO (Promoters, Non-Executive, Not-Independent) | Mr. Shaktikanta Das ¹ Mr. S. Ramasundaram ² Mr. Sunil Paliwal ³ Mr. S. Susai | 4 |
| Nominee Directors of Tata Group (Promoters, Non-Executive, Not-Independent) | Mr. Ishaat Hussain Mr. F. K. Kavarana Mr. N. N. Tata | 3 |
| Promoter, Executive, Not-Independent | Mr. Bhaskar Bhat | 1 |
| Other Directors (Non-Executive, Independent) | Mr. T. K. Balaji Dr. C. G. Krishnadas Nair Mr. Nihal Kaviratne ⁴ Ms. Vinita Bali ⁵ | 4 |
| Total | | 12 |

¹ Mr. Shaktikanta Das, nominee of TIDCO, was appointed as Chairman & Additional Director of the Company with effect from 05.06.2006 in place of Mr. D Rajendran who resigned on 05.06.2006.

² Mr. S. Ramasundaram, nominee of TIDCO, was appointed as Additional Director of the Company, with effect from 05.06.2006.

³ Mr. Sunil Paliwal, nominee of TIDCO, was appointed as Additional Director of the Company on 26.02.2007 in place of Mr. T. S. Surendranath.

⁴ Mr. Nihal Kaviratne, CBE, was appointed as an Independent Director of the Company on 28.09.2006

⁵ Ms. Vinita Bali was appointed as an Independent Director of the Company on 18.10.2006.

Mr. T. S. Surendranath, nominee of TIDCO, who was appointed as Additional Director of the Company with effect from 26.06.2006 resigned on 26.02.2007.

Mr. A. C. Mukherji resigned as director on 19.10.2006.

During the year, the Company had a Non-Executive Chairman and one-third of the Directors were independent except for the period 05.06.2006 to 27.09.2006 during which period the Nomination Committee was in the process of identifying and recommending eligible nominations for appointment as independent directors. The Company has not had any pecuniary relationship or transaction with any of the Non-Executive Directors during the year under review.

The Board of Directors met eight times during the Financial Year 2006-07. The interval between any two successive Meetings did not exceed four months. Board Meetings were held on June 5, June 26, July 17, August 21, October 18, November 28 in 2006 and on January 25 and March 28, in 2007.

The information as required under Annexure 1A to Clause 49 of the listing agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Managing Director and Executives of the Company regarding compliance with all laws applicable to the Company on a quarterly basis.

Attendance of each Director at the Board of Directors meetings during the year and at the last Annual General Meeting, the number of Directorships and Committee Memberships held by them in domestic public companies as at March 31, 2007 are as indicated below:

| Name of Director | No. of Board meetings attended out of 8 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. Shaktikanta Das ¹ | 6 | No | 4 | 7 | – | – |
| Mr. S. Ramasundaram ² | 7 | Yes | 5 | 9 | 1 | 4 |
| Mr. Bhaskar Bhat | 8 | Yes | 1 | 6 | – | 1 |
| Mr. N. N. Tata | 7 | Yes | – | 6 | 1 | – |
| Mr. F. K. Kavarana | 5 | No | 6 | 4 | 5 | 2 |
| Mr. Ishaat Hussain | 5 | Yes | 2 | 11 | 4 | 5 |
| Mr. T. K. Balaji | 3 | No | 1 | 10 | 1 | 5 |
| Dr. C. G. Krishnadas Nair | 6 | Yes | – | 4 | – | – |
| Mr. S. Susai | 8 | Yes | – | 11 | 1 | 6 |
| Mr. Nihal Kaviratne ³ | 3 | NA | – | 4 | 1 | 4 |
| Ms. Vinita Bali ⁴ | 4 | NA | – | 2 | – | 2 |
| Mr. Sunil Paliwal ⁵ | 1 | NA | 2 | 10 | – | – |
| Mr. T. S. Surendranath ⁶ | 5 | Yes | – | – | – | – |
| Mr. A. C. Mukherji ⁷ | 3 | Yes | – | – | – | – |

[NA – Not Applicable]

¹ Mr. Shaktikanta Das, nominee of TIDCO, was appointed as Chairman & Additional Director of the Company, with effect from 05.06.2006 in place of Mr. D. Rajendran who resigned on 05.06.2006.

² Mr. S. Ramasundaram, nominee of TIDCO, was appointed as an Additional Director of the Company, with effect from 05.06.2006.

³ Mr. Nihal Kaviratne, CBE, was appointed as an Independent Director of the Company on 28.09.2006

⁴ Ms. Vinita Bali was appointed as an Independent Director of the Company on 18.10.2006.

⁵ Mr. Sunil Paliwal, nominee of TIDCO, was appointed as a Director of the Company, with effect from 26.02.2007 in place of Mr. T. S. Surendranath.

⁶ T. S. Surendranath, nominee of TIDCO, who was appointed as Additional Director of the Company, with effect from 26.06.2006 resigned on 26.02.2007.

⁷ Mr. A. C. Mukherji resigned as Director on 19.10.2006.

TITAN INDUSTRIES

Titan Industries Limited

CODE OF CONDUCT

Whilst the 'Tata Code of Conduct' is applicable to all Whole-time Directors and employees of the Company, the Board has also adopted a Code of Conduct for Non-Executive Directors, both of which are available on the Company's website. All the Board members and senior management of the Company have affirmed compliance with their respective Codes of Conduct for the financial year ended March 31, 2007. A declaration to this effect, duly signed by the Managing Director is annexed hereto.

AUDIT COMMITTEE

The Audit Committee of the Board was constituted in 1999. The constitution of Audit Committee is in conformation with the requirements of Section 292A of the Companies Act, 1956 and also as per the requirements of Clause 49 (II) (A) of the Listing Agreement.

Powers of the Audit Committee

- a) to investigate any activity within its terms of reference;
- b) to seek information from any employee;
- c) to obtain outside legal or other professional advice;
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The terms of reference of the Audit Committee are as under:

- a) Oversight of the Company's financial reporting process and the disclosures of the financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgement by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - compliances with stock exchanges and legal requirements concerning financial statements;
 - any related party transactions.
- d) Reviewing with the management matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- e) Reviewing with the management, external and internal auditors, the adequacy of the internal control systems.
- f) Reviewing the adequacy of internal audit functions, including the structure of the internal audit department; approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- g) Discussion with internal auditors any significant findings and follow up thereon.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- j) Reviewing of management letters issued by the external auditor.
- k) Reviewing the Company's financial and risk management policies.
- l) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- m) Seek assistance from the Statutory Auditors in such areas and in such manner as desired by the audit committee from time to time.
- n) Reviewing the functioning of the Whistle Blower mechanism.
- o) Reviewing Management Discussion and Analysis of financial condition and results of operations.
- p) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

Mr A. C. Mukherji, erstwhile Chairman of the Board Audit Committee, was present at the last Annual General Meeting of the Company. The Company has adopted the Tata Group Guidelines, for composition of Board of Directors and Committee of Directors. As per the said Guidelines, the retirement age for all Non-Executive Directors of the Company should not be in excess of 75 years. In due conformance to the Guidelines, Mr. A. C. Mukherji resigned as Director and Chairman of the Board Audit Committee of the Company with effect from 19.10.2006. Mr. Nihal Kaviratne, CBE, was appointed as Chairman of the Board Audit Committee of the Company with effect from 19.10.2006. As at the year-end, the reconstituted Audit Committee comprises of six members, four of them being Independent Directors. All members are financially literate and have relevant finance and/or audit exposure. Mr. Ishaat Hussain is the financial expert.

The Audit Committee met five times during the Financial Year 2006-07 on June 5, July 13, October 18, in 2006 and on January 25 and March 15, in 2007. The quorum as required under Clause 49 (II)(B) was maintained at all the Meetings.

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

| Name of Director | No. of Meetings attended out of five meetings |
|--|--|
| Mr. Nihal Kaviratne ¹ (Chairman) (Non-Executive) (Independent) | 2 |
| Mr. A. C. Mukherji ² (Chairman) (Non-Executive) (Independent) | 3 |
| Mr. Ishaat Hussain ³ (Chartered Accountant) (Non-Executive) (Not Independent) | 1 |
| Mr. T. K. Balaji (Non Executive) (Independent) | 3 |
| Dr. C. G. Krishnadas Nair (Non Executive) (Independent) | 5 |
| Mr. S. Susai ⁴ (Non Executive) (Not Independent) | 2 |
| Ms. Vinita Bali ⁵ (Non Executive) (Independent) | 1 |

¹ Member and Chairman of Board Audit Committee from 18.10.2006 (on reconstitution of the Audit Committee)

² Resigned as Chairman of Board Audit Committee on 18.10.2006 (on reconstitution of the Audit Committee)

³ Member from 18.10.2006 (on reconstitution of the Audit Committee)

⁴ Member from 18.10.2006 (on reconstitution of the Audit Committee)

⁵ Member from 18.10.2006 (on reconstitution of the Audit Committee)

The Managing Director, the Executive Vice President - Finance, the Chief Operating Officers of the Watches and Jewellery Divisions and the Chief Internal Auditor are present at Meetings of the Audit Committee. Representatives of the Statutory Auditors and the Internal Auditors are invited to the Meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

a. Remuneration Committee

The broad terms of reference of the Remuneration Committee are to recommend to the Board the appointment/re-appointment of Managing Director and/or Whole-time Directors, the remuneration including Commission payable to the Managing Director, revision in salary to be paid from the succeeding financial year, based on evaluation of performance for the year under consideration. The performance evaluation is based on financial performance, market performance etc., of the Company. The Remuneration Committee also recommends the remuneration payable to Non-Executive Directors based on defined assessment criteria primarily based on attendance and few other factors based on contribution at meetings.

The following Directors are the members of the Remuneration Committee:

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

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

Mr. D. Rajendran¹ (Non-Executive) (Not Independent)

Mr. S. Ramasundaram² (Non-Executive) (Not Independent)

TITAN INDUSTRIES

Titan Industries Limited

¹ Resigned on 05.06.2006

² Member from 05.06.2006.

During the Financial Year 2006-07, Meetings of the Remuneration Committee was held on June 5, 2006 and on March 28, 2007.

b. Shareholders' Grievance Committee

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, non-receipt of Annual Reports and non-receipt of dividends declared by the Company, etc. During the Financial Year 2006-07, a meeting of the Shareholders' Grievance Committee was held on March 28, 2007. All the members were present at the Meeting.

The members of the Shareholders' Grievance Committee are as follows:

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

Mr. Bhaskar Bhat (Executive) (Not Independent)

Dr. C. G. Krishnadas Nair (Non-Executive) (Independent)

Mr. S. Susai (Non-Executive) (Not Independent)

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

c. Committee of Directors

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

The composition of the Committee of Directors is as follows:

Mr. D. Rajendran¹ (Non-Executive) (Not Independent)

Mr. S. Ramasundaram² (Non Executive) (Not Independent)

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

Mr. S. Susai (Non-Executive) (Not Independent)

Mr. Bhaskar Bhat (Executive) (Not Independent)

¹ Resigned on 05.06.2006.

² Member from 05.06.2006.

The business transacted by the Committee as recorded in circular resolutions, are placed before the Board at the next meeting, for due ratification.

d. Ethics and Compliance Committee

The Ethics and Compliance 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. Bhaskar Bhat (Executive) (Not Independent)

Dr. C. G. Krishnadas Nair (Non-Executive) (Independent)

Mr. S. Susai (Non-Executive) (Not Independent)

During the year 2006-07, this Committee held a Meeting on March 28, 2007. All the Members of the Committee were present at the Meeting.

The Chief Ethics Counsellor of the Company was Mr. Manoj Chakravarti (up to March 31, 2007). Mr. N. Kailasanathan has been appointed as the Chief Ethics Counsellor with effect from April 1, 2007. The Compliance Officer designated for compliance with SEBI/Guidelines for Insider Trading, is Mr. K. F. Kapadia, Executive Vice President - Finance.

e. Nomination Committee

Nomination Committee recommends to the Board most eligible nomination for appointment as Directors, appropriate to the Company's stature, size and complexity and special expertise and experience of the Directors in related domains/field.

The composition of the Committee is as follows:

Dr. C. G. Krishnadas Nair (Chairman) (Non-Executive) (Independent)
 Mr. T. K. Balaji (Non-Executive) (Independent)
 Mr. N. N. Tata (Non-Executive) (Not Independent)
 Mr. Shaktikanta Das¹ (Non-Executive) (Not Independent)

¹ Member from 05.06.2006.

During the year 2006-07, this Committee held a Meeting on June 5, 2006. All the Members of the Committee were present at the Meeting.

f. Rights Issue Committee

Rights Issue Committee was constituted to do all such acts, deeds, matters and things as may be necessary in connection with the Rights Issue and allotment of Securities/Instruments to the Shareholders of the Company and any incidental matter thereto.

The composition of the Committee is as follows:

Mr. Bhaskar Bhat (Executive) (Not Independent)
 Mr. Ishaat Hussain (Non-Executive) (Not Independent)
 Dr. C. G. Krishnadas Nair (Chairman) (Non-Executive) (Independent)
 Mr. T. K. Balaji (Non-Executive) (Independent)
 Mr. S. Susai (Non-Executive) (Not Independent)

During the year 2006-07, the Committee held a Meeting on May 12, 2006 to approve the allotment of Equity Shares and Non-Convertible Debentures comprised in the Rights Issue of 21,13,038 Partly Convertible Debentures (PCDs) of the Company.

Mr. Bhaskar Bhat, Mr. T. K. Balaji and Mr. S. Susai were present at the Meeting.

SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian subsidiary company and hence, it is not mandatory to have an Independent Director of the Company on the Board of such subsidiary company. The Audit Committee reviews the financial statements, particularly, the investments made by the Company's non-listed subsidiary companies. The minutes of the unlisted subsidiary company had been placed before the Board for their attention and transactions and major decisions of the Subsidiaries (including off-shore subsidiaries), such as inter-corporate loans/investments are effected with prior approval by the Board of Directors of the Company.

The accounts of all the subsidiaries are placed before the Directors of the Company on a quarterly basis and the attention of the Directors is drawn to all significant transactions and arrangements entered into by the subsidiary companies.

DISCLOSURES

- (a) **Related Party Transactions :** During the year under review, besides the transactions reported elsewhere in the Annual Report, there were no other material related party transactions of the Company with its promoters, Directors or the management or their relatives and subsidiaries. These transactions do not have any potential conflict with the interest of the Company at large. The material related party transactions are placed before the Audit Committee of the Board periodically and placed for Board's information once in a year. Further there are no material individual transactions that are not in normal course of business or not on an arm's length basis.
- (b) **Disclosure of Accounting Treatment:** The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

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- (c) **Risk Management:** The Risk Management of the Company is overseen by the Senior Management and the Board at various levels:

Business /Strategic Risk: The Board oversees the Risks which are inherent in the businesses pursued by the Company. The intervention is through business plans, projects and approvals for business strategies and policies.

Operational Risks: These are being mitigated by internal policies, procedures and manuals.

Financial Risks: These risks are addressed on an ongoing basis by Treasury, Insurance and Commodity Risk Management team.

In addition, the annual Internal Audit program factors in re-assessment of the external environment in terms of competition, market maturity and market practices and internal re-organisation undertaken by the management since the last audit program so as to keep the scope of Internal Audit relevant as well as to afford adequate assurance levels for operational and financial risks and internal controls.

In due recognition of the complex business environment and portfolio of businesses and markets that the Company is into as also to have adequate assurance levels in the processes leading to Strategy/Objectives in each of its businesses, the Company has engaged a reputed consulting firm to formulate a Risk Management Framework for the Company as a whole encompassing each of the businesses and the support functions.

The scope of the engagement comprised articulation of a Risk Policy of the Company affording methodical identification, assessment of risk based on impact levels and developing remediation plans, tracking of key risks over a defined periodicity and setting up key performance indicators for measurement and mitigation of the top tier risks in each of the businesses of the Company. Recommendation of the Risk Organisation and reporting structure was also part of the scope.

The Company is in the process of consideration of the recommendations of the report and should be implementing major portions of the framework in the course of the current year.

The ERP implementation in the two major businesses viz., Watches and Jewellery have helped in automated controls and exception reporting. The SAP R3 implemented in the Watch Division and Oracle 11i System implemented in the Jewellery Division have stabilised and are being continuously upgraded to match business needs for controls and observed deviations emanating from Internal Audits carried out during the year. Internal Controls including controls on financial reporting are being continuously reviewed for effectiveness by the Internal and Statutory Auditors.

- (d) **Disclosure by Senior Management:** Senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest, that could result in a conflict with the interest of the Company at large.
- (e) **CEO/CFO Certification:** The Managing Director (CEO) and Executive Vice President - Finance (CFO) have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO certification for the Financial Year ended March 31, 2007, which is annexed hereto.
- (f) **Details of Non-compliance:** There have been no instances 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. No penalties or strictures have been imposed by them on the Company.
- (g) **Whistle Blower Policy:** The Company has a whistle blower mechanism wherein the employees can approach the management of the Company (Audit Committee in case where the concern involves the Senior Management) and make protective disclosures to the Management about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Whistle Blower Policy is an extension of the Tata Code of Conduct, which requires every employee to promptly report to the management any actual or possible violation of the Code or an event he becomes aware of that could affect the business or reputation of the Company. The disclosure reported are addressed in the manner and within the time frames prescribed in the policy. A mechanism is in place whereby any employee of the Company has access to the Chairman of the Audit Committee to report any concerns. Further, the said policy has been disseminated within the organisation and has also been posted in the Company's website. At a recent Meeting of the Company's Ethics Counsellors, it was noted that no complaints on this account had been received and it was agreed to further enhance the awareness of the policy.
- (h) **Secretarial Audit:** Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996 certificates have also been received by a

Company Secretary-in-Practice for timely dematerialisation of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

- (i) **Proceeds from Rights Issue:** During the year, the Company has allotted on rights basis partly convertible debentures comprising 2,113,038 equity shares of Rs. 10 each at a premium of Rs. 340 per equity share aggregating to Rs. 7,395.63 lakhs and 2,113,038 6.75% non-convertible debentures of Rs. 250 each aggregating to Rs. 5,282.60 lakhs. The uses/application of funds by major category are disclosed to the Audit Committee on quarterly basis. The statement of utilisation of funds up to March 31, 2007, raised by the said issue is certified by the statutory auditors of the Company. The Company has not utilised funds for purposes other than those stated in the Letter of Offer.

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 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 in the succeeding 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 2006-07 are as under:

(in Rs.)

| Name | Salary | Perquisites & Allowances | Commission* |
|-------------------------------------|-----------|--------------------------|-------------|
| Mr. Bhaskar Bhat, Managing Director | 22,80,000 | 37,84,779 | 60,00,000 |

* based on the recommendations of the Remuneration Committee of the Board at its meeting held on April 21, 2007 and after taking into consideration the performance during the financial year 2006-07 which is payable in financial year 2007-08.

The perquisites indicated above exclude 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 and the other components are fixed. The Remuneration Committee also recommends to the Board of Directors increase in salary of the Managing Director based on results relating to the Company's financial performance, market performance and few other performance related parameters.

At the Board Meeting of the Company held on March 28, 2007, the Board has re-appointed Mr. Bhaskar Bhat as Managing Director of the Company for a further period of 5 years from April 1, 2007 to March 31, 2012, subject to approval by the Shareholders at the forthcoming Annual General Meeting.

Broad terms of the agreement of re-appointment of the Managing Director are as under:

Period of Agreement : 5 years from April 1, 2007.

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.

NON-EXECUTIVE DIRECTORS

The remuneration paid to Non-Executive Directors for the year 2005-06 had been restricted to an aggregate limit of 0.25% of the available profits of the Company available u/s 198 of the Companies Act, 1956 which limit continues to be applicable for FY 2006-07 as well.

The Commission payable to Non-Executive Directors has been approved by the shareholders at the Annual General Meeting held on August 31, 2005 and within the limits specified under the Companies Act, 1956.

The remuneration by way of Commission to the Non-Executive Directors is decided by the Board of Directors and is primarily based on attendance at the Board Meetings and Meetings of the Audit Committee of the Board.

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During the Financial Year 2006-07, the Company has paid Sitting Fees to Non-Executive Directors as detailed below and proposes to pay commission as shown below:

(in Rs.)

| Name of Director | Commission* | Sitting Fees |
|---------------------------|-------------|--------------|
| Mr. Shaktikanta Das | 3,00,000 | 60,000 |
| Mr. N. N. Tata | 3,50,000 | 70,000 |
| Mr. F. K. Kavarana | 2,50,000 | 60,000 |
| Mr. Ishaat Hussain | 3,10,000 | 65,000 |
| Mr. T. K. Balaji | 2,10,000 | 65,000 |
| Mr. A. C. Mukherji | 2,10,000 | 60,000 |
| Dr. C. G. Krishnadas Nair | 4,00,000 | 120,000 |
| Mr. S. Ramasundaram | 3,50,000 | 75,000 |
| Mr. S. Susai | 5,00,000 | 1,10,000 |
| Mr. T. S. Surendranath | 2,50,000 | 50,000 |
| Mr. Nihal Kaviratne, CBE | 1,90,000 | 50,000 |
| Ms. Vinita Bali | 2,20,000 | 50,000 |
| Mr. Sunil Paliwal | 50,000 | 10,000 |

* Payable in Financial Year 2007-08

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

Sitting fees and Commission payable to the Directors, who are nominees of the co-promoters viz., TIDCO are being paid directly to TIDCO.

Details of shares of the Company held by Non-Executive Directors as on March 31, 2007 are as below:

| Name of Director | Number of Shares |
|---------------------------|------------------|
| Mr. Shaktikanta Das | NIL |
| Mr. S. Ramasundaram | NIL |
| Mr. N. N. Tata | 2,345 |
| Mr. F. K. Kavarana | 100 |
| Mr. Ishaat Hussain | 703 |
| Mr. T. K. Balaji | 18,850 |
| Dr. C. G. Krishnadas Nair | NIL |
| Mr. Nihal Kaviratne, CBE | 2,000 |
| Mr. S. Susai | NIL |
| Ms. Vinita Bali | NIL |
| Mr. Sunil Paliwal | NIL |

The Company does not have any convertible debentures issued and outstanding as on March 31, 2007.

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.titanworld.com |
| Whether it also displays official news releases | : | Yes |
| Website for investor complaints | : | Pursuant to the amended listing agreements with the Stock Exchanges Clause 47(f) has been inserted for an exclusive e-mail ID for redressal of investor grievances. Accordingly, the Company has created an exclusive ID investor@titan.co.in for this purpose. |

- Presentations to institutional investors or analysts : One presentation made to institutional investors and same is displayed in www.titanworld.com
- Newspapers in which results are normally published : The New Indian Express, Dina Thanthi and Loksatta
- Whether Management Discussion & Analysis is a part of the Annual Report : Yes

PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

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

| Year | Location | Date | Time |
|-----------|--|-----------------|-----------|
| 2003-2004 | At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126 | August 31, 2004 | 3.30 p.m. |
| 2004-2005 | -do- | August 31, 2005 | 3.30 p.m. |
| 2005-2006 | -do- | August 21, 2006 | 3.30 p.m. |

Whether Special Resolutions -

- a) Passed in the previous three Annual General Meetings - Yes
- b) Were put through postal ballot last year - Yes

Pursuant to Section 192A of the Companies Act, 1956, read with the Companies (passing of the resolution by postal ballot) Rules, 2001, approval of the shareholders was sought by Postal Ballot in respect of a special resolution for amendment of the Objects Clause of the Memorandum of Association of the Company for the commencement of the new business of 'Eyewear including Prescription Eyewear' by the Company as mentioned in the Notice dated 11th November, 2006 read with the Explanatory Statement attached thereto.

Details of voting pattern:

| | Ballots | Votes | % of Votes |
|-----------|---------|------------|------------|
| In favour | 3,251 | 28,159,195 | 99.85 |
| Against | 34 | 3,508 | 0.01 |
| Invalid | 334 | 38,972 | 0.14 |
| Total | 3,619 | 28,201,675 | 100.00 |

The votes cast in favour of the resolution are 99.85% of the total votes received and consequently, the Special Resolution for amendment of the Objects Clause of the Memorandum of Association of the Company for the commencement of the new business of 'Eyewear including Prescription Eyewear' by the Company has been passed by requisite majority.

Persons who conducted the postal ballot exercise - Parikh & Associates,
Practising Company Secretaries,
Mumbai

- c) Are proposed to be conducted through postal ballot - No
- Procedure for postal ballot - Not Applicable

GENERAL SHAREHOLDER INFORMATION

| | | |
|--|---|--|
| AGM: Date, time and venue | : | Friday, July 27, 2007 3.30 p.m. at the Registered Office of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu |
| Financial Year | : | April 1, 2006 to March 31, 2007 |
| Directors seeking appointment/re-appointment | : | As required under Clause 49(IV)(G), particulars of Directors seeking appointment/re-appointment are given in the Explanatory Statement and Annexure to the Notice of the Annual General Meeting to be held on July 27, 2007. |
| Book Closure Date | : | July 13, 2007 to July 27, 2007 (both days inclusive) |

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| | | |
|---|---|---|
| Dividend payment date | : | On or after July 27, 2007, however within 30 days from the date of AGM |
| Financial Calendar Period (tentative) – Quarter ending June 30, 2007 – Quarter ending September 30, 2007 – Quarter ending December 31, 2007 – Quarter ending March 31, 2008 | : | Board Meeting to approve quarterly financial results – End July 2007 – End October 2007 – End January 2008 – May/June 2008 |
| Registered Office | : | 3, SIPCOT Industrial Complex Hosur 635 126, TamilNadu |
| Listing of Equity Shares on Stock Exchanges | : | Bombay Stock Exchange Limited, Mumbai Madras Stock Exchange Limited, Chennai National Stock Exchange of India Limited, Mumbai |
| Listing fees | : | Listing fees as prescribed have been paid to all these stock exchanges up to March 31, 2008. |
| Share Registrar and Transfer Agents | : | M/s. TSR Darashaw Limited 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011 E-mail: csg-unit@tsrdarashaw.com Website: www.tsrdarashaw.com |

For the convenience of investors based in the following cities, transfer documents and letters will also be accepted at the following branches: of M/s. TSR Darashaw Limited :

TSR Darashaw Limited

503, Barton Centre, 5th Floor
84, M.G. Road,
Bangalore – 560 001
Tel: 080-25320321
Fax: 080 - 25580019
Email: tsrdlbang@tsrdarashaw.com

TSR Darashaw Limited

2/42, Sant Vihar
Ansari Road, Darya gang
New Delhi – 110 002
Tel: 011 – 23271805
Fax: 011 – 23271802
Email: tsrdldel@tsrdarashaw.com

TSR Darashaw Limited

Tata Centre, 1st Floor
43, Jawaharlal Nehru Road
Kolkata – 700 071
Tel: 033 - 22883087
Fax: 033 - 22883062
Email: tsrdlcal@tsrdarashaw.com

TSR Darashaw Limited

Bungalow No.1, 'E' Road
Northern Town, Bistupur
Jamshedpur – 831 001
Tel: 0657 – 2426616
Fax: 0657 – 2426937
Email: tsrdljsr@tsrdarashaw.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 20 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, if found in order and confirmation is given to the respective depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

INVESTOR SERVICES

Number of complaints from shareholders during the year ended March 31, 2007

| | |
|--|----|
| Complaints outstanding as on April 1, 2006 | 1 |
| Complaints received during the year ended March 31, 2007 | 63 |
| Complaints resolved during the year ended March 31, 2007 | 63 |
| Complaints pending as on March 31, 2007 | 1 |

As at March 31, 2007, 14 share transfers and 15 demat requests were pending, however none of these were pending beyond 30 days except for:

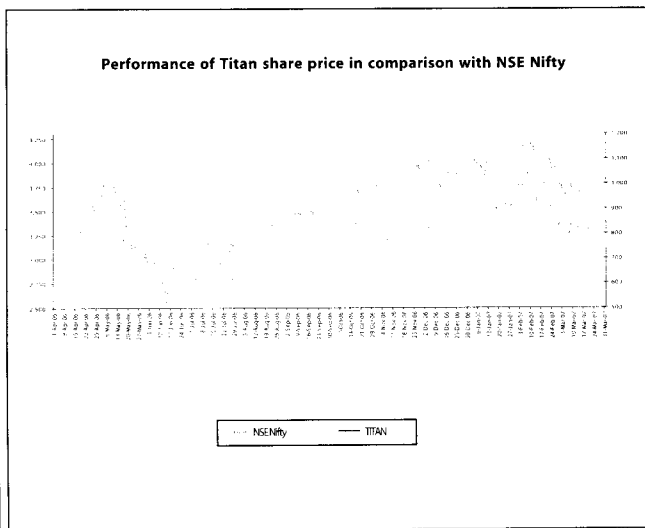
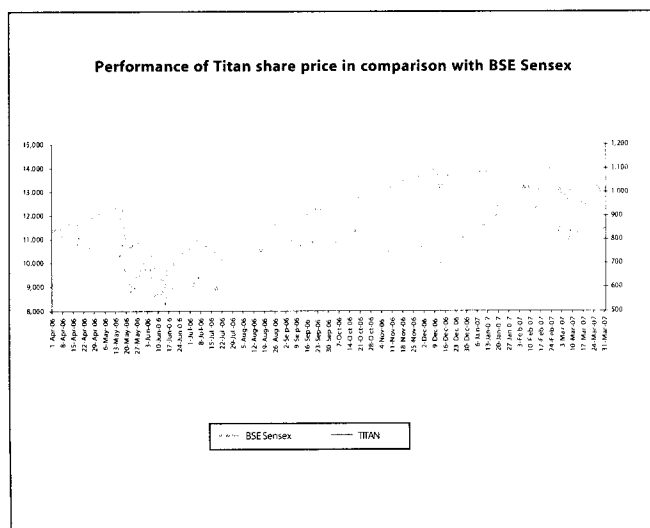
- 2 share transfers which were pending due to prohibition existing on the distinctive numbers and registration of specimen signature respectively.
- one demat request which was pending due to seller folio being marked for "stop transfer".

However, the same have been processed subsequently.

STOCK PERFORMANCE

Market Price Data

| Month | Bombay Stock Exchange Ltd (in Rs.) | | BSE Sensex | National Stock Exchange of India Ltd (in Rs.) | | Nifty |
|----------------|---------------------------------------|--------|------------|--|--------|---------|
| | High | Low | | High | Low | |
| April 2006 | 844.05 | 746.80 | 12042.56 | 845.25 | 746.90 | 3508.35 |
| May 2006 | 805.05 | 570.30 | 10398.61 | 807.05 | 569.05 | 3071.05 |
| June 2006 | 672.10 | 519.35 | 10609.25 | 675.65 | 518.40 | 3128.20 |
| July 2006 | 639.40 | 550.25 | 10743.88 | 640.00 | 550.60 | 3130.80 |
| August 2006 | 797.25 | 620.30 | 11699.05 | 798.05 | 620.65 | 3413.90 |
| September 2006 | 818.15 | 765.35 | 12454.42 | 810.20 | 765.00 | 3588.40 |
| October 2006 | 836.30 | 766.15 | 12961.90 | 836.00 | 766.40 | 3769.10 |
| November 2006 | 786.95 | 736.45 | 13696.31 | 786.95 | 737.20 | 3954.50 |
| December 2006 | 859.05 | 690.65 | 13786.91 | 859.95 | 689.90 | 3966.40 |
| January 2007 | 958.85 | 850.20 | 14090.92 | 958.75 | 850.60 | 4082.70 |
| February 2007 | 1040.90 | 828.15 | 12938.09 | 1040.65 | 827.40 | 3745.30 |
| March 2007 | 862.35 | 785.60 | 13072.10 | 864.40 | 785.35 | 3821.55 |



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DISTRIBUTION OF SHARES ACCORDING TO SIZE, CLASS AND CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2007

| No. of Equity Shares held | No. of Shareholders | Percentage | No. of Shares | Percentage |
|---------------------------|---------------------|---------------|-------------------|---------------|
| 1- 500 | 51,589 | 96.33 | 4,631,274 | 10.43 |
| 501- 2000 | 1,512 | 2.82 | 1,274,808 | 2.87 |
| 2001- 3000 | 127 | 0.24 | 316,531 | 0.71 |
| 3001- 4000 | 68 | 0.13 | 240,350 | 0.54 |
| 4001- 5000 | 42 | 0.08 | 192,856 | 0.44 |
| 5001- 10000 | 65 | 0.12 | 491,417 | 1.11 |
| 10001 and above | 150 | 0.28 | 37,242,072 | 83.90 |
| Total | 53,553 | 100.00 | 44,389,308 | 100.00 |

CATEGORIES OF SHAREHOLDING AS ON MARCH 31, 2007

| Category | No. of Shareholders | No. of Shares held | % of Shareholding |
|---|---------------------|--------------------|-------------------|
| Tamilnadu Industrial Development Corporation Ltd. | 1 | 12,373,836 | 27.88 |
| Tata Group Companies | 11 | 11,176,560 | 25.17 |
| FFI/FIIs/OCBs | 49 | 6,698,173 | 15.09 |
| Bodies Corporate | 1,101 | 2,069,403 | 4.66 |
| Unit Trust of India | 1 | 2,456 | 0.01 |
| Mutual Funds | 24 | 490,757 | 1.11 |
| Nationalised Banks | 11 | 18,532 | 0.04 |
| Others | 52,355 | 11,559,591 | 26.04 |
| Total | 53,553 | 44,389,308 | 100.00 |

TOP TEN SHAREHOLDERS:

The Company's top ten shareholders as at March 31, 2007 are as shown below:

| Sl. No. | Name | Holdings | % to total holding |
|---------|---|------------|--------------------|
| 1. | Tamilnadu Industrial Development Corporation Ltd. | 12,373,836 | 27.88 |
| 2. | Tata Sons Ltd. | 3,937,418 | 8.87 |
| 3. | Kalimati Investment Company Ltd. | 3,877,792 | 8.74 |
| 4. | Matthews Pacific Tiger Fund | 2,229,554 | 5.02 |
| 5. | Jhunjunwala Rakesh Radheshyam | 1,888,450 | 4.25 |
| 6. | Tata Chemicals Ltd. | 1,502,109 | 3.38 |
| 7. | FID Funds (Mauritius) Ltd. | 1,103,161 | 2.49 |
| 8. | Jhunjunwala Rekha Rakesh | 1,077,612 | 2.43 |
| 9. | Tata Investment Corporation Ltd. | 861,282 | 1.94 |
| 10. | Tata Tea Ltd. | 462,403 | 1.04 |

STOCK CODE

| | | | | | | |
|-----------------|---|---------------|---|---------------------------------------|---|-----------------------|
| Equity Shares | - | physical form | - | Bombay Stock Exchange Ltd. | : | 500114 |
| | | | | Madras Stock Exchange Ltd. | : | TWT |
| | | | | National Stock Exchange of India Ltd. | : | TITAN |
| Equity Shares | - | demat form | - | NSDL/CDSL | : | ISIN No. INE280A01010 |
| Non-Convertible | - | Demat form | - | NSDL/CDSL | : | ISIN No. INE280A07025 |
| Debentures | | | | | | |

The Aggregate Non-promoter/Public Shareholding of the Company as at March 31, 2007 is as shown below:

| | | |
|-----------------------------|---|------------|
| Number of Shares | : | 20,838,912 |
| Percentage to total holding | : | 46.95% |

DEMATERIALIZATION OF SHARES AND LIQUIDITY

As on March 31, 2007, 94.85% of the Company's 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
 - i) Unit I – Khasra No. 148D, 173B, 176A, 176B
 - ii) Unit II – Khasra No. 148B, 149B
 - (c) Plot No.59, EPIP, Jharmajary Phase I, Solen District, Baddi 173 205 Himachal Pradesh
 - (d) Plot No. C1, C2, C3, Khasra No.37, Village Bantakeri, Tehsil – Roorkee, District - Haridwar, Uttaranchal

Precision Engineering Plant: No. 15 B, Bommasandra Industrial Area, Hosur Road, Anekal Taluk, Bangalore 562 158

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 635 126, Tamil Nadu

Corporate Office : Golden Enclave, Tower A, Airport Road, Bangalore 560 017, Karnataka

B. NON MANDATORY REQUIREMENTS

The status of compliance in respect of Non-Mandatory requirements under Clause 49:

1. **The Board** – No separate office is maintained for Non-Executive Chairman. Further, all expenses incurred in performance of duties by the Non-Executive Chairman are reimbursed.

Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of the Company. None of the Independent Directors on our Board have served for a tenure exceeding nine years from the date when the new Clause 49 became effective.
2. **Remuneration Committee** – The Company has constituted a Remuneration Committee to recommend appointment/re-appointment of Managing Director and Whole-time Directors and to recommend/review remuneration of the Managing Director, Whole-time Directors and Non-Executive Directors.

Remuneration Committee comprises of three Non-Executive Directors and the Chairman of the Committee is an Independent Director.

All the members of the Remuneration Committee were present at the meeting held on June 5, 2006. Mr. T. K. Balaji, Chairman of the Remuneration Committee did not attend the Meeting on March 28, 2007.

The Chairman of the Remuneration Committee was not present at the last Annual General Meeting.
3. **Shareholders Communications** – The Company displays its quarterly (unaudited), half yearly (unaudited) and annual (audited) results on its website at www.titanworld.com, which is accessible to all. The results are also published in English newspaper having a wide circulation and in Tamil and Marathi newspapers having a wide circulation in TamilNadu and Maharashtra respectively.
4. **Whistle Blower Policy** – Details are given under the heading "Disclosures"
5. **Audit Qualifications** – During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.
6. **Training of Board Members** – The Company's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with changes in global economy & legislation. They attend various workshops and seminars to keep themselves abreast with the changing business environment.
7. **Mechanism for evaluating Non-Executive Board Members** – The Company has adopted a policy for evaluation of Non-Executive Board members based on primarily of attendance and a few other factors including contribution at the Board Meetings and at Meetings of the Audit Committee of the Board.

TITAN INDUSTRIES

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49(V) of the Listing Agreement

April 21, 2007

The Board of Directors,
Titan Industries Limited

CERTIFICATION TO THE BOARD PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT

We, Bhaskar Bhat, Managing Director and K. F. Kapadia, Executive Vice President – Finance, hereby certify that in respect of the Financial Year ended on March 31, 2007:

1. we have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief :-
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct;
3. we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal control, if any, of which we are aware and the steps have been taken or proposed to be taken to rectify the same;
4. we have indicated to the auditors and the Audit Committee :
 - a) significant changes, if any, in internal control during the year;
 - b) significant changes, if any, in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - c) instances of significant fraud, if any, wherein there has been involvement of management or an employee having a significant role in the Company's internal control system over financial reporting.

BHASKAR BHAT
[Managing Director]

K. F. KAPADIA
[Executive Vice President - Finance]

DECLARATION BY THE CEO UNDER CLAUSE 49 I (D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with Clause 49 sub-clause I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2007.

for TITAN INDUSTRIES LIMITED

BHASKAR BHAT
Managing Director

June 19, 2007

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 March 31, 2007, 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 Clause 49 of the above mentioned Listing Agreement.

We 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

B. Ramaratnam
Partner
(Membership No. 21209)

Place: Chennai
Date : 19th June, 2007

Auditors' Report

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

1. We have audited the attached balance sheet of TITAN INDUSTRIES LIMITED as at 31st March, 2007 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003, 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.
4. Further to our comments in the Annexure referred to in paragraph 3 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms 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, 2007;
 - (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 the cash flow statement, of the cash flows for the year ended on that date.

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

B. Ramaratnam
Partner

(Membership No. 21209)

Place : Bangalore
Date : 21st April, 2007

Titan Industries Limited**Annexure referred to in paragraph (3) of the Auditors' Report to the Members of TITAN INDUSTRIES LIMITED on the Accounts for the year ended 31st March, 2007**

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) 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 having regard to the size of the Company and the nature of its assets.
- (c) During the year, in our opinion, the Company has not disposed off a substantial part of the fixed assets.
- ii) (a) In our opinion, inventories have been physically verified during the year by the management at reasonable intervals. In the case of stocks lying with third parties, certificates confirming stocks have been received in respect of substantial portion of the stocks held.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and on the basis of our examination of the records of inventory, the Company has maintained proper records of inventory. Discrepancies noticed on physical verification of inventories as compared to the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- iii) According to the information and explanations given to us with regard to loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, we report as follows:
- (a) During the year the Company has not granted loans to any such parties. The maximum amount involved at any time during the year and the year end balance of the loans granted in earlier years was Rs. 10,853.73 lakhs and Rs. 7,417.66 lakhs respectively.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prima facie prejudicial to the interest of the Company.
- (c) The parties have generally repaid the principal amounts and interest as stipulated or as rescheduled.
- (d) As at the end of the financial year, there is no overdue amount in excess of Rs. 1 lakh in respect of loans granted.
- (e) The Company has not taken loans except for inter-corporate deposits from eight companies. The maximum amount involved in such transactions at any time during the year and the year end balance of intercorporate deposits taken from such parties was Rs. 4,750 lakhs and Rs. 4,605 lakhs respectively.
- (f) In our opinion, the rate of interest and other terms and conditions of such inter-corporate deposits are not prima facie prejudicial to the interest of the Company.
- (g) The Company is regular in repaying the principal amounts as stipulated and has been regular in the repayment of interest.
- iv) 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses, if any, in internal control system.
- v) In respect of the contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the register maintained under the said section have been so entered.
- (b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs.5 lakhs in respect of any party and having regard to our comments in paragraph (iv) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies

TITAN INDUSTRIES

(Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

- vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records 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, however, not 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 products.
- ix) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Wealth tax, Service tax, Customs duty, Excise duty, cess and other material statutory dues, if any, applicable to it with the appropriate authorities. As at the last day of the financial year, there are no arrears of such undisputed statutory dues outstanding for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and the information and explanations given to us, there are disputed dues of Customs duty, Excise duty, Income tax and Sales tax which have not been deposited/deposited partially, the details of which are set out below:

| Name of the statute | Nature of the dues | Amount (Rs. in lakhs) | Period to which the amount relates | Forum where dispute is pending |
|------------------------------|--------------------|---|--|--|
| The Customs Act, 1962 | Customs duty | 316.94 1103.18 | 1989-94 1998-99 and March 2001 to December 2002 | Supreme Court Customs, Excise and Service Tax Appellate Tribunal (CESTAT) |
| The Central Excise Act, 1944 | Excise duty | 2199.37 165.19 16.02 9.54 | May 2005 to March 2007 March 1987- February 1990, 1993-94, 1995-1998, July 2001- December 2002 and March 2003-December 2003 1996-1999 and July 2004 July 1999-November 1999 | High Court CESTAT Commissioner (Appeals) Assistant Commissioner |
| Sales Tax Laws | Sales tax | 10.19 0.77 395.67 123.10 110.27 3.41 5.40 | 1995-96, 1996-97, 1997-98, 1998-99 and 2000-01 1996-97 2000-01, 2002-03 and 2003-04 2002-03 and 2003-04 2000-01 and 2001-02 1997-98 2001-02 | Appellate Tribunal Tribunal Commercial Taxes Appellate & Revisional Board Deputy Commissioner (Appeals) Additional Commissioner Assistant Commissioner Assessing Officer |
| Income-tax Act, 1961 | Income tax | 929.18 | 2002-03 and 2003-04 | Commissioner of Income Tax (Appeals) |

- x) The Company has neither accumulated losses at the end of the financial year nor it has incurred cash losses during the current financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and debenture holders. There are no borrowings from financial institutions and therefore, reporting on the same does not arise.
- xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.

Titan Industries Limited

- xiii) The provisions of special statute applicable to chit fund and nidhi/mutual benefit fund/society are not applicable to the Company.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- xv) The Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.
- xvi) The Company has not availed any term loans during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have prima facie, not been used during the year for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) As per the information and explanations given to us, the Company has created security in respect of debentures issued.
- xx) We have verified that the end use of the money raised by public issue is as disclosed in the notes to the financial statements.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

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

Place : Bangalore
Date : 21st April, 2007

B. Ramaratnam
Partner
(Membership No. 21209)

TITAN INDUSTRIES

Balance Sheet as at March 31, 2007

| | | Rupees in lakhs | |
|--|----------|---------------------------|---------------------------|
| SOURCES OF FUNDS | Schedule | As at 31st March, 2007 | As at 31st March, 2006 |
| Shareholders' funds | | | |
| Share capital | A | 4438.93 | 8227.63 |
| Reserves and surplus | B | 28305.54 | 15029.57 |
| | | 32744.47 | 23257.20 |
| Loan funds | | | |
| Secured loans | C | 17267.07 | 14883.77 |
| Unsecured loans | D | 7433.66 | 11908.61 |
| | | 24700.73 | 26792.38 |
| Deferred tax liability (Net) (refer Note 41) | | 1744.19 | 2375.48 |
| Total | | 59189.39 | 52425.06 |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block, at cost | E | 51548.33 | 42042.24 |
| Less : Depreciation | | 26433.52 | 24396.73 |
| Net block | | 25114.81 | 17645.51 |
| Advances on capital account and capital work-in-progress, at cost | | 1597.18 | 1956.49 |
| | | 26711.99 | 19602.00 |
| Investments | | | |
| Current assets, loans and advances | F | 2702.03 | 2702.03 |
| Current assets, loans and advances | | | |
| Inventories | G | 67748.23 | 37439.44 |
| Sundry debtors | | 9205.63 | 9011.93 |
| Cash and bank balances | | 5072.99 | 3828.69 |
| Loans and advances | | 6554.23 | 14395.99 |
| | | 88581.08 | 64676.05 |
| Less : | | | |
| Current liabilities and provisions | | | |
| Current liabilities | H | 53686.01 | 33313.57 |
| Provisions | | 5540.39 | 2671.98 |
| | | 59226.40 | 35985.55 |
| Net current assets | | 29354.68 | 28690.50 |
| Miscellaneous expenditure (To the extent not written off or adjusted) | | | |
| Deferred revenue expenditure | | 420.69 | 1430.53 |
| Total | | 59189.39 | 52425.06 |
| Notes | K | | |

Per our report attached

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

B. Ramaratnam
Partner

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman

Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai

Directors

Bangalore, 21st April, 2007

Titan Industries Limited

Profit and Loss Account for the year ended March 31, 2007

| | Schedule | Rupees in lakhs | |
|--|----------|------------------|---------------|
| | | Current Year | Previous Year |
| INCOME | | | |
| Sales | | 213645.88 | 148137.38 |
| Less : Excise Duty | | 4621.66 | 4118.88 |
| Net Sales Income | | 209024.22 | 144018.50 |
| Other income | I | 321.91 | 242.94 |
| Total | | 209346.13 | 144261.44 |
| EXPENDITURE | | | |
| Operating and other expenses | J | 189179.29 | 128623.25 |
| Depreciation/Amortisation | | 2559.09 | 1966.44 |
| Interest | | 2042.26 | 2483.57 |
| Total | | 193780.64 | 133073.26 |
| PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS | | 15565.49 | 11188.18 |
| Exceptional items : | | | |
| Provision for doubtful loans and advances | | 2400.00 | 2500.00 |
| PROFIT BEFORE TAXES | | 13165.49 | 8688.18 |
| Income taxes – Current | | 3695.00 | 1489.00 |
| – Deferred | | (286.29) | (556.50) |
| – Fringe Benefit Tax | | 323.65 | 301.00 |
| | | 3732.36 | 1233.50 |
| PROFIT AFTER TAXES | | 9433.13 | 7454.68 |
| Less : Income tax of earlier years | | 20.44 | 92.70 |
| NET PROFIT | | 9412.69 | 7361.98 |
| Profit brought forward | | 7750.00 | 2962.42 |
| Amount available for appropriation | | 17162.69 | 10324.40 |
| Appropriations | | | |
| Transfer to debenture redemption reserve | | 485.00 | - |
| Dividend on preference shares | | 38.95 | 272.27 |
| Proposed dividend on equity shares | | 2219.47 | 1331.70 |
| Tax on dividends | | 382.66 | 224.96 |
| Transfer to general reserve | | 943.31 | 745.47 |
| | | 4069.39 | 2574.40 |
| Balance carried to balance sheet | | 13093.30 | 7750.00 |
| Earnings per share - Basic and diluted (Rs.) | | 21.22 | 16.68 |

Notes

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Per our report attached

For **A. F. Ferguson & Co.**
Chartered Accountants**B. Ramaratnam**
Partner**K. F. Kapadia**
Executive Vice President - Finance**Bhaskar Bhat**
Managing Director**Usha Iyengar**
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das

Chairman

Ishaat Hussain**F. K. Kavarana****S. Ramasundaram****T. K. Balaji****C. G. Krishnadas Nair****Nihal Kaviratne****Vinita Bali****S. Susai**

Directors

Bangalore, 21st April, 2007

TITAN INDUSTRIES

Cash flow statement for the year ended March 31, 2007

| | Rupees in lakhs | |
|--|------------------|------------------|
| | Current Year | Previous Year |
| A. Cash flow from operating activities | | |
| Net profit before tax | 13165.49 | 8688.18 |
| Adjustments for : | | |
| - Depreciation/Amortisation | 2559.09 | 1966.44 |
| - Unrealised Exchange difference (net) | (891.03) | 116.04 |
| - Loss/(profit) on sale of fixed assets (net) | 129.86 | 145.30 |
| - Provision for doubtful debts | 622.01 | 118.00 |
| - Provision for doubtful advances | 2400.00 | 2500.00 |
| - Interest income | (206.53) | (94.44) |
| - Dividend income | (56.80) | (51.59) |
| - Interest expense | 2042.26 | 2483.57 |
| - Deferred Revenue expenditure written off | 1009.84 | 1009.85 |
| Operating profit before working capital changes | <u>20774.19</u> | <u>16881.35</u> |
| Adjustments for : | | |
| - (Increase)/Decrease in sundry debtors | (915.60) | (1397.02) |
| - (Increase)/Decrease in inventories | (30308.79) | (10277.62) |
| - (Increase)/Decrease in loans and advances | 5732.37 | 454.09 |
| - Increase/(Decrease) in current liabilities and provisions | 21455.89 | 8814.99 |
| Cash generated from operations | <u>16738.06</u> | <u>14475.79</u> |
| - Direct taxes paid | (4134.76) | (2296.97) |
| Net cash from/(used in) operating activities | <u>12603.30</u> | <u>12178.82</u> |
| B. Cash flow from investing activities | | |
| Additions to fixed assets (including capital work in progress and advances on capital account) | (10125.38) | (4513.31) |
| Proceeds from sale of fixed assets | 326.44 | 290.75 |
| Purchase of investments - others | - | (650.00) |
| Proceeds from redemption of investments | - | 650.00 |
| Dividends received | 56.80 | 51.59 |
| Interest received | 679.47 | 735.25 |
| Net cash from/(used in) investing activities | <u>(9062.67)</u> | <u>(3435.72)</u> |
| C. Cash flow from financing activities | | |
| Proceeds from issue of equity share capital (including share premium) | 7395.63 | - |
| Proceeds from issue of preference share capital | 1,940.00 | 2060.00 |
| Redemption of preference share capital | (5940.00) | (2060.00) |
| Proceeds from new borrowings | 37829.69 | 33649.52 |
| Repayment of borrowings | (40001.75) | (38693.93) |
| Dividends paid | (1364.94) | (1116.68) |
| Tax on dividends paid | (192.23) | (156.77) |
| Interest paid | (2020.06) | (2951.36) |
| Net cash from/(used in) financing activities | <u>(2353.66)</u> | <u>(9269.22)</u> |
| Net cash flows during the year (A+B+C) | 1186.97 | (526.12) |
| Cash and cash equivalents (opening balance) | 3828.69 | 4417.54 |
| Add :/(Less) :Unrealised exchange (gain)/loss | 16.69 | (46.04) |
| | <u>3845.38</u> | <u>4371.50</u> |
| Cash and cash equivalents (closing balance) | 5072.99 | 3828.69 |
| Add :/(Less) :Unrealised exchange (gain)/loss | (40.64) | 16.69 |
| | <u>5032.35</u> | <u>3845.38</u> |
| Increase/(decrease) in cash and cash equivalents | <u>1,186.97</u> | <u>(526.12)</u> |

Per our report attached to the Balance Sheet

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

B. Ramaratnam
Partner

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman
Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai Directors

Bangalore, 21st April, 2007

Titan Industries Limited

Schedules forming part of the accounts

| | Rupees in lakhs | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2007 | As at 31st March, 2006 |
| " 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 | | |
| 4,43,89,308 equity shares (2006 : 4,22,76,270) equity shares of Rs. 10 each, fully paid up (refer Note 4) | 4438.93 | 4227.63 |
| Nil (2006 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 200.00 |
| Nil (2006 : 10,00,000) 7.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 1000.00 |
| Nil (2006 : 2,00,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 200.00 |
| Nil (2006 : 4,00,000) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 400.00 |
| Nil (2006 : 1,40,000) 6.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 140.00 |
| Nil (2006 : 20,60,000) 6% redeemable cumulative preference shares of Rs. 100 each, fully paid up (for preference shares refer Note 6) | - | 2060.00 |
| | - | 4000.00 |
| | 4438.93 | 8227.63 |
| " B " Reserves and surplus | | |
| Capital reserve | 13.23 | 13.23 |
| Share premium account (refer Note 4) | | |
| As per last balance sheet | 6172.69 | 6172.69 |
| Add : Addition during the year | 7184.33 | - |
| | 13357.02 | 6172.69 |
| Debenture redemption reserve | | |
| As per last balance sheet | - | - |
| Add : Transfer from profit and loss account | 485.00 | - |
| | 485.00 | - |
| General reserve | | |
| As per last balance sheet | 1093.65 | 348.18 |
| Less : Employee benefits of earlier years (refer Note 39) | 679.97 | - |
| | 413.68 | 348.18 |
| Add : Transfer from profit and loss account | 943.31 | 745.47 |
| | 1356.99 | 1093.65 |
| Balance in profit and loss account | 13093.30 | 7750.00 |
| | 28305.54 | 15029.57 |

TITAN INDUSTRIES

Schedules forming part of the accounts

Rupees in lakhs

| | As at 31st March, 2007 | As at 31st March, 2006 |
|--|---------------------------|---------------------------|
| "C" Secured loans | | |
| 6.75% non convertible debentures of Rs.250 each, fully paid up (refer Note 4 and 7) | 5282.60 | - |
| Term loans from banks (refer Note 8) | 3460.55 | 9471.94 |
| Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future | 8523.92 | 5411.83 |
| | 17267.07 | 14883.77 |
| "D" Unsecured loans | | |
| Fixed deposits | 828.66 | 1083.61 |
| Short term loans and advances | | |
| Loans from banks | 2000.00 | 2000.00 |
| Deposits from companies | 4605.00 | 8825.00 |
| | 6605.00 | 10825.00 |
| | 7433.66 | 11908.61 |

Rupees in lakhs

| | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION | | NET BLOCK | |
|---|---------------------------|-----------------|---------------|----------------------------|-----------------------------|--------------------|--------------------|--------------------|
| | Cost as at 1-4-2006 | Additions | Deductions | Cost as at 31-3-2007 | For the year | As at 31-3-2007 | As at 31-3-2007 | As at 31-3-2006 |
| Land - freehold | 188.79 | 55.35 | 11.92 | 232.22 | - | - | 232.22 | 188.79 |
| Land - leasehold | 42.24 | 95.77 | - | 138.01 | - | - | 138.01 | 42.24 |
| Buildings | 4798.72 | 341.69 | 195.03 | 4945.38 | 129.76 | 1498.71 | 3446.67 | 3411.41 |
| Plant, machinery and equipment | 33941.64 | 2631.73 | 345.89 | 36227.48 | 1666.38 | 22939.21 | 13288.27 | 12411.51 |
| Furniture, fixtures and equipment | 2631.69 | 932.69 | 397.03 | 3167.35 | 225.59 | 1356.79 | 1810.56 | 1269.66 |
| Vehicles | 439.16 | 100.35 | 28.73 | 510.78 | 115.55 | 217.00 | 293.78 | 321.90 |
| Intangible assets - Trade Marks | - | 6327.11 | - | 6327.11 | 421.81 | 421.81 | 5,905.30 | - |
| TOTAL | 42042.24 | 10484.69 | 978.60 | 51548.33 | 2559.09 | 26433.52 | 25114.81 | |
| As at 31st March, 2006 | 40007.44 | 3535.11 | 1500.31 | 42042.24 | 1966.44 | 24396.73 | | 17645.51 |
| Advances on capital account and capital work in progress, at cost | | | | | | | 1597.18 | 1956.49 |
| | | | | | | | 26711.99 | 19602.00 |

Titan Industries Limited

Schedules forming part of the accounts

| | Rupees in lakhs | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2007 | As at 31st March, 2006 |
| "F" Investments | | |
| Trade investments (long term) - unquoted | | |
| In non-subsiary companies | | |
| 1,00,000 fully paid equity shares of Rs. 10 each in Titan Properties Limited | 10.00 | 10.00 |
| 5,010 fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited | 0.50 | 0.50 |
| 42,210 fully paid equity shares of Rs. 10 each in Titan Holdings Limited | 40.15 | 40.15 |
| 60,000 fully paid equity shares of Rs. 10 each in Questar Investments Limited | 18.00 | 18.00 |
| 15,000 fully paid equity shares of Rs. 10 each in Tanishq (India) Limited | 1.50 | 1.50 |
| 1,42,000 fully paid equity shares of Rs. 10 each in Samrat Holdings Limited | <u>2269.76</u> | <u>2269.76</u> |
| | 2339.91 | 2339.91 |
| In subsidiary companies | | |
| 19,00,000 fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited | 237.70 | 237.70 |
| 17,500 fully paid equity shares of Euro 5 each in Titan Brand Holdings NV | 48.70 | 48.70 |
| 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 | <u>2244.00</u> | <u>2244.00</u> |
| | <u>0.79</u> | <u>0.79</u> |
| | 287.19 | 287.19 |
| Others (long term) - quoted | | |
| 74,932 6.75% tax free bonds of Rs. 100 each of the Unit Trust of India | <u>74.93</u> | 74.93 |
| | 2702.03 | <u>2702.03</u> |
| Aggregate amount of quoted investments | 74.93 | 74.93 |
| Aggregate amount of unquoted investments | 2627.10 | 2627.10 |
| Market value of quoted investments | 74.63 | 76.20 |
| "G" Current assets, loans and advances | | |
| Inventories | | |
| Consumable stores | 369.52 | 351.80 |
| Loose tools | 382.36 | 192.81 |

Titan Industries Limited

Schedule forming part of the accounts

| | Rupees in lakhs | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2007 | As at 31st March, 2006 |
| “H” Current liabilities and provisions | | |
| Current liabilities | | |
| Sundry creditors | | |
| Dues to small scale industrial undertakings | 212.09 | 164.63 |
| Others | 45649.76 | 29158.84 |
| | <u>45861.85</u> | <u>29323.47</u> |
| Unclaimed dividends | 58.51 | 52.80 |
| Other liabilities | 7402.97 | 3874.74 |
| Interest accrued but not due on loans | 362.68 | 62.56 |
| | <u>53686.01</u> | <u>33313.57</u> |
| Provisions | | |
| Provision for taxation , net of payments | 214.83 | - |
| Proposed dividend on equity shares | 2219.47 | 1331.70 |
| Tax on dividends | 377.20 | 186.77 |
| Retiring gratuities and pension * | 820.11 | 266.22 |
| Leave salaries * | 1759.51 | 744.39 |
| Others | 149.27 | 142.90 |
| | <u>5540.39</u> | <u>2671.98</u> |
| | <u><u>59226.40</u></u> | <u><u>35985.55</u></u> |

* refer Note 39

TITAN INDUSTRIES

Schedules forming part of the accounts

"I" Other income

Rupees in lakhs

| Current Year | Previous Year |
|--------------|---------------|
|--------------|---------------|

| | | |
|--|---------------|--------|
| Interest from staff loans, vendor advances and bank deposits - gross (tax deducted at source on interest received Rs. 29.19 lakhs; 2006: Rs. 8.42 lakhs) | 201.47 | 89.38 |
| Income from trade investments | 56.80 | 51.59 |
| Interest from tax free bonds of Unit Trust of India | 5.06 | 5.06 |
| Miscellaneous income | 58.58 | 96.91 |
| | 321.91 | 242.94 |

"J" Operating and other expenses

| | | |
|---|------------------|----------|
| Raw materials and components consumed | 145460.03 | 88204.58 |
| Loose tools, stores and spare parts consumed | 3551.64 | 2629.45 |
| Purchase of finished goods | 13053.21 | 7327.99 |
| Payments to and provisions for employees | | |
| Salaries and wages | 13535.31 | 9320.45 |
| Company's contribution to provident and other funds | 701.66 | 571.61 |
| Welfare expenses | 1001.46 | 754.94 |
| Gratuity | 466.00 | 266.22 |
| Deferred revenue expenditure written off -VRS | 1009.84 | 1009.85 |
| | 16714.27 | 11923.07 |

Other expenses

| | | |
|---|-----------------|----------|
| Power and fuel | 1154.51 | 1002.01 |
| Repairs to buildings | 125.52 | 134.23 |
| Repairs to plant and machinery | 560.34 | 346.37 |
| Advertising | 13382.06 | 10130.84 |
| Selling and distribution expenses | 3438.16 | 2497.43 |
| Insurance | 281.64 | 188.75 |
| Rent | 1670.17 | 924.37 |
| Rates and taxes | 6047.38 | 4475.92 |
| Travel | 1204.75 | 869.35 |
| Provision for doubtful debts | 622.01 | 118.00 |
| Loss on sale/disposal of fixed assets (net) | 129.86 | 145.30 |
| General expenses | 6414.01 | 5017.58 |
| | 35030.41 | 25850.15 |

Schedule forming part of the accounts

"J" Operating and other expenses (Contd.)

| | | Rupees in lakhs | |
|--|-----------------|-------------------------|------------------|
| | | Current Year | Previous Year |
| Directors' fees | | 8.45 | 7.00 |
| Commission to Non Whole-time Directors | | 35.90 | 28.00 |
| Decrease/(Increase) in work in progress and finished goods | | | |
| Closing stocks | | | |
| Work-in-progress | 6972.03 | | 5445.73 |
| Finished goods | 46037.30 | | 22941.26 |
| | 53009.33 | | <u>28386.99</u> |
| Opening stocks | | | |
| Work-in-progress | 5445.73 | | 4813.08 |
| Finished goods | 22941.26 | | 16316.41 |
| | 28386.99 | | <u>21129.49</u> |
| | | (24622.34) | <u>(7257.50)</u> |
| | | 189231.57 | 128712.74 |
| Less : Expenses capitalised | | 52.28 | 89.49 |
| | | 189179.29 | <u>128623.25</u> |

TITAN INDUSTRIES

Titan Industries Limited

Schedule forming part of the accounts

"K" Notes to the accounts

1. Accounting policies:

The accounts are prepared on an accrual basis 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 despatched from the factory/ stock points to customers.

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 : Fixed assets are capitalised at acquisition cost including directly attributable cost.

In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions have been capitalised.

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

Computers - depreciated @ 25% instead of 16.21%

Vehicles - depreciated @ 25% instead of 9.50%

Leased assets - depreciated over the primary lease period.

- iv. Amortisation : Trade marks are amortised over a period of 120 months from the month of acquisition.

- v. 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 imported 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 monetary items (including those relating to integral foreign operations) are restated at year end rates or forward cover rates, as applicable. The net loss or gain arising on restatement/settlement is adjusted to the Profit and Loss Account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change except in case of liabilities incurred for acquiring imported fixed assets.

- vi. Hedging transactions: The gain/(loss) arising out of sell/buy forward contracts relating to price of gold is recognised in the Profit and Loss Account along with the underlying transaction.

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

- viii. Transfer to debenture redemption reserve is made pro-rata over the life of the debentures in terms of the requirements of the Companies Act, 1956.

- ix. Inventories : 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.

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

- xi. Employee Benefits:

Schedule forming part of the accounts

Short term employee benefits

All short term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences (like sick leave and maternity leave) are recognised on an undiscounted basis and charged to the Profit and Loss Account.

Defined Contribution plan

Superannuation fund, Provident fund and Pension fund are defined contribution plans towards which the Company makes contributions at predetermined rates to the Superannuation Trust, Provident Fund Trust and the Regional Provident Fund Commissioner respectively. The same is debited to the Profit and Loss Account on an accrual basis.

Defined Benefit Plan

Contribution to the Gratuity fund is made annually on the basis of actuarial valuation using the Projected Unit Credit method and is debited to the Profit and Loss Account on an accrual basis.

Pension to retired Managing Director and leave salary benefit are provided based on an actuarial valuation using the Projected Unit Credit method and is debited to the Profit and Loss Account on an accrual basis.

Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account.

- xii. Deferred revenue expenditure : Compensation paid/payable to employees who have opted for retirement under the Voluntary Retirement Scheme (VRS) of the Company is amortised over a period of 60 months.
- xiii. Deferred Taxation : Deferred taxation is accounted for on the liability method by computing the tax effect of timing differences which arise during the year and reversed during subsequent periods.
- xiv. Segment accounting policy : Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Watch, Jewellery and Others, where 'Others' include Eye wear, Precision Engineering, Machine Building and Clocks.

Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 1901.70 lakhs (2006 : Rs. 574.88 lakhs).
3. (a) Provision for warranty - Rs. 149.27 lakhs (2006 : Rs. 142.90 lakhs).
The Company gives warranty on all products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised/reversed during the year is Rs. 121.71 lakhs (2006 : Rs. 114.23 lakhs) and Rs. 115.34 lakhs (2006 : Rs. 93.31 lakhs) respectively.
- (b) Contingent liabilities not provided for - Rs. 5699.27 lakhs (2006 : Rs. 5846.72 lakhs) comprising of the following :
 - i. Guarantees given by the Company to banks - Rs. Nil (2006 : Rs. 486 lakhs) in respect of certain loans availed by the employees of the Company who had opted for the Voluntary Retirement Scheme (VRS). The Company has obtained an irrevocable authorisation from the VRS Optees authorising the Company to repay on their behalf directly to the bank, from the future payments due to these VRS optees under the Voluntary Retirement Scheme.
 - ii. Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs. 5699.27 lakhs (2006 : Rs. 5360.72 lakhs).
 - Sales Tax - Rs. 812.31 lakhs (2006 : Rs. 996.50 lakhs)
(relating to the applicability of rate of tax, computation of tax liability, submission of certain statutory forms)
 - Customs Duty - Rs. 1420.11 lakhs (2006 : Rs. 1363.87 lakhs)
(relating to compliance with the terms of notification, end use of materials cleared at the lower rate of duty)
 - Excise duty - Rs. 2414.91 lakhs (2006 : Rs. 2404.66 lakhs)
(relating to denial of exemption by amending the earlier notification, computation of the assessable value)

TITAN INDUSTRIES

Titan Industries Limited

Schedule forming part of the accounts

Income Tax – Rs. 986.19 lakhs (2006 : Rs. 534.94 lakhs)
(relating to disallowance of deductions claimed and Transfer Pricing adjustments)

Others – Rs.65.75 lakhs (2006 : Rs. 60.75 lakhs)
(relating to miscellaneous claims)

The above amounts are based on the notice of demand or the Assessment Orders or notification by the relevant authorities, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

4. During the year the Company has allotted on rights basis partly convertible debentures comprising 2,113,038, Equity shares of Rs. 10 each at a premium of Rs. 340 per equity share aggregating to Rs.7395.63 lakhs and 2,113,038, 6.75% Non convertible debentures of Rs. 250 each aggregating to Rs. 5282.60 lakhs.
5. In terms of the Letter of Offer, out of the Rights Issue proceeds of Rs.12678.23 lakhs received during the year, Rs.8316.01 lakhs have been spent towards the objects of the issue (setting up of new showrooms & upgradations & expansions of existing showrooms Rs. 1711.14 lakhs, replacement, refurbishing & expansion of the watch manufacturing facilities Rs.1381.03 lakhs, expansion of jewellery making facilities Rs. 466.83 lakhs, expansion of precision engineering manufacturing facilities Rs. 539.46 lakhs and redemption of preference shares & general corporate purposes Rs. 4217.55 lakhs) and the balance of Rs. 4362.22 lakhs has been temporarily used for repayment of short term loans.
6. a) 8% redeemable cumulative preference shares aggregating to Rs. 200 lakhs, 7.25% redeemable cumulative preference shares aggregating to Rs. 1000 lakhs, 7% redeemable cumulative preference shares aggregating to Rs. 200 lakhs, 6.75% redeemable cumulative preference shares aggregating to Rs. 400 lakhs and 6.50% redeemable cumulative preference shares aggregating to Rs. 140 lakhs were redeemed and reissued as 6% redeemable cumulative preference shares during the year. As per the terms of issue, these preference shares were redeemable at par at the end of 7 years from the date of allotment with an option for early redemption by the Company or by the holder.
b) 6% Redeemable Cumulative Preference shares aggregating to Rs.4000 lakhs were redeemed during the year out of the proceeds of the Rights issue.
7. The 6.75% debentures are redeemable at par at the end of five years from the dates of allotment on 12th May, 2006 and 9th June, 2006 and are secured by way of legal mortgage on the immovable properties and plant and machinery situated at Hosur.
8. The term loans from banks shown under secured loans include :
a) Loan of Rs. 3460.55 lakhs (2006 : Rs. 8721.94 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets and assets taken on lease) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
b) Loan of Rs. Nil (2006 : Rs. 750 lakhs) secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
9. Non-fund based facilities availed of Rs. 20837 lakhs (2006 : Rs. 14425 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
10. The security covered under notes 7 and 8(a) above rank pari passu. The security covered under note 8(b) and 9 rank pari passu with the security for the cash credit facility.
11. a) The small scale industrial undertakings to whom the Company owes any sum, outstanding for more than 30 days are:

| | |
|-------------------------------------|--------------------------------------|
| (i) AAA Products Pvt. Ltd. | (ii) Aambis Enterprises |
| (iii) Arasu Enterprises | (iv) Art & Jewells |
| (v) Bangalore Mecatronics Pvt. Ltd. | (vi) Chakson Engineering Co. |
| (vii) Chennai Felt Mills Pvt. Ltd. | (viii) Classic Dials P. Ltd. |
| (ix) Hirsch Watch Straps Pvt. Ltd. | (x) Horological Components Pvt. Ltd. |
| (xi) Huja Industries | (xii) Kammaje Industries |
| (xiii) Medicon Leather Pvt. Ltd. | (xiv) P & S Galvasols |

Schedule forming part of the accounts

| | |
|-----------------------------------|--------------------------------------|
| (xv) Plasma | (xvi) R Chem |
| (xvii) Relic Industries | (xviii) Sneha Latex Products |
| (xix) Spiral Tools Pvt. Ltd. | (xx) Star Barrat Enterprises |
| (xxi) Super Abrasive Toolings (F) | (xxii) Super Abrasives |
| (xxiii) Universal Hands | (xxiv) Vardhan Banda Private Limited |

b) The Company has initiated the process of obtaining confirmations from suppliers who have registered under The Micro, Small and Medium Enterprises Development Act, 2006 which came into effect from October 2, 2006. The Company has not received any confirmations from registered suppliers as of date, in respect of whom disclosures are required to be made under the said Act.

12. Exchange gain (net), included in the Profit and Loss Account is Rs. 835.26 lakhs (2006 : loss Rs. 534.71 lakhs).
13. Auditors remuneration comprises of fees for audit of statutory accounts Rs. 40.00 lakhs (2006 : Rs. 35.00 lakhs), taxation matters Rs. 18.50 lakhs (2006 : Rs. 11.00 lakhs), audit of consolidated accounts Rs. 7.00 lakhs (2006 : Rs. 7.00 lakhs), management services Rs. Nil (2006 : Rs. 6.00 lakhs), services provided in relation to rights issue Rs. 9.25 lakhs (2006 : Rs. 41.50 lakhs), other services Rs. 12.40 lakhs (2006 : Rs. 5.32 lakhs) and reimbursement of expenses Rs.0.57 lakhs (2006 : Rs. 0.89 lakhs) and reimbursement of levies (net of service tax credit of earlier years Rs. Nil ; 2006 : Rs. 5.76 lakhs) Rs. 1.93 lakhs (2006 : Rs. (-) 5.02 lakhs).
14. Excise duty of Rs. 4621.65 lakhs (2006 : Rs. 4118.84 lakhs) reduced from gross sales in the Profit and Loss Account represents excise duty on sale of products.
15. Rates and taxes include the following :
- Rs. 313.53 lakhs (2006 : Rs. 95.55 lakhs) being the difference in excise duty included in opening stock and closing stock of finished goods.
 - Rs. 3514.21 lakhs (2006: Rs. 2603.80 lakhs) being the excise duty paid on watch components transferred from Hosur factory to Dehradun and Baddi factories.
16. (a) Interest expense disclosed in the Profit and Loss Account is net of Rs. 453.05 lakhs (2006 : Rs. 472.94 lakhs) being interest income on loans and advances.
(b) Interest on fixed loans amounts to Rs. 1789.82 lakhs (2006 : Rs. 2262.61 lakhs).
17. Exceptional items represent provision for doubtful loans and advances relating to European operations.
18. The Directors' remuneration of Rs. 156.55 lakhs (2006 : Rs. 128.21 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs.6.16 lakhs (2006 : Rs. 5.18 lakhs), perquisites Rs. 31.69 lakhs (2006 : Rs. 27.83 lakhs), commission of Rs. 60.00 lakhs (2006 : Rs. 48.00 lakhs) and commission to non whole-time Directors of Rs. 35.90 lakhs (2006 : Rs. 28 lakhs).

Computation of net profit under Section 309(5) of the Companies Act, 1956 is as under:

| | Rupees in lakhs | |
|---|-----------------|-------------|
| | 2007 | 2006 |
| Profit before taxes as per Profit and Loss Account | 13165.49 | 8688.18 |
| Add: Directors' remuneration | 156.55 | 128.21 |
| Directors' fees | 8.45 | 7.00 |
| Depreciation/amortisation provided in the accounts for the current year | 2559.09 | 1966.44 |
| Loss on sale of fixed assets as per books (net) | 129.86 | 145.30 |
| Provision for Doubtful debts | 622.01 | 118.00 |
| Provision for Doubtful loans and advances | 2400.00 | 2500.00 |
| Deferred Revenue Expenditure written off – VRS | 1009.84 | 1009.85 |
| Wealth Tax | 1.64 | 1.13 |
| | 20052.93 | 14564.11 |

TITAN INDUSTRIES

Titan Industries Limited

Schedule forming part of the accounts

| | Rupees in lakhs | |
|--|-----------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year | 2346.46 | 1802.08 |
| Loss on sale of fixed assets as per Section 350 of the Companies Act, 1956 (net) | 135.65 | 149.91 |
| Net profit | 17570.82 | 12612.12 |
| Restricted to | | |
| 5% of net profit for whole time Directors | 878.54 | 630.61 |
| 1% of net profits for non whole time Directors | 175.71 | 126.12 |
| 19. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 12 million watches (2006 : 11 million watches), 0.29 million jewellery pieces (2006 : 0.29 million jewellery pieces) and 0.30 million clocks (2006 : 0.30 million clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter. | | |
| 20. The Company produced 90,59,059 watches (2006 : 83,31,451 watches) sold 86,47,138 watches - Rs. 68847.65 Lakhs (2006 : 82,10,293 watches - Rs.58757.18 lakhs) and had a Closing Stock of 10,82,793 watches - Rs. 8142.39 lakhs (2006 : 6,70,872 watches - Rs. 3582.37 lakhs; 2005 : 5,49,714 watches - Rs. 3521.95 lakhs). | | |
| 21. The Company produced 1,49,012 clocks (2006 : 2,76,945) sold 1,48,583 clocks - Rs. 666.05 lakhs (2006 : 2,71,995 clocks - Rs. 1122.43 lakhs) and had a closing stock of 32,687 clocks - Rs. 11.54 lakhs (2006 : 32,258 clocks - Rs. 65.05 lakhs; 2005 : 27,308 clocks - Rs. 14.42 lakhs). | | |
| 22. The Jewellery Division of the Company produced 7,44,826 jewellery pieces (2006: 5,52,534 jewellery pieces), purchased 58,800 jewellery pieces - Rs. 10415.39 lakhs (2006 : 41,534 jewellery pieces - Rs. 5790.53 lakhs), sold 7,20,241 jewellery pieces - Rs. 103176.03 lakhs (2006 : 5,70,221 jewellery pieces - Rs. 65745.11 lakhs) and had a closing stock of 2,47,109 jewellery pieces - Rs. 34110.83 lakhs (2006 : 1,63,724 jewellery pieces - Rs. 17656.87 lakhs, 2005 : 1,39,877 jewellery pieces - Rs. 11985.00 lakhs). | | |
| 23. The Jewellery Division of the Company produced 19,37,452 coins (2006 :14,18,079 coins), sold 19,24,852 coins - Rs.25853.85 lakhs (2006 : 14,26,542 coins - Rs. 13212.45 lakhs) and had a closing stock of 41,034 coins - Rs.1994.94 lakhs (2006 : 28,434 coins - Rs.1000.49 lakhs, 2005 : 36,897 coins - Rs. 443.24 lakhs). | | |
| 24. The Company produced 34 machines (2006 : 34 machines), capitalised 7 machines (2006 : 16 machines), sold 26 machines - Rs. 1316.26 lakhs (2006 : 19 machines - Rs. 620.42 lakhs), and had a closing stock of 1 machine - Rs. 114.87 lakhs (2006: Nil - Rs. Nil , 2005 : 1 - Rs. 33.27 lakhs). | | |
| 25. The Company purchased 3,93,162 watches - Rs. 1914.46 lakhs (2006 : 1,40,018 watches - Rs. 982.49 lakhs), sold 3,17,216 watches - Rs. 4566.07 lakhs (2006 : 1,26,205 watches - Rs. 2099.52 lakhs) and had a closing stock of 1,14,928 watches - Rs. 853.34 lakhs (2006 : 38,982 watches - Rs. 343.69 lakhs; 2005 : 25,169 watches - Rs. 217.49 lakhs). | | |
| 26. The Company sold 109 clocks - Rs.0.33 lakhs (2006 : 1,173 clocks - Rs.(0.18) lakhs) and had a closing stock of 4,008 clocks - Rs. Nil (2006 : 4,117 clocks - Rs.15.29 lakhs; 2005 : 5,290 clocks - Rs.16.39 lakhs). | | |
| 27. The Company purchased 4,65,683 eyewear products - Rs. 1253.35 lakhs (2006 : 2,81,891 eyewear products - Rs. 556.82 lakhs), sold 3,80,145 eyewear products - Rs. 2527.04 lakhs (2006 : 2,31,544 eyewear products - Rs. 1292.52 lakhs) and had a closing stock of 1,75,041 eyewear products - Rs. 675.91 lakhs (2006 : 89,503 eyewear products - Rs. 185.41 lakhs; 2005 : 39,156 eyewear products - Rs. 76.85 lakhs). Eyewear products include sunglasses, frames, ready readers and lenses. | | |
| 28. Sales includes sale of scrap Rs. 599.37 lakhs (2006 : Rs.313.23 lakhs), sale of accessories Rs. 5259.18 lakhs (2006 : Rs. 4309.72 lakhs), sale of tools and components Rs. 117.56 lakhs (2006 : Rs. 110.77 lakhs), sale of precious stones Rs. 1283.89 lakhs (2006: Rs. 606 lakhs), income from services provided Rs. 138.97 lakhs (2006 : Rs. 136.92 lakhs) and is net of turnover based commission of Rs. 4105.79 lakhs (2006 : Rs. 2522.49 lakhs) and all discounts, including cash discount of Rs. 417.46 lakhs (2006 : Rs. 331.16 lakhs). | | |

Schedule forming part of the accounts

29. Analysis of raw materials and components consumed :

| | Rupees in lakhs | |
|--|------------------|-----------------|
| | 2007 | 2006 |
| Precious metals - Gold (2007 :10703 Kgs.); (2006 :7869 Kgs.) | 103572.86 | 56909.24 |
| - Others | 2318.34 | 1368.64 |
| Brass | 1308.63 | 667.63 |
| Steel | 754.57 | 485.41 |
| Components | 27275.43 | 23051.87 |
| Precious and semi-precious stones * | 9305.54 | 5090.43 |
| Sundry charges | 924.66 | 631.36 |
| | 145460.03 | 88204.58 |

Except for gold consumption, quantity details have not been disclosed, as the items consumed under each head are dissimilar in nature/type/size and unit of measurement.

* Includes 847 nos (2006 : 284 nos) of precious stones sold costing Rs. 1015.97 lakhs (2006 : Rs. 485 lakhs)

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

| | 2007 | | 2006 | |
|----------------|------------------|------------|-----------------|-----|
| | Rupees in Lakhs | % | Rupees in Lakhs | % |
| Imported | | | | |
| CIF Value | 41372.78 | 28 | 20135.44 | 23 |
| Customs duties | 1804.34 | 1 | 1221.81 | 1 |
| | 43177.12 | 29 | 21357.25 | 24 |
| Indigenous | 102282.91 | 71 | 66847.33 | 76 |
| | 145460.03 | 100 | 88204.58 | 100 |

31. Analysis of imports on CIF basis :

| | Rupees in lakhs | |
|------------------------------|-----------------|-----------------|
| | 2007 | 2006 |
| Raw materials and components | 42997.35 | 18412.42 |
| Stores and spares | 307.09 | 290.40 |
| Capital goods | 703.50 | 1778.87 |
| | 44007.94 | 20481.69 |

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

| | Rupees in lakhs | |
|---------------------------------------|-----------------|--------|
| | 2007 | 2006 |
| Royalty | 87.75 | 59.79 |
| Professional and consultancy services | 55.32 | 35.89 |
| Others | 833.71 | 746.28 |

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

| | 2007 | 2006 |
|---|----------------|---------|
| (i) Number of Shareholders | 6 | 5 |
| (ii) Number of equity shares on which dividend was paid | 18,210 | 22,523 |
| (iii) Year to which the dividend related | 2005-06 | 2004-05 |
| (iv) Amount remitted (net of tax) (Rupees in lakhs) | 0.55 | 0.45 |

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Titan Industries Limited

Schedule forming part of the accounts

34. Earnings in foreign exchange :

| | Rupees in lakhs | |
|------------------------------|-----------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| Export of goods on FOB basis | 11561.75 | 8735.53 |
| Interest | 453.05 | 472.94 |
| Others | 30.35 | 67.23 |

35. Revenue expenditure directly attributable to research and development is estimated at Rs.205.56 lakhs (2006 : Rs. 276.37 lakhs).

36. Fixed assets include vehicles acquired on finance lease, the details of which are as under:

| | Rupees in lakhs | |
|--|-----------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| (a) Cost of vehicles | 299.59 | 321.04 |
| (b) Vehicles acquired during the year | - | 67.43 |
| (c) Net carrying amount | 145.43 | 224.60 |
| (d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases for each of the following periods are as below: | | |

| | Rupees in lakhs | |
|---|---------------------------------------|---|
| | Minimum Lease Payments outstanding | Present value of Minimum Lease Payments outstanding |
| Not later than one year | 79.45 (2006:85.92) | 63.47 (2006: 74.19) |
| Later than one year and not later than five years | 58.88 (2006:145.54) | 44.36 (2006: 59.81) |

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

37. (a) The total of future minimum lease payments under non-cancellable operating leases are as follows :

| | Rupees in lakhs | |
|--|-----------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| For a period not later than one year | 1184.67 | 362.72 |
| For a period later than one year and not later than five years | 1830.10 | 582.34 |
| Total | 3014.77 | 945.06 |

(b) The Company has taken the above operating leases for non-cancellable period of 1 year to 9 years. The leases are renewable by mutual consent.

(c) Lease rentals recognised in the statement of Profit and Loss Account in respect of the above operating lease is Rs.811.64 lakhs (2006 : Rs.244.91 lakhs).

38. (a) Sundry creditors include (i) Rs.82.19 lakhs (2006 : Rs 153.28 lakhs) towards liability for lease of vehicles which falls due later than one year; and (ii) Rs. 42.74 lakhs (2006 : Rs.91.58 lakhs) of acceptances.

(b) Current liabilities do not include any amount to be credited to Investor Education and Protection Fund except where there are legal cases and therefore, amounts related to the same could not be transferred.

Schedule forming part of the accounts

39. Employee Benefits

The Company has for the first time during the year ended March 31, 2007 adopted Accounting Standard 15 on Employee Benefits (Revised) issued by the Institute of Chartered Accountants of India. Consequently, previous year figures have not been disclosed.

Consequent to the adoption of the said standard, the differential liability (net of deferred tax of Rs. 345 lakhs) of Gratuity and Compensated Absences as per Accounting Standard 15 (Revised) and as per the pre-revised Accounting Standard 15 has been appropriately adjusted to the opening balance of General reserve as at April 1, 2006.

Defined Benefit Plan - Gratuity as per actuarial valuation as at March 31, 2007

| | | Rupees lakhs |
|------|--|--------------|
| | | Gratuity |
| I. | Net Asset/(Liability) recognized in the balance sheet as at March 31, 2007 | |
| | 1. Present value of funded obligations – A | 2812.99 |
| | 2. Fair Value of Plan Assets – B | (2225.79) |
| | 3. (Deficit)/surplus – (A-B) | (587.20) |
| | 4. Net Asset/Liability | |
| | – Assets | – |
| | – Liabilities | 587.20 |
| II. | Expense recognized in the Profit & Loss Account for the year ended March 31, 2007 (under the head “Payments to and provisions to employees Refer Schedule J”) | |
| | 1. Current Service Cost | 191.51 |
| | 2. Interest on Defined Benefit Obligation | 176.60 |
| | 3. Expected Return on Plan Assets | (150.85) |
| | 4. Net Actuarial Losses/(Gains) recognized during the year | 248.74 |
| | 5. Past Service Cost | – |
| | Total | 466.00 |
| | Actual return on Plan Assets | 44.00 |
| III. | Change in present value of obligation during the year ended March 31, 2007 | |
| | 1. Opening Defined Benefit Obligation | 2393.19 |
| | 2. Service Cost | 191.51 |
| | 3. Interest Cost | 176.60 |
| | 4. Actuarial Losses/ (Gains) | 141.89 |
| | 5. Benefits Paid | (90.20) |
| | 6. Closing Defined Benefit Obligation | 2812.99 |
| IV. | Change in fair value of Plan assets during the year ended March 31, 2007 | |
| | 1. Opening fair value of plan assets | 2005.77 |
| | 2. Expected Return | 150.85 |
| | 3. Actuarial Losses/(Gains) | 106.85 |
| | 4. Assets distributed on settlements | – |
| | 5. Contributions by employer | 266.22 |
| | 6. Benefits Paid | (90.20) |
| | 7. Closing fair value of plan assets | 2225.79 |

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Schedule forming part of the accounts

Rupees lakhs

| | Gratuity |
|--|------------|
| V. The major categories of Plan Assets as a percentage of total Plan Assets | |
| 1. Government of India Securities | 41% |
| 2. Corporate bonds | 52% |
| 3. Others | 7% |
| VI. Principal actuarial assumptions as at March 31, 2007 | |
| Discount Rate | 8.10% p.a. |
| Expected Rate of Return on Plan Assets | 7.50% p.a. |
| VII. The employees are assumed to retire at the age of 58 years. | |
| VIII. The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables. | |

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets is based on average yield on investments.

The estimate of future salary increases considered takes into account the inflation, seniority, promotion, increments and other relevant factors.

Other Long term benefits

The defined benefit obligations which are provided for but not funded are as under:

Rupees in lakhs

| | Liability as on 31.03.2007 |
|-----------------------------------|-------------------------------|
| Compensated absences/Leave salary | 1759.51 |
| Pension | 232.91 |

40. Derivative instruments :

- There are no outstanding forward exchange contracts entered into by the Company as on March 31, 2007.
- The sell/buy forward contracts (net) outstanding as at March 31, 2007 in respect of hedging of price of gold, for the jewellery business, are Rs. 8546.05 lakhs (2006 : Rs. Nil).
- The foreign currency exposures that are not hedged by a derivative instrument or otherwise as at March 31, 2007 are given below :
 - Amounts receivable in foreign currency as at March 31, 2007.

(Previous year figures are in brackets)

Amount in lakhs

| Nature of receivables | Amount in lakhs | |
|-----------------------|----------------------|------------------|
| | Rupees | Foreign currency |
| Export of goods | | |
| USD | 4015.43 (2312.17) | 92.56 (51.83) |
| SGD | 275.49 (911.62) | 9.64 (33.04) |
| GBP | 58.23 (63.76) | 0.69 (0.82) |
| HKD | 18.05 (115.42) | 3.25 (20.11) |
| EURO | 273.06 (158.27) | 4.74 (2.93) |

Schedule forming part of the accounts

Amount in lakhs

| Nature of receivables | Rupees | Foreign currency |
|-----------------------|---------------------|------------------|
| Loans and advances | | |
| USD | 164.09 (1881.69) | 3.78 (42.18) |
| GBP | 3.62 (1891.80) | 0.04 (24.40) |
| EURO | - (4898.71) | - (90.63) |
| JPY | 43.54 (-) | 118.89 (-) |
| SEK | 2.65 (-) | 0.42 (-) |
| CHF | - (42.76) | - (1.25) |

- ii Amounts payable in foreign currency as at March 31, 2007.
(Previous year figures are in brackets)

Amount in lakhs

| Nature of payables | Rupees | Foreign currency |
|------------------------------|-------------------|------------------|
| Import of goods and services | | |
| USD | 134.05 (18.61) | 3.09 (0.42) |
| EURO | 26.95 (13.25) | 0.47 (0.24) |
| HKD | 11.75 (43.05) | 2.11 (7.49) |
| CHF | 8.38 (-) | 0.24 (-) |
| JPY | - (25.00) | - (65.91) |
| SGD | - (1.45) | - (0.05) |

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

Rupees in lakhs

| | As at 31.03.2006 | Tax effect of amount charged to opening reserve (Refer Note 39) | Tax effect for the year | As at 31.03.2007 |
|---|---------------------|--|----------------------------|---------------------|
| Deferred Tax (Liability) | | | | |
| Fixed Assets | (3075.42) | - | (364.24) | (3439.66) |
| Sub Total | (3075.42) | - | (364.24) | (3439.66) |
| Deferred Tax Asset | | | | |
| Provision for doubtful debts | 170.43 | - | 209.37 | 379.80 |
| Disallowances under Section 43B | 45.82 | - | 320.47 | 366.29 |
| Provision for leave salary/gratuity | 178.56 | 345.00 | 120.69 | 644.25 |
| Deferred revenue expenditure | 305.13 | | - | 305.13 |
| Sub Total | 699.94 | 345.00 | 650.53 | 1695.47 |
| Net Deferred Tax Asset/(Liability) | (2375.48) | 345.00 | 286.29 | (1744.19) |

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Titan Industries Limited

Schedule forming part of the accounts

42. Related party disclosures :

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 Watch Co. Ltd., Hongkong
Titan TimeProducts Ltd.
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.
(from 01.10.2006 to 31.10.2006)
- c) 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.
Rockbourne Holding B.V.
Samrat Holdings Ltd.
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.
(upto 30.09.2006 and from 01.11.2006)
- d) Key Management Personnel : Mr. Bhaskar Bhat, Managing Director

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

Rupees in lakhs

| Sl. No. | Nature of transaction | Promoters | Subsidiaries | Associates | Key Management Personnel | Total |
|---------|---|--------------------|----------------------|---------------------|--------------------------|----------------------|
| 1. | Purchase of components and raw materials | - (-) | 1818.13 (1916.33) | - (-) | - (-) | 1818.13 (1916.33) |
| 2. | Sale of components and finished goods | 4.81 (2.63) | 46.11 (38.30) | 107.81 (6653.79) | - (-) | 158.73 (6694.72) |
| 3. | Reimbursement of expenses | 1.10 (33.56) | - (84.32) | - (-) | - (-) | 1.10 (117.88) |
| 4. | Interest income | - (-) | 460.03 (472.94) | - (-) | - (-) | 460.03 (472.94) |
| 5. | Interest expense | - (-) | - (-) | 226.89 (131.38) | - (-) | 226.89 (131.38) |
| 6. | Rent paid | 36.61 (30.72) | - (-) | - (-) | - (-) | 36.61 (30.72) |
| 7. | Dividend received | - (-) | - (-) | 56.80 (51.59) | - (-) | 56.80 (51.59) |
| 8. | Dividend paid | 478.25 (302.62) | - (-) | 28.11 (133.60) | - (-) | 506.36 (436.22) |
| 9. | Commission and sitting fees to non whole-time directors | 17.55 (8.30) | - (-) | - (-) | - (-) | 17.55 (8.30) |

Schedule forming part of the accounts

Rupees in lakhs

| Sl. No. | Nature of transaction | Promoters | Subsidiaries | Associates | Key Management Personnel | Total |
|---------|--|--------------------|------------------------|------------------------|--------------------------|------------------------|
| 10. | Investments made | - (-) | - (-) | - (650.00) | - (-) | - (650.00) |
| 11. | Investments redeemed | - (-) | - (-) | - (650.00) | - (-) | - (650.00) |
| 12. | Intercorporate deposits taken | - (-) | - (-) | 6075.00 (3075.00) | - (-) | 6075.00 (3075.00) |
| 13. | Intercorporate deposits repaid | - (-) | - (-) | 3570.00 (2185.00) | - (-) | 3570.00 (2185.00) |
| 14. | Preference Shares allotted | - (-) | - (-) | 1940.00 (2060.00) | - (-) | 1940.00 (2060.00) |
| 15. | Preference Shares redeemed | - (-) | - (-) | 4000.00 (2000.00) | - (-) | 4000.00 (2000.00) |
| 16. | Brand equity subscription | 340.98 (246.66) | - (-) | - (-) | - (-) | 340.98 (246.66) |
| 17. | Recovery of expenses | - (-) | 9.21 (7.77) | - (-) | - (-) | 9.21 (7.77) |
| 18. | Rendering of services | 42.16 (11.80) | 23.21 (20.97) | - (-) | - (-) | 65.37 (32.77) |
| 19. | Managerial remuneration | - (-) | - (-) | - (-) | 120.65 (100.21) | 120.65 (100.21) |
| 20. | Loans (net) (-) repaid/disbursed | - (-) | (-)3000.99 (-) | - (-) | - (-) | (-)3000.99 (-) |
| 21. | Advertising/Trademark advances (net) (-) repaid/reimbursed | - (-) | (-)2475.71 (763.54) | (-)630.63 (-637.39) | - (-) | (-)3106.34 (126.15) |
| 22. | Provision for doubtful loans and advances | - (-) | 2400.00 (2419.00) | - (81.00) | - (-) | 2400.00 (2500.00) |
| 23. | Advances recovered | - (-) | - (-) | 96.00 (2000.00) | - (-) | 96.00 (2000.00) |
| 24. | Acquisition of trademarks | - (-) | - (-) | 6327.11 (-) | - (-) | 6327.11 (-) |

Balance as on balance sheet date

Rupees in lakhs

| | Promoters | Subsidiaries | Associates | Key Management Personnel | Total |
|----------------|--------------------|---------------------|----------------------|--------------------------|-----------------------|
| Debit balance | - (-) | 290.43 (8746.84) | 1462.51 (2853.00) | - (-) | 1752.94 (11599.84) |
| Credit balance | 307.52 (208.72) | - (-) | 4734.80 (2335.83) | 62.76 (49.83) | 5105.08 (2594.38) |

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Schedule forming part of the accounts

The above includes the following material related party transactions:-

(Previous year figures are in brackets)

Rupees in lakhs

| Nature of transaction | Category | Name | Amount |
|---|------------|---|---|
| (a) Purchase of components and raw materials | Subsidiary | Titan TimeProducts Ltd. | 1818.13 (1916.33) |
| (b) Sale of components and finished goods | Associate | Titan International (Middle East) FZE. | 106.51 (4412.58) |
| | Associate | Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. | - (2227.61) |
| (c) Dividend Paid | Promoters | Tamilnadu Industrial Development Corporation Ltd. Tata Sons Ltd. | 371.22 (235.69) 107.03 (66.93) |
| | Associate | Samrat Holdings Ltd. | 26.36 (131.67) |
| (d) Intercompany deposits taken | Associate | Samrat Holdings Ltd. | 5090 (2945) |
| | Associate | Questar Investments Ltd. | 310 (110) |
| | Associate | Tanishq (India) Ltd. | 200 (-) |
| | Associate | Titan Holdings Ltd. | 470 (20) |
| (e) Intercompany deposits repaid | Associate | Samrat Holdings Ltd. | 2810 (2065) |
| | Associate | Questar Investments Ltd. | 255 (110) |
| | Associate | Titan Holdings Ltd. | 405 (10) |
| (f) Preference Shares allotted | Associate | Samrat Holdings Ltd. | 1940 (2000) |
| (g) Preference Shares redeemed | Associate | Samrat Holdings Ltd. | 3940 (2000) |
| (h) Advertising/Trademarks advances (net) (-) repaid/reimbursed | Subsidiary | Titan Brand Holdings N.V. | (-)109.80 (-632.83) |
| | Subsidiary | Titan International Holdings B.V. | (-)2365.91 (1396.37) |
| | Associate | Titan International Investments B.V. | (-) |
| | Associate | Titan International Marketing Ltd. | (-637.39) (-)630.63 (-) |
| (i) Loans repaid (net) | Subsidiary | Titan Brand Holdings N.V. | (-)1674.13 (-) |
| | Subsidiary | Titan International Holdings B.V. | (-)1326.86 (-) |
| (j) Provision for doubtful loans and advances | Subsidiary | Titan International Holdings B.V. | 2400 (2419) |
| (k) Investments made | Associate | Titan Holdings Ltd. | - (650) |

Schedule forming part of the accounts

| Nature of transaction | Category | Name | Amount |
|-------------------------------|------------|-----------------------------------|--------------------|
| (l) Investments redeemed | Associate | Titan Holdings Ltd. | - (650) |
| (m) Interest Income | Subsidiary | Titan International Holdings B.V. | 409.06 (362.57) |
| | Subsidiary | Titan Brand Holdings N.V. | 43.99 (110.37) |
| (n) Interest paid | Associate | Samrat Holdings Ltd. | 218.03 (94.84) |
| (o) Brand equity subscription | Promoters | Tata Sons Ltd. | 340.98 (246.66) |
| (p) Advance recovered | Associate | Titan Properties Ltd. | 96 (2000) |
| (q) Acquisition of trademarks | Associate | Rockbourne Holding B.V | 6327.11 (-) |

43. Earnings per share :

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

| | Rupees in lakhs | |
|--|--------------------|-------------|
| | 2007 | 2006 |
| a) Profit after tax for the year | 9433.13 | 7454.68 |
| Less : i) Income tax of earlier years | 20.44 | 92.7 |
| ii) Dividend on preference shares | 38.95 | 272.27 |
| iii) Dividend tax on preference shares | 5.46 | 38.19 |
| | 9368.28 | 7051.52 |
| b) Weighted average number of equity shares | 4,41,51,953 | 4,22,76,270 |
| c) i) Nominal value of shares (Rs.) | 10 | 10 |
| ii) Earnings per share - Basic and diluted (Rs.) | 21.22 | 16.68 |

44. Segment information for the year ended 31 March, 2007

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

| | Rupees in lakhs | | | | |
|--|------------------|------------------|-------------------|------------------------------------|------------------|
| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
| Revenue | | | | | |
| Net sales/income | 73790 | 128980 | 6254 | - | 209024 |
| (There is no inter-segment revenue) | (62813) | (77627) | (3579) | (-) | (144019) |
| Segment Result | | | | | |
| Profit/Loss before interest, other income, taxes and exceptional items | 11094 (10322) | 8596 (4551) | (-)1129 (-691) | (-)1275 (-753) | 17286 (13429) |
| Add : Other Income | 92 (84) | 106 (86) | 4 (7) | 120 (66) | 322 (243) |
| Profit before interest, taxes and exceptional items | 11186 (10406) | 8702 (4637) | (-)1125 (-684) | (-)1155 (-687) | 17608 (13672) |
| Exceptional items | 2400 (2500) | - (-) | - (-) | - (-) | 2400 (2500) |

TITAN INDUSTRIES

Titan Industries Limited

Schedule forming part of the accounts

Rupees in lakhs

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|--|------------------|------------------|-------------------|----------------------------|-------------------|
| Profit before interest and taxes | 8786 (7906) | 8702 (4637) | (-)1125 (-684) | (-)1155 (-687) | 15208 (11172) |
| Less : Interest (net) | | | | | 2042 (2484) |
| Profit before taxes | | | | | 13166 (8688) |
| Taxes | | | | | 3753 (1326) |
| Profit after taxes | | | | | 9413 (7362) |
| Other Information | | | | | |
| Segment Assets | 49158 (45778) | 58124 (34516) | 7816 (5045) | 3318 (3072) | 118416 (88411) |
| Segment Liabilities | 15300 (13009) | 39533 (20806) | 1251 (624) | 3143 (1547) | 59227 (35986) |
| Capital expenditure | 7476 (2202) | 492 (1810) | 2157 (501) | - (-) | 10125 (4513) |
| Depreciation/amortisation | 1595 (1306) | 535 (361) | 347 (242) | 82 (57) | 2559 (1966) |
| Non cash expenses other than depreciation/amortisation | 1325 (715) | 202 (244) | 69 (127) | 36 (42) | 1632 (1128) |

b) Secondary Geographical Segments

| | India | Europe | Others | Total |
|---------------------|--------------------|----------------|-----------------|--------------------|
| Revenue | 197418 (135213) | 497 (-807) | 11109 (7999) | 209024 (144019) |
| Segment Assets | 113487 (75677) | 519 (-5784) | 4410 (6950) | 118416 (88411) |
| Capital expenditure | 10115 (4513) | - (-) | 10 (-) | 10125 (4513) |

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

45. The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year classification.

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

I. REGISTRATION DETAILS

REGISTRATION NO. 1 8 - 0 0 1 4 5 6
BALANCE SHEET DATE 3 1 0 3 2 0 0 7
 DATE MONTH YEAR

STATE CODE 1 8

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

PUBLIC ISSUE
 N I L
 BONUS ISSUE
 N I L

RIGHTS ISSUE
 2 1 1 3 0
 PREFERENTIAL ALLOTMENT
 N I L

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

TOTAL LIABILITIES
 1 1 8 4 1 5 7 9

TOTAL ASSETS
 1 1 8 4 1 5 7 9

SOURCE OF FUNDS

PAID-UP CAPITAL
 4 4 3 8 9 3
 DEFERRED TAX LIABILITY
 1 7 4 4 1 9
 UNSECURED LOANS
 7 4 3 3 6 6

RESERVES & SURPLUS
 2 8 3 0 5 5 4
 SECURED LOANS
 1 7 2 6 7 0 7

APPLICATION OF FUNDS

NET FIXED ASSETS
 2 6 7 1 1 9 9
 NET CURRENT ASSETS
 2 9 3 5 4 6 8
 ACCUMULATED LOSSES
 N I L

INVESTMENTS
 2 7 0 2 0 3
 MISC. EXPENDITURE
 4 2 0 6 9

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

TURNOVER
 2 0 9 0 2 4 2 2
 + - PROFIT/LOSS BEFORE TAX
 1 3 1 6 5 4 9
 EARNING PER SHARE IN Rs.
 2 1 . 2 2

TOTAL EXPENDITURE
 1 9 6 1 8 0 6 4
 + - PROFIT/LOSS AFTER TAX
 9 4 1 2 6 9
 DIVIDEND RATE %
 5 0

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

ITEM CODE NO. (ITC CODE)
 9 1 . 0 2
 ITEM CODE NO. (ITC CODE)
 9 1 . 0 3
 ITEM CODE NO. (ITC CODE)
 7 1 . 1 3

PRODUCT DESCRIPTION
 W A T C H E S
 PRODUCT DESCRIPTION
 C L O C K S
 PRODUCT DESCRIPTION
 J E W E L L E R Y

K. F. Kapadia
 Executive Vice President - Finance

Bhaskar Bhat
 Managing Director

Usha Iyengar
 Company Secretary

Signature to Schedule "A" to "K"
 For and on behalf of the Board of Directors,
Shaktikanta Das
 Chairman

Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratna
Vinita Bali
S. Susai

Directors

Bangalore, 21st April, 2007

TITAN INDUSTRIES

Titan Industries Limited

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 31st March, 2007 are as follows :

- a) Loans and advances repayable within seven years and with interest at LIBOR rates;
- to subsidiary : Titan International Holdings BV
 - EUR 6,950,000 (Rs. 4006.67 lakhs); maximum during the year : EUR 6,950,000 (Rs. 4006.67 lakhs)
 - US\$ 4,800,000 (Rs. 2082.24 lakhs); maximum during the year : US\$ 4,800,000 (Rs. 2082.24 lakhs)
 - US\$ 2,100,000 (Rs. 910.98 lakhs); maximum during the year : US\$ 4,500,000 (Rs. 1952.10 lakhs)
 - GBP 900,000 (Rs. 763.47 lakhs); maximum during the year : GBP 900,000 (Rs. 763.47 lakhs)
 - EUR Nil; maximum during the year : EUR 1,895,000 (Rs. 1092.47 lakhs)
 - US\$ Nil; maximum during the year : US\$ 3,000,000 (Rs. 1301.40 lakhs)
- b) Loans and advances repayable within seven years and with interest not below the rate specified in Section 372 A of the Companies Act, 1956 :
- to subsidiary : Titan Brand Holdings NV
 - EUR Nil; maximum during the year : EUR 390,000 (Rs. 224.84 lakhs)
 - US\$ Nil; maximum during the year : US\$ 3,403,352 (Rs. 1476.37 lakhs)
 - NLG Nil; maximum during the year : NLG 7,500,000 (Rs. 1962.03 lakhs)
- c) Advertising advances without interest, being utilised for brand-building, advertising and related expenses :
- to subsidiaries : Nil
 - to associate : Titan International Marketing Ltd.
 - US\$ 3,300,000 (Rs. 1431.54 lakhs); maximum during the year : US\$ 3,350,000 (Rs. 1494.44 lakhs)
 - GBP 990,000 (Rs. 839.82 lakhs); maximum during the year : GBP 1,401,648 (Rs. 1189.02 lakhs)
 - EUR Nil; maximum during the year : EUR 500,000 (Rs. 288.25 lakhs)
- d) Advances without interest, for purchase/development of land at Bangalore and the Titan Township near Hosur :
- to subsidiaries : Nil
 - to associate : Titan Properties Ltd : Nil; maximum during the year: Rs. 96 lakhs.
- e) Firms/companies in which Directors of Titan Industries Ltd. are interested :
- Mr. F. K. Kavarana is also a Director of Titan International Holdings BV and Titan International Marketing Ltd.; and may be considered to be interested in his fiduciary capacity.
- Mr. Bhaskar Bhat is also a Director of Titan International Holdings BV, Titan International Marketing Ltd. and Titan Properties Ltd; and may be considered to be interested in his fiduciary capacity.
- Mr. S. Susai is also a Director of Titan Properties Ltd.; and may be considered to be interested in his fiduciary capacity.
- f) None of the above companies hold any equity shares in Titan Industries Limited.

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das
Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai

Chairman

Directors

Bangalore, 21st April, 2007

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

| | | | | |
|--|--|--|---|--|
| 1. Name of Subsidiary | Titan Time Products Ltd. | Titan International Holdings B.V. | Titan Brand Holdings N.V | Titan Watch Co. Ltd. |
| 2. Financial year of the Subsidiary | 31st March, 2007 | 31st March, 2007 | 31st March, 2007 | 31st March, 2007 |
| 3. Share of the Subsidiary held by Titan Industries Limited on the above date :- | | | | |
| a) Number of shares and face value | 1,900,000 equity shares of Rs. 10 each (fully paid up) | 10,000 equity shares of EUR 500 each (fully paid up) | *20,000 equity shares of EUR 5 each (fully paid up) | **10,000 equity shares of HKD 1 each (fully paid up) |
| b) Extent of Holding | 100% | 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, 2007 | Nil | EUR (13,491,358) | Nil | Nil |
| b) Not dealt with in the accounts of Titan Industries Ltd. for the year ended 31st March, 2007 | Rs. 6,623,483 | EUR (946,481) | EUR (196,099) | Nil |
| 5. Net aggregate amount of profit/ (loss) for previous financial years of the Subsidiary since it became a 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, 2007 | Nil | Nil | Nil | Nil |
| b) Not dealt with in the accounts of Titan Industries Ltd. for the year ended 31st March, 2007 | Rs. 6,997,623 | EUR 946,481 | EUR 203,217 | Nil |
| * 2,500 shares held by Titan Watch Co. Ltd. | | | | |
| ** held by Titan International Holdings B.V. | | | | |

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das
Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai

Chairman

Directors

Bangalore, 21st April, 2007

TITAN INDUSTRIES

Titan Industries Limited

STATEMENT ANNEXED TO THE CONSOLIDATED ACCOUNTS PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES AS AT 31 MARCH, 2007

| Name of Subsidiary | Titan TimeProducts Ltd. | Titan International Holdings B.V. | Titan Brand Holdings N.V. | Titan Watch Co. Ltd. |
|------------------------------|-------------------------|--|----------------------------|--|
| (a) Share Capital | Rs. 1,90,00,000 | EUR 5,000,000 (2,882.50) | EUR 100,000 (57.65) | HKD 10,000 (0.56) |
| (b) Reserves | Rs. 1,94,73,651 | EUR (13,491,358) (-7,777.77) | EUR 7,118 (4.10) | - |
| (c) Total Assets | Rs. 8,38,37,433 | EUR 6,023,637 (3,472.63) | EUR 114,385 (65.94) | HKD 130,000 (7.22) |
| (d) Total Liabilities | Rs. 4,53,63,782 | EUR 14,514,995 (8,367.89) | EUR 7,267 (4.19) | HKD 120,000 (6.66) |
| (e) Investments | Rs. Nil | 50,161 shares of EUR 1 and 140,000 preference shares of EUR 10 in Titan International Investments BV 6,000,000 preference shares of GBP 1 in Titan International Marketing Ltd. | Nil | 2,500 shares of EUR 5 in Titan Brand Holdings NV |
| (f) Turnover | Rs. 16,39,15,576 | EUR - | EUR 200,023 (115.31) | + |
| (g) Profit/[Loss] before tax | Rs. 1,04,81,722 | EUR (14,438,525) (-8,323.81) | EUR [195,271] (-112.57) | + |
| (h) Taxes | Rs. 35,57,517 | EUR 686 (0.40) | EUR 828 (0.48) | + |
| (i) Profit/[Loss] after tax | Rs. 66,23,483 | EUR (14,437,839) (-8,323.41) | EUR [196,099] (-113.05) | + |
| (j) Proposed Dividend | Rs. Nil | Nil | Nil | Nil |

+ Titan Watch Co. Ltd. has not yet commenced business.

Figures in brackets are equivalent in Rupees Lakhs at the year-end exchange rates of EUR 1 = Rs. 57.65 and HKD 1 = Rs. 5.55

The value of Investments in item (e) are included under Total Assets in item (c).

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman
Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai Directors

Bangalore, 21st April, 2007

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Titan Industries Limited

1. We have audited the attached consolidated balance sheet of Titan Industries Limited and its subsidiaries ("Titan Group") as at 31st March, 2007 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Titan Industries Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect Titan Group's share of total assets of Rs. 3545.79 lakhs as at 31st March, 2007, Titan Group's share of total revenues of Rs. 761.85 lakhs and net cash outflows amounting to Rs. 3.31 lakhs for the year ended on that date, and associates whose financial statements reflect Titan Group's negative share of reserves and surplus of Rs. 8317.20 lakhs upto 31st March, 2007 including loss of Rs. 3233.91 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management of Titan Group, and our opinion is based solely on the report of other auditors except in respect of one subsidiary whose financial statements reflect total assets of Rs. 7.22 lakhs as at 31st March, 2007, where we have relied upon the unaudited financial statements provided by the management of the said subsidiary.
4.
 - a) We report that the consolidated financial statements have been prepared by the management of Titan Industries Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
 - b) Based on our audit, consideration of reports of other auditors on separate financial statements and other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated balance sheet, of the state of affairs of the Titan Group as at 31st March, 2007;
 - (ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (iii) in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

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

Place : Bangalore
Date : 21st April, 2007

B. Ramaratnam
Partner
(Membership No. 21209)

TITAN INDUSTRIES

Titan Group

Consolidated Balance Sheet as at March 31, 2007

| SOURCES OF FUNDS | Schedule | Rupees in lakhs | |
|--|----------|---------------------------|---------------------------|
| | | As at 31st March, 2007 | As at 31st March, 2006 |
| Shareholders' funds | | | |
| Share capital | A | 4438.93 | 8227.63 |
| Reserves and surplus | B | 29272.17 | 15428.93 |
| | | 33711.10 | 23656.56 |
| Loan funds | | | |
| Secured loans | C | 17342.21 | 15028.32 |
| Unsecured loans | D | 7433.67 | 11908.61 |
| | | 24775.88 | 26936.93 |
| Deferred tax liability (Net) (refer Note 22) | | 1807.81 | 2430.69 |
| Total | | 60294.79 | 53024.18 |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block, at cost | E | 52577.52 | 43039.00 |
| Less : Depreciation | | 27047.89 | 24970.93 |
| Net block | | 25529.63 | 18068.07 |
| Advances on capital account and capital work-in-progress, at cost | | 1639.63 | 1998.94 |
| | | 27169.26 | 20067.01 |
| Investments | | | |
| Current assets, loans and advances | G | | 2804.27 |
| Inventories | | 67926.47 | 37637.06 |
| Sundry debtors | | 9743.40 | 9013.56 |
| Cash and bank balances | | 5103.35 | 3862.61 |
| Loans and advances | | 6350.56 | 13766.18 |
| | | 89123.78 | 64279.41 |
| Less : | | | |
| Current liabilities and provisions | | | |
| Current liabilities | H | 53953.96 | 33575.80 |
| Provisions | | 5628.61 | 2742.31 |
| | | 59582.57 | 36318.11 |
| Net current assets | | 29541.21 | 27961.30 |
| Miscellaneous expenditure (To the extent not written off or adjusted) | | | |
| Deferred revenue expenditure | | 420.69 | 2191.60 |
| Total | | 60294.79 | 53024.18 |
| Notes | K | | |

Per our report attached

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

B. Ramaratnam
Partner

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman

Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai

Directors

Bangalore, 21st April, 2007

Consolidated Profit and Loss Account for the year ended March 31, 2007

| | Schedule | Rupees in lakhs | |
|--|----------|--------------------------------|--------------------------------|
| | | Year ended 31st March, 2007 | Year ended 31st March, 2006 |
| INCOME | | | |
| Sales | | 213686.58 | 148100.54 |
| Less : Excise Duty | | 4621.66 | 4118.88 |
| Net Sales Income | | 209064.92 | 143981.66 |
| Other income | I | 598.68 | 569.54 |
| Total | | 209663.60 | 144551.20 |
| EXPENDITURE | | | |
| Operating and other expenses | J | 190002.42 | 128836.71 |
| Depreciation/Amortisation | | 2600.86 | 2004.85 |
| Interest | | 2123.70 | 2483.00 |
| Total | | 194726.98 | 133324.56 |
| PROFIT BEFORE TAXES | | | |
| | | 14936.62 | 11226.64 |
| Income taxes – Current | | 3716.53 | 1514.46 |
| – Deferred | | (274.79) | (559.45) |
| – Fringe benefit tax | | 326.50 | 303.28 |
| | | 3768.24 | 1258.29 |
| PROFIT AFTER TAXES FOR THE YEAR | | | |
| | | 11168.38 | 9968.35 |
| Less : Income tax of earlier years | | 23.06 | 25.36 |
| | | 11145.32 | 9942.99 |
| Share of profits less losses of associates | | (1159.27) | (1792.69) |
| Less: Amortisation of goodwill on consolidation | | — | 56.82 |
| | | (1159.27) | (1849.51) |
| NET PROFIT | | | |
| | | 9986.05 | 8093.48 |
| Balance brought forward | | 8102.10 | 2583.02 |
| Less : Employees benefits of earlier years (refer Note 20) | | 6.09 | — |
| | | 8096.01 | 2583.02 |
| AMOUNT AVAILABLE FOR APPROPRIATION | | | |
| | | 18082.06 | 10676.50 |
| Appropriations | | | |
| Dividend on preference shares | | 38.95 | 272.27 |
| Proposed dividend on equity shares | | 2219.47 | 1331.70 |
| Tax on dividends | | 382.66 | 224.96 |
| Transfer to general reserve | | 943.31 | 745.47 |
| Transfer to debenture redemption reserve | | 485.00 | — |
| | | 4069.39 | 2574.40 |
| | | 14012.67 | 8102.10 |
| Notes | | K | |
| Earnings per share - Basic and diluted (Rs.) | | 22.52 | 18.41 |

Per our report attached

For **A. F. Ferguson & Co.**
Chartered Accountants**B. Ramaratnam**
Partner**K. F. Kapadia**
Executive Vice President - Finance**Bhaskar Bhat**
Managing Director**Usha Iyengar**
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das

Chairman

Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai

Directors

Bangalore, 21st April, 2007

TITAN INDUSTRIES

Titan Group

Consolidated Cash flow statement for the year ended March 31, 2007

| | Rupees in lakhs | |
|--|-------------------|------------------|
| | Current Year | Previous Year |
| A. Cash flow from operating activities | | |
| Net profit before tax | 14936.62 | 11226.64 |
| Adjustments for : | | |
| - Depreciation/Amortisation | 2600.86 | 2004.85 |
| - Unrealised Exchange difference (net) | (717.48) | (50.38) |
| - Loss/(profit) on sale of fixed assets (net) | 129.70 | 145.43 |
| - Loss on sale of Investments | 935.75 | - |
| - Provision for doubtful debts | 44.01 | 118.00 |
| - Interest income | (199.99) | (94.91) |
| - Dividend income | - | (21.86) |
| - Interest expense | 2123.70 | 2483.00 |
| - Deferred revenue expenditure written off | 1770.91 | 1254.00 |
| Operating profit before working capital changes | <u>21624.08</u> | <u>17064.77</u> |
| Adjustments for : | | |
| - (Increase)/Decrease in sundry debtors | (873.73) | (1395.95) |
| - (Increase)/Decrease in inventories | (30289.42) | (10297.41) |
| - (Increase)/Decrease in loans and advances | 7848.57 | 1170.93 |
| - Increase/(Decrease) in current liabilities and provisions | 21438.97 | 8573.23 |
| Cash generated from operations | <u>19748.47</u> | <u>15115.57</u> |
| - Direct taxes paid | (4157.20) | (2242.34) |
| Net cash from/(used in) operating activities (A) | <u>15591.27</u> | <u>12873.23</u> |
| B. Cash flow from investing activities | | |
| Additions to fixed assets (including capital work in progress and advances on capital account) | (10160.15) | (4596.28) |
| Proceeds from sale of fixed assets | 327.35 | 290.76 |
| Purchase of investments | (3836.54) | (1441.20) |
| Sale of investments | 1189.88 | 650.00 |
| Dividend received | - | 21.86 |
| Dividend received from associates | 56.80 | 29.74 |
| Interest received | 446.68 | 907.07 |
| Net cash from/(used in) investing activities (B) | <u>(11975.98)</u> | <u>(4138.05)</u> |
| C. Cash flow from financing activities | | |
| Proceeds from issues of equity share capital (including share premium) | 7395.63 | - |
| Proceeds from issue of preference share capital | 1940.00 | 2060.00 |
| Redemption of preference share capital | (5940.00) | (2060.00) |
| Proceeds from new borrowings | 37829.69 | 33649.52 |
| Repayment of borrowings | (40071.18) | (38696.13) |
| Dividends paid | (1364.94) | (1116.68) |
| Tax on dividends paid | (192.23) | (156.77) |
| Interest paid | (2028.85) | (2962.59) |
| Net cash from/(used in) financing activities (C) | <u>(2431.88)</u> | <u>(9282.65)</u> |
| Net cash flows during the year(A+B+C) | <u>1183.41</u> | <u>(547.47)</u> |
| Cash and cash equivalents (opening balance) | 3862.61 | 4472.81 |
| Add/(Less): Unrealised exchange (gain)/loss | 16.69 | (46.04) |
| | <u>3879.30</u> | <u>4426.77</u> |
| Cash and cash equivalents (closing balance) | 5103.35 | 3862.61 |
| Add/(Less): Unrealised exchange (gain)/loss | (40.64) | 16.69 |
| | <u>5062.71</u> | <u>3879.30</u> |
| Increase/(decrease) in cash and cash equivalents | <u>1183.41</u> | <u>(547.47)</u> |

Per our report attached

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

B. Ramaratnam
Partner

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman
Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai Directors

Bangalore, 21st April, 2007

Schedules forming part of the Consolidated Accounts

| | Rupees in lakhs | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2007 | As at 31st March, 2006 |
| "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 | | |
| 4,43,89,309 (2006 : 4,22,76,270) equity shares of Rs. 10 each, fully paid up | 4438.93 | 4227.63 |
| Nil (2006 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 200.00 |
| Nil (2006 : 10,00,000) 7.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 1000.00 |
| Nil (2006 : 2,00,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 200.00 |
| Nil (2006 : 4,00,000) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 400.00 |
| Nil (2006 : 1,40,000) 6.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up | - | 140.00 |
| Nil (2006 : 20,60,000) 6% redeemable cumulative preference shares of Rs. 100 each, fully paid up (for preference shares refer Note 8) | - | 2060.00 |
| | - | 4000.00 |
| | 4438.93 | 8227.63 |
| "B" Reserves and surplus | | |
| Capital reserve | 13.23 | 13.23 |
| Capital reserve on consolidation | 37.26 | 37.26 |
| Capital redemption reserve | 10.00 | 10.00 |
| Share premium account | | |
| As per last balance sheet | 6172.69 | 6172.69 |
| Add : Addition during the year | 7184.33 | - |
| | 13357.02 | 6172.69 |
| Debenture redemption reserve | | |
| As per last balance sheet | - | - |
| Add : Transfer from profit and loss account | 485.00 | - |
| | 485.00 | - |
| General reserve | | |
| As per last balance sheet | 1093.65 | 348.18 |
| Less : Employee benefits of earlier years (refer Note 20) | 679.97 | - |
| | 413.68 | 348.18 |
| Add : Transfer from profit and loss account | 943.31 | 745.47 |
| | 1356.99 | 1093.65 |
| Profit and Loss Account | 14012.67 | 8102.10 |
| | 29272.17 | 15428.93 |

TITAN INDUSTRIES

Titan Group

Schedules forming part of the Consolidated Accounts

Rupees in lakhs

As at 31st March, 2007 As at 31st March, 2006

"C" Secured loans

6.75% non convertible debentures of Rs. 250 each, fully paid up (refer Note 6 and 9)

5282.60 -

Term loans from banks (refer Note 10)

3460.55 9471.94

Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future

8599.06 5556.38

17342.21 **15028.32**

"D" Unsecured loans

Fixed deposits

828.67 1083.61

Short term loans and advances

Loans from banks

2000.00 2000.00

Deposits from companies

4605.00 8825.00

6605.00 **10825.00**

7433.67 **11908.61**

"E" Fixed Assets

Rupees in lakhs

| | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION | | NET BLOCK | |
|---|-----------------------|-----------------|---------------|----------------------|-----------------------------|-----------------|-----------------|-----------------|
| | Cost as at 01-04-2006 | Additions | Deductions | Cost as at 31-3-2007 | For the year | As at 31-3-2007 | As at 31-3-2007 | As at 31-3-2006 |
| Land - freehold | 188.79 | 55.35 | 11.92 | 232.22 | - | - | 232.22 | 188.79 |
| Land - leasehold | 57.60 | 95.77 | - | 153.37 | 0.51 | 7.64 | 145.73 | 50.48 |
| Buildings | 5001.03 | 341.69 | 195.03 | 5147.69 | 136.52 | 1578.19 | 3569.50 | 3540.99 |
| Plant, machinery and equipment | 34682.83 | 2759.23 | 346.14 | 37095.92 | 1705.00 | 23447.29 | 13648.63 | 12683.09 |
| Furniture, fixtures and equipment | 2658.83 | 932.69 | 397.03 | 3194.49 | 226.79 | 1378.26 | 1816.23 | 1276.53 |
| Vehicles | 449.92 | 108.20 | 30.83 | 527.29 | 116.94 | 221.41 | 305.88 | 328.19 |
| Intangible assets - Trademarks | - | 6226.54 | - | 6226.54 | 415.10 | 415.10 | 5811.44 | - |
| TOTAL | 43039.00 | 10519.47 | 980.95 | 52577.52 | 2600.86 | 27047.89 | 25529.63 | |
| As at 31st March, 2006 | 40962.80 | 3576.75 | 1500.55 | 43039.00 | 2004.85 | 24970.93 | | 18068.07 |
| Advances on capital account and capital work in progress, at cost | | | | | | | 1639.63 | 1998.94 |
| | | | | | | | 27169.26 | 20067.01 |

Schedules forming part of the Consolidated Accounts

| | Rupees in lakhs | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2007 | As at 31st March, 2006 |
| "F" Investments | | |
| Trade investments | | |
| Long Term | | |
| Share in associates (accounted on equity method) | | |
| Equity shares - Fully paid, unquoted | | |
| Titan Properties Limited | 9.11 | 9.58 |
| Titan Mechatronics Limited | 1.15 | 1.11 |
| Titan Holdings Limited (net of capital reserve of Rs. 8.65 lakhs; 31.3.2006: Rs. 8.65 lakhs) | 90.36 | 97.15 |
| Questar Investments Limited | 129.71 | 94.74 |
| Tanishq (India) Limited | 3.21 | 3.19 |
| Samrat Holdings Limited | 2855.16 | 2523.57 |
| Titan International Investments B V (See Schedule G and H) | - | - |
| | 3088.70 | 2729.34 |
| Preference shares - Fully paid, unquoted | | |
| Titan International Investments B V (See Schedule G and H) | - | - |
| Titan International Marketing Limited (See schedule G and H) | - | - |
| Others | | |
| Long Term - Quoted | | |
| 6.75% tax free bonds of Unit Trust of India | 74.93 | 74.93 |
| | 3163.63 | 2804.27 |
| "G" Current assets, loans and advances | | |
| Inventories | | |
| Consumable stores | 369.52 | 351.80 |
| Loose tools | 382.36 | 192.81 |
| Raw materials and bought-out components | 14119.08 | 8616.44 |
| Work-in-progress | 6985.34 | 5456.62 |
| Finished goods | 46070.17 | 23019.39 |
| | 67926.47 | 37637.06 |
| Sundry debtors (unsecured) | | |
| Over six months | | |
| Considered good | 2282.30 | 548.08 |
| Considered doubtful | 550.34 | 506.33 |
| | 2832.64 | 1054.41 |
| Others - considered good | 7461.10 | 8465.48 |
| | 10293.74 | 9519.89 |
| Less: Provision for doubtful debts | 550.34 | 506.33 |
| | 9743.40 | 9013.56 |

TITAN INDUSTRIES

Titan Group

Schedules forming part of the Consolidated Accounts

| | Rupees in lakhs | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2007 | As at 31st March, 2006 |
| "G" Current assets, loans and advances (Contd.) | | |
| Cash and bank balances | | |
| Cash on hand | 301.07 | 140.84 |
| Cheques on hand | 963.36 | 840.54 |
| With scheduled banks - in current accounts | 2059.68 | 799.99 |
| - in transit | 1779.24 | 2081.24 |
| | <u>5103.35</u> | <u>3862.61</u> |
| Loans and advances (unsecured and considered good unless otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| Considered good | 5291.58 | 12853.35 |
| Considered doubtful | 6691.71 | 6849.79 |
| | <u>11983.29</u> | <u>19703.14</u> |
| Less : Share of losses of associates (net of investment in equity and preference shares - see Schedule F) | 6691.71 | 6849.79 |
| | <u>5291.58</u> | <u>12853.35</u> |
| Tax payments, net of provision | 672.30 | 358.20 |
| Balances with customs and excise authorities | 386.68 | 554.63 |
| | <u>6350.56</u> | <u>13766.18</u> |
| | <u><u>89123.78</u></u> | <u><u>64279.41</u></u> |
| "H" Current liabilities and provisions | | |
| Current liabilities | | |
| Sundry creditors | 46081.09 | 29456.56 |
| Share of losses of associates (net of investment in equity, preference shares, loans and advances - see Schedule F and G) | 22.59 | - |
| Deferred income on group transactions | 26.12 | 129.14 |
| Unclaimed dividends | 58.51 | 52.80 |
| Other liabilities | 7402.97 | 3874.74 |
| Interest accrued but not due on loans | 362.68 | 62.56 |
| | <u>53953.96</u> | <u>33575.80</u> |
| Provisions | | |
| Provision for taxation, net of payments | 222.99 | - |
| Proposed dividend on equity shares | 2219.47 | 1331.70 |
| Tax on dividends | 377.20 | 186.77 |
| Retiring gratuities and pension * | 863.59 | 316.85 |
| Leave salaries * | 1796.09 | 764.09 |
| Others | 149.27 | 142.90 |
| | <u>5628.61</u> | <u>2742.31</u> |
| | <u><u>59582.57</u></u> | <u><u>36318.11</u></u> |

* refer Note 20

Schedules forming part of the Consolidated Accounts

| | Rupees in lakhs | |
|--|---------------------------------|--------------------------|
| | Year ended 31.03.2007 | Year ended 31.03.2006 |
| "I" Other income | | |
| Interest from staff loans, vendor advances and bank deposits - gross | 194.93 | 89.85 |
| Income from trade investments - gross | - | 21.86 |
| Interest from Tax free bonds of Unit Trust of India | 5.06 | 5.06 |
| Royalty Income | 325.54 | 337.99 |
| Miscellaneous income | 73.15 | 114.78 |
| | 598.68 | 569.54 |
| "J" Operating and Other Expenses | | |
| Raw materials and components consumed | 144824.27 | 87585.01 |
| Loose tools, stores and spare parts consumed | 3571.06 | 2640.68 |
| Purchase of finished goods | 13053.21 | 7327.99 |
| Payments to and provisions for employees | | |
| Salaries and wages | 13766.00 | 9537.35 |
| Company's contribution to provident and other funds | 717.67 | 586.50 |
| Welfare expenses | 1013.29 | 762.87 |
| Gratuity | 465.65 | 280.54 |
| Deferred revenue expenditure written off -VRS | 1009.84 | 1009.85 |
| | 16972.45 | 12177.11 |
| Other expenses | | |
| Power and fuel | 1181.32 | 1025.98 |
| Repairs to buildings | 130.75 | 134.23 |
| Repairs to plant and machinery | 577.00 | 366.92 |
| Office and administration expenses | 35.49 | 73.51 |
| Advertising | 13383.85 | 10139.49 |
| Selling and distribution expenses | 3438.16 | 2497.43 |
| Insurance | 287.75 | 194.99 |
| Rent | 1671.04 | 924.97 |
| Rates and taxes | 6051.54 | 4479.68 |
| Travel | 1229.31 | 890.93 |
| Deferred revenue expenditure written off - others | 761.07 | 244.15 |
| Loss on sale of/disposal of assets | 129.70 | 145.43 |
| Provision for doubtful debts | 44.01 | 118.00 |
| Loss on sale of investments | 935.75 | - |
| General expenses | 6311.40 | 5151.99 |
| | 36168.14 | 26387.70 |
| Directors' fees | 9.17 | 7.30 |
| Commission to Non Whole-time Directors | 35.90 | 28.00 |
| Decrease/(Increase) in work-in-progress and finished goods | | |

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Titan Group

Schedule forming part of the Consolidated Accounts

| | | Rupees in lakhs | |
|--|-----------------|--------------------------|--------------------------|
| | | Year ended 31.03.2007 | Year ended 31.03.2006 |
| "J" Operating and Other Expenses (Contd.) | | | |
| Closing stocks | | | |
| Work-in-progress | 6985.34 | | 5456.62 |
| Finished goods | 46070.17 | | 23019.39 |
| | | 53055.51 | 28476.01 |
| Opening stocks | | | |
| Work-in-progress | 5456.62 | | 4824.26 |
| Finished goods | 23019.39 | | 16424.16 |
| | | 28476.01 | 21248.42 |
| | | (24579.50) | (7227.59) |
| | | 190054.70 | 128926.20 |
| Less : Expenses capitalised | | 52.28 | 89.49 |
| | | 190002.42 | 128836.71 |

Schedule forming part of the Consolidated Accounts

*K Notes to the accounts

1. Basis of Consolidation:

The Consolidated Financial Statements comprise the financial statements of Titan Industries Limited (the Company) and its subsidiaries (Titan Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements and AS 23 on Accounting for Investments in Associates in Consolidated Financial Statements 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 | Ownership interest | |
|---|--------------------------|--------------------|-----------|
| | | 31.3.2007 | 31.3.2006 |
| Titan International Holdings B.V. (TIHBV) | Netherlands | 100% | 100% |
| Titan Watch Company Limited (TWCL) (100% held by TIHBV) | Hongkong | 100% | 100% |
| Titan Brand Holdings N.V. (87.50% held by Titan Industries Limited, 12.50% by TWCL) | West Indies | 100% | 100% |
| Titan TimeProducts Limited | India | 100% | 100% |

Titan Watches & Jewellery International (Asia Pacific) Pte Limited (TAPL), an associate company became a subsidiary company from 1st October, 2006 to 31st October, 2006 with 100% ownership interest. In view of the value of operations of the subsidiary not being material during the said period, it has not been considered for consolidation.

The financial statements of the subsidiaries included in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March, 2007. Financial statements of all subsidiaries included in consolidation are audited except for TWCL.

The following associate companies, not being subsidiaries or joint ventures, 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 ownership interest therein are as under:

| Sr. No. | Name of the company | Ownership interest | |
|---------|--|--------------------|------------|
| | | 31.03.2007 | 31.03.2006 |
| 1. | Tanishq (India) Limited | 0.78% | 0.78% |
| 2. | Titan Properties Limited | 29.85% | 29.85% |
| 3. | Titan Mechatronics Limited | 9.82% | 9.82% |
| 4. | Titan Holdings Limited | 49.66% | 49.66% |
| 5. | Questar Investments Limited | 25.00% | 25.00% |
| 6. | Samrat Holdings Limited | 49.98% | 49.98% |
| 7. | Titan International Investments B.V. (TIIBV) (19% held by TIHBV, a subsidiary company) | 19.00% | 19.00% |
| 8. | Titan International Marketing Limited (TIML) (68.75% held by TIIBV, an associate company) | 13.06% | 13.06% |
| 9. | Rockbourne Holding B.V. (RHBV) (19% held by TIIBV, an associate company) | 3.61% | 3.61% |
| 10. | Titan Watches & Jewellery International (Asia Pacific) Pte Limited (TAPL) (100% held by RHBV, an associate company of TIIBV) | 3.61% | 3.61% |
| 11. | Titan International (Middle East), FZE (TIME) (100% held by RHBV, an associate company of TIIBV) | 3.61% | 3.61% |

The voting power held in the associate companies mentioned in Sr. Nos. 1 to 7 above is the same as the ownership interest and for the other associate companies it is Nil.

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Titan Group

Schedule forming part of the Consolidated Accounts

The financial statements of the above associate companies considered in consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March, 2007. Financial statements of all associate companies used in consolidation are audited upto 31st March, 2007 (except for TIML which is audited upto 31st December, 2006, however, effect has been given to unaudited financial statements upto 31st March, 2007).

2. The particulars of investments made in associate companies as on 31st March, 2007 are as follows:

(Previous year figures are in brackets)

Rupees in Lakhs

| Sl. No. | Name of the Associate | Original Cost of Investments | Amount of Goodwill / (-) Capital Reserve in Original Cost | Share of post acquisition reserves and surplus | Carrying cost of investments |
|---------|---------------------------------------|------------------------------|---|--|------------------------------|
| a. | Tanishq (India) Ltd. | 1.50 (1.50) | - (-) | 1.71 (1.69) | 3.21 (3.19) |
| b. | Titan Properties Ltd. | 10.00 (10.00) | - (-) | (-) 0.89 (-0.42) | 9.11 (9.58) |
| c. | Titan Mechatronics Ltd. | 0.50 (0.50) | - (-) | 0.65 (0.61) | 1.15 (1.11) |
| d. | Titan Holdings Ltd. | 40.15 (40.15) | (-) 8.65 (-8.65) | 50.21 (57.00) | 90.36 (97.15) |
| e. | Questar Investments Ltd. | 18.00 (18.00) | - (-) | 111.71 (76.74) | 129.71 (94.74) |
| f. | Samrat Holdings Ltd. | 2269.76 (2269.76) | 337.36 (337.36) | 585.40 (253.81) | 2855.16 (2523.57) |
| g. | Titan International Investments B. V. | 5546.69 * (3835.77) | 103.83 (103.83) | (-)5546.69 ** (-3835.77)** | - (-) |
| | Total | 7886.60 (6175.68) | 432.54 (432.54) | (-)4797.90 (-3446.34) | 3088.70 (2729.34) |

* Preference shares of Rs.1710.92 lakhs purchased during the year

** Share of loss restricted to the original cost of Investment (See Schedule G and H).

3. Accounting policies:

The accounts are prepared on an accrual basis 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 despatched from the factory/ stock points to customers.

Income from royalty is recognised on an 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: Fixed assets are capitalised at acquisition cost including directly attributable cost.

In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions have been capitalised.

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

Computers - depreciated @ 25% instead of 16.21%

Vehicles - depreciated @ 25% instead of 9.50%

Leased assets - depreciated over the primary lease period.

Schedule forming part of the Consolidated Accounts

iv. Amortisation:

- a) Goodwill arising on consolidation is amortised to the extent of share of profits, of the concerned associate company, accounted in Titan Group.
- b) Trade marks are amortised over a period of 120 months from the month of acquisition.

v. 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 imported 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 monetary items (including those relating to integral foreign operations) are restated at year end rates or forward cover rates, as applicable. The net loss or gain arising on restatement/settlement is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change except in case of liabilities incurred for acquiring imported fixed assets.

Translation adjustment on consolidation of foreign subsidiaries is recognised in the profit and loss account.

vi. Hedging transactions: The gain/(loss) arising out of sell/buy forward contracts relating to price of gold is recognised in the profit and loss account alongwith the underlying transaction.

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

Investments in associate companies are valued as per equity method.

viii. Transfer to debenture redemption reserve is made pro-rata over the life of the debentures in terms of the requirements of the Companies Act, 1956.

ix. 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.

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

xi. Employee Benefits:

Short term employee benefits

All short term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences (like sick leave and maternity leave) are recognised on an undiscounted basis and charged to the profit and loss account.

Defined Contribution plan

Superannuation fund, Provident fund and Pension fund are defined contribution plans towards which the Company makes contributions at predetermined rates to the Superannuation Trust, Provident Fund Trust and the Regional Provident Fund Commissioner respectively. The same is debited to the profit and loss account on an accrual basis.

Defined Benefit Plan

Contribution to the Gratuity fund is made annually on the basis of actuarial valuation using the Projected Unit Credit method and is debited to the profit and loss account on an accrual basis.

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Schedule forming part of the Consolidated Accounts

Pension to retired managing director and leave salary benefit are provided based on an actuarial valuation using the Projected Unit Credit method and is debited to the profit and loss account on an accrual basis.

Actuarial gains and losses arising during the year are recognized in the profit and loss account.

xii. Deferred revenue expenditure:

- a) Initial expenses incurred in connection with the incorporation of the Company are amortised over a period of five years.
- b) Design and development costs are amortised over the expected recovery period through royalty income from affiliates, not exceeding a period of ten years.
- c) Compensation paid/payable to employees who have opted for retirement under the Voluntary Retirement Scheme (VRS) of the Company is amortised over a period of 60 months.

xiii. Deferred Taxation: Deferred taxation is accounted for on the liability method by computing the tax effect of timing differences which arise during the year and reversed during subsequent periods.

xiv. Segment accounting policy: Segments are identified based on the types of products and the internal organisation and management structure. The Group has identified business segment as its primary reporting segment with secondary information reported geographically.

The Group's primary segments consist of Watches, Jewellery and Others, where 'Others' include Eye wear, Precision Engineering, Machine Building and Clocks.

Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

4. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 1912.62 lakhs (2006 : Rs. 650.17 lakhs).

5. (a) Provision for warranty – Rs. 149.27 lakhs (2006: Rs. 142.90 lakhs).

The Company gives warranty on all products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised/reversed during the year is Rs. 121.71 lakhs (2006 : Rs. 114.23 lakhs) and Rs. 115.34 lakhs (2006 : Rs. 93.31 lakhs) respectively.

(b) Contingent liabilities not provided for – Rs.5699.27 lakhs (2006 : Rs. 5848.99 lakhs) comprising of the following :

i) Guarantees given by the Company to banks - Rs.Nil (2006 : Rs.486 lakhs) in respect of certain loans availed by the employees of the Company who had opted for the Voluntary Retirement Scheme (VRS). The Company has obtained an irrevocable authorisation from the VRS optees authorising the Company to repay on their behalf directly to the bank, from the future payments due to these VRS optees under the Voluntary Retirement Scheme.

ii) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters – Rs. 5699.27 lakhs (2006 : Rs. 5362.99 lakhs).

Sales Tax – Rs. 812.31 lakhs (2006 : Rs. 996.50 lakhs)

(relating to applicability of rate of tax, computation of tax liability, submission of certain statutory forms)

Customs Duty – Rs. 1420.11 lakhs (2006 : Rs. 1363.87 lakhs)

(relating to compliance with the terms of notification, end use of materials cleared at the lower rate of duty)

Excise Duty – Rs. 2414.91 lakhs (2006 : Rs. 2404.66 lakhs)

(relating to denial of exemption by amending the earlier notification, computation of assessable value)

Income Tax – Rs. 986.19 lakhs (2006 : Rs. 537.21 lakhs)

(relating to disallowance of deductions claimed and Transfer Pricing adjustments)

Others – Rs. 65.75 lakhs (2006 : Rs. 60.75 lakhs)

(relating to miscellaneous claims)

Schedule forming part of the Consolidated Accounts

The above amounts have been arrived at based on the notice of demand or the Assessment Orders or notification by the relevant authorities, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

6. During the year the Company has allotted on rights basis partly convertible debentures comprising 2,113,038, equity shares of Rs.10 each at a premium of Rs.340 per equity share aggregating to Rs.7395.63 lakhs and 2,113,038, 6.75% Non convertible debentures of Rs.250 each aggregating to Rs.5282.60 lakhs.
7. In terms of the Letter of Offer, out of the Rights Issue proceeds of Rs.12678.23 lakhs received during the year, Rs.8316.01 lakhs have been spent towards the objects of the issue (setting up of new showrooms & upgradations & expansions of existing showrooms Rs.1711.14 lakhs, replacement, refurbishing & expansion of the watch manufacturing facilities Rs.1381.03 lakhs, expansion of jewellery making facilities Rs.466.83 lakhs, expansion of precision engineering manufacturing facilities Rs.539.46 lakhs and redemption of preference shares & general corporate purposes Rs.4217.55 lakhs) and the balance of Rs.4362.22 lakhs has been temporarily used for repayment of short term loans.
8.
 - a) 8% redeemable cumulative preference shares aggregating to Rs.200 lakhs, 7.25% redeemable cumulative preference shares aggregating to Rs.1000 lakhs, 7% redeemable cumulative preference shares aggregating to Rs.200 lakhs, 6.75% redeemable cumulative preference shares aggregating to Rs.400 lakhs and 6.50% redeemable cumulative preference shares aggregating to Rs.140 lakhs were redeemed and reissued as 6% redeemable cumulative preference shares during the year. As per the terms of issue, these preference shares were redeemable at par at the end of 7 years from the date of allotment with an option for early redemption by the Company or by the holder.
 - b) 6% Redeemable Cumulative Preference shares aggregating to Rs.4000 lakhs were redeemed during the year out of the proceeds of the Rights issue.
9. The 6.75% debentures are redeemable at par at the end of five years from the dates of allotment on 12th May, 2006 and 9th June, 2006 and are secured by way of legal mortgage on the immovable properties and plant and machinery situated at Hosur.
10. The term loans from banks shown under secured loans include :
 - a) Loan of Rs. 3460.55 lakhs (2006 : Rs. 8721.94 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets and assets taken on lease) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - b) Loan of Rs. Nil (2006 : Rs. 750 lakhs) secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
11. Non-fund based facilities availed of Rs. 20843.09 lakhs (2006 : Rs. 14460.90 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
12. The security covered under notes 9 and 10 (a) above rank pari passu. The security covered under notes 10 (b) and 11 above rank pari passu with the security for the cash credit facility.
13. Exchange gain (net), included in the profit and loss account is Rs. 1052.62 lakhs (2006 : loss Rs. 561.51 lakhs).
14. Sales includes sale of scrap Rs. 599.37 lakhs (2006 : Rs. 313.23 lakhs), sale of accessories Rs. 5259.18 lakhs (2006 : Rs. 4309.72 lakhs), sale of tools and components Rs. 117.56 lakhs (2006 : Rs. 110.77 lakhs), sale of precious stones Rs.1283.89 lakhs (2006 : Rs. 606 lakhs), income from services provided Rs. 138.97 lakhs (2006 : Rs. 136.92 lakhs) and is net of turnover based commission of Rs. 4105.79 lakhs (2006 : Rs. 2522.49 lakhs) and all discounts, including cash discount of Rs. 417.46 lakhs (2006 : Rs. 331.16 lakhs).
15. Interest expense disclosed in the profit and loss account is net of Rs.380.40 lakhs (2006 : Rs. 484.75 lakhs) being interest income on loans and advances.
16. The Directors' remuneration of Rs.156.55 lakhs (2006 : Rs. 128.21 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs. 6.16 lakhs (2006 : Rs. 5.18 lakhs), perquisites Rs. 31.69 lakhs (2006 : Rs. 27.83 lakhs), commission of Rs.60.00 lakhs (2006 : Rs. 48.00 lakhs) and commission to non whole-time directors of Rs. 35.90 lakhs (2006 : Rs. 28 lakhs).

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Schedule forming part of the Consolidated Accounts

17. Fixed assets include vehicle acquired on finance lease, the details of which are as under:

| | Rupees in lakhs | |
|--|-----------------|-------------|
| | 2007 | 2006 |
| (a) Cost of vehicles | 299.59 | 321.04 |
| (b) Vehicles acquired during the year | - | 67.43 |
| (c) Net carrying amount | 145.43 | 224.60 |
| (d) The total of minimum lease payments and their present value outstanding at the balance sheet date in respect of finance leases for each of the following periods are as below: | | |

| | Rupees in lakhs | |
|---|---------------------------------------|---|
| | Minimum Lease Payments outstanding | Present value of Minimum Lease Payments outstanding |
| Not later than one year | 79.45 (2006: 85.92) | 63.47 (2006: 74.19) |
| Later than one year and not later than five years | 58.88 (2006: 45.54) | 44.36 (2006: 59.81) |

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

18. (a) The total of future minimum lease payments under non-cancellable operating leases are as follows:

| | Rupees in lakhs | |
|--|-----------------|-------------|
| | 2007 | 2006 |
| i) For a period not later than one year | 1184.67 | 362.72 |
| ii) For a period later than one year and not later than five years | 1830.10 | 582.34 |
| Total | 3014.77 | 945.06 |

(b) The Company has taken the above operating lease for a non-cancellable period of 1 year to 9 years. The leases are renewable by mutual consent.

(c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating lease is Rs. 811.64 lakhs (2006 : Rs. 244.91 lakhs)

19. Sundry creditors include Rs. 82.19 lakhs (2006 : Rs. 153.28 lakhs) towards liability for lease of vehicles which falls due later than one year.

20. Employee Benefits

The Company has for the first time during the year ended 31st March, 2007 adopted Accounting Standard 15 on Employee Benefits (Revised) issued by the Institute of Chartered Accountants of India. Consequently, previous year figures have not been disclosed.

Consequent to the adoption of the said standard, the differential liability (net of deferred tax of Rs. 348.09 lakhs) of Gratuity and Compensated Absences as per Accounting Standard 15 (Revised) and as per the pre-revised Accounting Standard 15 has been appropriately adjusted to the opening balance of General Reserve and balance in Profit & Loss Account as at April 1, 2006.

Schedule forming part of the Consolidated Accounts

Defined Benefit Plan - Gratuity as per actuarial valuation as at 31st March, 2007

Rupees lakhs

| | Gratuity |
|--|------------|
| I. Net Asset/(Liability) recognized in the Balance Sheet as at 31 March, 2007 | |
| 1. Present value of funded obligations – A | 2856.47 |
| 2. Fair Value of Plan Assets – B | (2225.79) |
| 3. (Deficit)/surplus – (A-B) | (630.68) |
| 4. Net Asset/Liability | |
| – Assets | – |
| – Liabilities | 630.68 |
| II. Expense recognized in the Profit & Loss Account for the year ended 31st March, 2007 (under the head "Payments to and provisions to employees Refer Schedule J") | |
| 1. Current Service Cost | 195.13 |
| 2. Interest on Defined Benefit Obligation | 179.99 |
| 3. Expected Return on Plan Assets | (150.85) |
| 4. Net Actuarial Losses/(Gains) recognized during the year | 241.38 |
| 5. Past Service Cost | – |
| Total | 465.65 |
| Actual return on Plan Assets | 44.00 |
| III. Change in present value of obligation during the year ended 31st March, 2007 | |
| 1. Opening Defined Benefit Obligation | 2437.96 |
| 2. Service Cost | 195.13 |
| 3. Interest Cost | 179.99 |
| 4. Actuarial Losses/ (Gains) | 134.53 |
| 5. Benefits Paid | (91.14) |
| 6. Closing Defined Benefit Obligation | 2856.47 |
| IV. Change in fair value of Plan assets during the year ended 31st March, 2007 | |
| 1. Opening fair value of plan assets | 2005.77 |
| 2. Expected Return | 150.85 |
| 3. Actuarial Losses/(Gains) | (106.85) |
| 4. Assets distributed on settlements | – |
| 5. Contributions by employer | 267.16 |
| 6. Benefits Paid | (91.14) |
| 7. Closing fair value of plan assets | 2225.79 |
| V. The major categories of Plan Assets as a percentage of total Plan Assets | |
| 1. Government of India Securities | 41% |
| 2. Corporate bonds | 52% |
| 3. Others | 7% |
| VI. Principal actuarial assumptions as at 31st March, 2007 | |
| Discount Rate | 8.10% p.a. |
| Expected Rate of Return on Plan Assets | 7.50% p.a. |
| VII. The employees are assumed to retire at the age of 58 years. | |
| VIII. The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables. | |

TITAN INDUSTRIES

Titan Group

Schedule forming part of the Consolidated Accounts

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets is based on average yield on investments.

The estimate of future salary increases considered takes into account the inflation, seniority, promotion, increments and other relevant factors.

Other Long term benefits

The defined benefit obligations which are provided for but not funded are as under:

| | Rupees in lakhs |
|-----------------------------------|-------------------------------|
| | Liability as on 31.03.2007 |
| Compensated absences/Leave salary | 1796.09 |
| Pension | 232.91 |

21. Deferred revenue expenditure (to the extent not written off or adjusted) comprises of the following:

| | Rupees in lakhs | |
|--|-----------------|----------------|
| | 2007 | 2006 |
| Compensation to employees under VRS | 420.69 | 1430.53 |
| Pre-operative and pre-incorporation expenses | - | 0.20 |
| Design and development expenses | - | 760.87 |
| Total | 420.69 | 2191.60 |

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

| | Rupees in lakhs | | | |
|---|---------------------|--|----------------------------|----------------------------|
| | As at 31.03.2006 | Tax effect of amount charged to opening reserve (Refer Note 20) | Tax effect for the year | As at 31.03.2007 |
| Deferred Tax (Liability) | | | | |
| Fixed Assets | (3146.65) | - | (375.15) | (3521.80) |
| Sub Total | (3146.65) | - | (375.15) | (3521.80) |
| Deferred Tax Asset | | | | |
| Provision for doubtful debts | 170.43 | - | 209.37 | 379.80 |
| Disallowances under Section 43B | 45.82 | - | 320.47 | 366.29 |
| Provision for leave salary/gratuity | 194.58 | 348.09 | 120.10 | 662.77 |
| Deferred revenue expenditure | 305.13 | - | - | 305.13 |
| Sub Total | 715.96 | 348.09 | 649.94 | 1713.99 |
| Net Deferred Tax Asset/(Liability) | (2430.69) | 348.09* | 274.79 | (1807.81) |

* Adjusted Rs. 345 lakhs to opening balance of general reserve in respect of the Company and Rs.3.08 lakhs in opening balance of profit and loss account in respect of a subsidiary.

23. Related party disclosures :

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.

Schedule forming part of the Consolidated Accounts

Titan Holdings Ltd.
 Titan Properties Ltd.
 Titan Mechatronics Ltd.
 Titan International Marketing Ltd.
 Titan International (Middle East) FZE
 Titan International Investments B.V.
 Rockbourne Holding B.V.
 Samrat Holdings Ltd.
 Titan Watches & Jewellery International (Asia Pacific) Ltd.
 (Upto 30.09.2006 and from 01.11.2006)

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

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

(Previous year figures are in brackets)

Rs. in Lakhs

| Sl. No. | Nature of transaction | Promoters | Associates | Key Management Personnel | |
|---------|---|--------------------|----------------------|--------------------------|---------------------|
| 1. | Sale of components and finished goods | 4.81 (2.63) | 107.81 (6653.79) | - (-) | |
| 2. | Royalty income | - (-) | 325.54 (330.02) | - (-) | |
| 3. | Reimbursement of expenses | 1.10 (33.56) | - (-) | - (-) | |
| 4. | Interest income | - (-) | 380.40 (456.76) | - (-) | |
| 5. | Interest expense | - (-) | 226.89 (131.38) | - (-) | |
| 6. | Rent paid | 36.61 (30.72) | - (-) | - (-) | |
| 7. | Dividend received | - (-) | 56.80 (51.59) | - (-) | |
| 8. | Dividend paid | 478.25 (302.62) | 28.11 (133.60) | - (-) | |
| 9. | Commission and sitting fees to non whole-time directors | 17.55 (8.30) | - (-) | - (-) | |
| 10. | Intercorporate deposits taken | - (-) | 6075.00 (3075.00) | - (-) | |
| 11. | Intercorporate deposits repaid | - (-) | 3570.00 (2185.00) | - (-) | |
| 12. | Investments made | - (-) | 2125.62 (650.00) | - (-) | |
| 13. | Investments sold | - (-) | 1189.88 (650.00) | - (-) | 1189.88 (650.00) |
| 14. | Purchase of investments-preference shares | - (-) | - (395.73) | - (-) | (395.73) |
| 15. | Subscription to preference shares | - (-) | 1710.92 (395.44) | - (-) | 1710.92 (395.44) |

TITAN INDUSTRIES

Titan Group

Schedule forming part of the Consolidated Accounts

Rupees in lakhs

| Sl. No. | Nature of transaction | Promoters | Associates | Key Management Personnel | Total |
|---------|--|--------------------|------------------------|--------------------------|------------------------|
| 16. | Preference Shares allotted | - (-) | 1940.00 (2060.00) | - (-) | 1940.00 (2060.00) |
| 17. | Preference Shares redeemed | - (-) | 4000.00 (2000.00) | - (-) | 4000.00 (2000.00) |
| 18. | Brand equity subscription | 340.98 (246.66) | - (-) | - (-) | 340.98 (246.66) |
| 19. | Rendering of services | 42.16 (11.80) | - (-) | - (-) | 42.16 (11.80) |
| 20. | Managerial remuneration | - (-) | - (-) | 120.65 (100.21) | 120.65 (100.21) |
| 21. | Loans (net) (-) repaid/disbursed | - (-) | (-)7692.33 (404.07) | - (-) | (-)7692.33 (404.07) |
| 22. | Advertising/Trademark advances (net) (-) repaid/reimbursed | - (-) | (-)630.63 (-637.39) | - (-) | (-)630.63 (-637.39) |
| 23. | Advances recovered | - (-) | 96.00 (2000.00) | - (-) | 96.00 (2000.00) |
| 24. | Acquisition of trademarks | - (-) | 6327.11 (-) | - (-) | 6327.11 (-) |

The above includes the following material related party transactions:-
(Previous year figures are in brackets)

Rupees in lakhs

| Nature of transaction | Category | Name | Amount |
|---|-----------|---|----------------------|
| (a) Sale of components and finished goods | Associate | Titan International (Middle East) FZE. | 106.51 (4412.58) |
| | Associate | Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. | - (2227.61) |
| (b) Royalty Income | Associate | Titan International Marketing Ltd. | 206.38 (169.45) |
| | Associate | Titan International (Middle East) FZE. | 115.56 (122.65) |
| (c) Interest Income | Associate | Titan International Investments B.V. | 39.28 (200.48) |
| | Associate | Rockbourne Holding B.V. | 325.98 (256.28) |
| (d) Dividend Paid | Promoters | Tamilnadu Industrial Development Corporation Ltd. | 371.22 (235.69) |
| | Associate | Tata Sons Ltd. | 107.03 (66.93) |
| | | Samrat Holdings Ltd. | 26.36 (131.67) |
| (e) Intercorporate deposits taken | Associate | Samrat Holdings Ltd. | 5090.00 (2945.00) |
| | Associate | Questar Investments Ltd. | 310.00 (110.00) |

Schedule forming part of the Consolidated Accounts

Rupees in lakhs

| Nature of transaction | Category | Name | Amount |
|---|-----------|--|--------------------------|
| | Associate | Tanishq (India) Ltd. | 200.00 |
| | Associate | Titan Holdings Ltd. | (-) 470.00 (20.00) |
| (f) Intercorporate deposits repaid | Associate | Samrat Holdings Ltd. | 2810.00 (2065.00) |
| | Associate | Questar Investments Ltd. | 255.00 (110.00) |
| | Associate | Titan Holdings Ltd. | 405.00 (10.00) |
| (g) Investments made | Associate | Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. Titan Holdings Ltd. | 2125.62 (-) - |
| | | | (650.00) |
| (h) Investments sold | Associate | Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. Titan Holdings Ltd. | 1189.88 (-) - |
| | | | (650.00) |
| (i) Purchase of Investments - preference shares | Associate | Titan International Investments B.V. | - (395.73) |
| (j) Subscription to preference shares | Associate | Titan International Marketing Ltd. | 1710.92 (395.44) |
| (k) Preference Shares allotted | Associate | Samrat Holdings Ltd. | 1940.00 (2000.00) |
| (l) Preference Shares redeemed | Associate | Samrat Holdings Ltd. | 3940.00 (2000.00) |
| (m) Brand equity subscription | Promoters | Tata Sons Ltd. | 340.98 (246.66) |
| (n) Loans (net) (-) repaid/disbursed | Associate | Titan International Marketing Ltd. | 652.57 (-277.83) |
| | Associate | Titan International (Middle East) FZE | 161.84 (25.98) |
| | Associate | Titan International Investments B.V. | (-1621.79 (395.22) |
| | Associate | Rockbourne Holding B.V. | (-6869.83 (276.69) |
| (o) Advertising/Trademarks advances | Associate | Titan International Investments B.V. | (-) (-637.39) |
| (net) (-) repaid/reimbursed | Associate | Titan International Marketing Ltd. | (-630.63 (-) |
| (p) Interest paid | Associate | Samrat Holdings Ltd. | 218.03 (94.84) |
| (q) Advance recovered | Associate | Titan Properties Ltd. | 96.00 (2000.00) |
| (r) Acquisition of trademarks | Associate | Rockbourne Holding B.V. | 6327.11 (-) |

TITAN INDUSTRIES

Titan Group

Schedule forming part of the Consolidated Accounts

Balance as on balance sheet date Rupees in lakhs

| | Promoters | Associates | Key Management Personnel | Total |
|----------------|--------------------|-----------------------|--------------------------|-----------------------|
| Debit balance | – (–) | 5751.80 (14727.51) | – (–) | 5751.80 (14727.51) |
| Credit balance | 307.52 (208.72) | 4869.98 (2363.90) | 62.76 (49.83) | 5240.26 (2622.45) |

24. Earnings per share :

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

| | Rupees in lakhs | |
|--|--|----------------------------------|
| | For the Year ended 31.03.2007 | For the year ended 31.03.2006 |
| a) Net profit | 9986.05 | 8093.48 |
| Less: i) Dividend on preference shares | 38.95 | 272.27 |
| ii) Dividend tax on preference shares | 5.46 | 38.19 |
| | 9941.64 | 7783.02 |
| b) Weighted average number of equity shares | 4,41,51,953 | 4,22,76,270 |
| c) i) Nominal value of shares (Rs.) | 10.00 | 10.00 |
| ii) Earnings per share - Basic and diluted (Rs.) | 22.52 | 18.41 |

25. Segment information for the year ended 31st March, 2007

a. Primary Business Segments

(Previous year figures are in brackets)

Rupees in lakhs

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|--|--------------------|-------------------|-------------------|-------------------------|--------------------|
| Revenue | | | | | |
| Netsales/income (There is no inter-segment revenue) | 73831 (62776) | 128980 (77627) | 6254 (3579) | – (–) | 209065 (143982) |
| Result | | | | | |
| Before interest, other income, taxes and share of profits/(-) losses of associates | 10269 (10033) | 8597 (4551) | (-)1130 (-691) | (-)1275 (-753) | 16461 (13140) |
| Add : Other Income | 369 (411) | 106 (86) | 4 (7) | 120 (66) | 599 (570) |
| Share of profits/(-) losses of Associates | (-)1575 (-2118) | – (–) | – (–) | 416 (268) | (-)1159 (-1850) |
| Profit/(-) Loss before interest and taxes | 9063 (8326) | 8703 (4637) | (-)1126 (-684) | (-)739 (-419) | 15901 (11860) |
| Less : Interest (net) | | | | | 2124 (2483) |
| Profit before taxes | | | | | 13777 (9377) |
| Taxes | | | | | 3791 (1284) |
| Net Profit | | | | | 9986 (8093) |

Schedule forming part of the Consolidated Accounts

Rupees in lakhs

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|------------------|------------------|----------------|----------------------------|-------------------|
| Other Information | | | | | |
| Segment Assets | 50113 (46553) | 58111 (34516) | 7816 (5045) | 3837 (3228) | 119877 (89342) |
| Segment Liabilities | 15654 (13342) | 39533 (20806) | 1251 (624) | 3144 (1546) | 59582 (36318) |
| Capital expenditure | 7525 (867) | 478 (385) | 2157 (1844) | - (-) | 10160 (3096) |
| Depreciation/Amortisation | 1638 (1345) | 534 (361) | 347 (242) | 82 (57) | 2601 (2005) |
| Non Cash expenses other than depreciation/amortisation | 1508 (959) | 202 (244) | 69 (127) | 36 (42) | 1815 (1372) |

b. Secondary Geographical Segments

Rupees in lakhs

| | India | Others | Total |
|---------------------|--------------------|-----------------|--------------------|
| Revenue | 197459 (135176) | 11606 (8806) | 209065 (143982) |
| Segment Assets | 114550 (76459) | 5327 (12883) | 119877 (89342) |
| Capital expenditure | 10150 (3096) | 10 (-) | 10160 (3096) |

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

26. a) Figures pertaining to subsidiary companies have been reclassified, where necessary, to bring them in line with the parent company's financial statements.
- b) The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year's classification.

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

B. Ramaratnam
Partner

K. F. Kapadia
Executive Vice President - Finance

Bhaskar Bhat
Managing Director

Usha Iyengar
Company Secretary

Signature to Schedules "A" to "K"

For and on behalf of the Board of Directors,

Shaktikanta Das Chairman

Ishaat Hussain
F. K. Kavarana
S. Ramasundaram
T. K. Balaji
C. G. Krishnadas Nair
Nihal Kaviratne
Vinita Bali
S. Susai

Directors

Bangalore, 21st April, 2007

FINANCIAL STATISTICS

FINANCIAL YEAR

Rs. in crores

| | 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 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | |
|--|---------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|---------|---------|---------|---------|---------|---------|---------|--|
| BALANCE SHEET | | | | | | | | | | | | | | | | | | | | | |
| 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 | 42 28 | 42 28 | 42 28 | 44 39 | |
| Share Capital - Preference | - | - | - | - | - | - | - | 7 50 | 10 00 | 33 00 | 37 50 | 40 00 | 40 00 | 40 00 | 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 | 82 85 | 94 97 | 150 30 | 283 06 | |
| Deferred tax liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 44 58 | 41 59 | 35 14 | 29 32 | 23 75 | 17 44 | |
| 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 | 606 71 | 318 02 | 267 92 | 247 01 | |
| 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 | 606 98 | 524 59 | 524 25 | 591 89 | |
| 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 | 238 63 | 223 80 | 211 16 | 200 90 | 191 75 | 177 36 | 174 91 | 196 02 | 267 12 | |
| Investments | 0 03 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 0 06 | 27 02 | |
| 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 | 164 12 | 271 62 | 374 39 | 677 48 | |
| 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 | 148 16 | 77 09 | 90 12 | 92 06 | |
| 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 | 26 85 | 44 01 | 38 29 | 50 73 | |
| 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 | 193 69 | 172 14 | 143 96 | 65 54 | |
| 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 | 532 82 | 564 86 | 646 76 | 885 81 | |
| Less: Current Liabilities & Provisions | 8 78 | 14 75 | 31 58 | 65 65 | 75 74 | 36 04 | 49 23 | 61 79 | 79 04 | 76 48 | 58 10 | 69 88 | 79 93 | 91 52 | 126 45 | 173 27 | 164 09 | 266 60 | 359 86 | 592 26 | |
| 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 | 368 73 | 298 26 | 286 91 | 293 55 | |
| Deferred revenue expenditure | - | - | - | - | - | - | - | - | - | - | - | - | 4 27 | 3 20 | 6 18 | 46 17 | 33 31 | 24 40 | 14 31 | 4 21 | |
| 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 | 606 98 | 524 59 | 524 25 | 591 89 | |

| | 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 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | |
|----------------------------------|---------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|---------|---------|---------|---------|----------|----------|----------|--|
| 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 | 68 38 | 73 19 | 83 36 | 89 64 | |
| Jewellery | - | - | - | - | - | - | - | 0 09 | 0 20 | 0 37 | 1 20 | 1 68 | 3 00 | 7 21 | 6 05 | 13 72 | 8 70 | 4 32 | 5 70 | 7 20 | |
| Clocks, sunglasses etc. | - | - | - | - | - | - | - | - | 0 67 | 3 64 | 3 05 | 4 30 | 3 29 | 1 62 | 0 51 | 0 41 | 2 39 | 4 84 | 5 05 | 5 29 | |
| Sales Income | 16 80 | 27 59 | 74 06 | 106 26 | 155 01 | 191 21 | 226 23 | 282 49 | 350 72 | 408 52 | 442 06 | 482 04 | 630 33 | 696 90 | 724 78 | 797 90 | 958 52 | 1 134 66 | 1 481 37 | 2 136 46 | |
| 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 | 862 49 | 1 019 50 | 1 327 42 | 1 938 01 | |
| 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 | 37 62 | 30 92 | 24 84 | 20 42 | |
| 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 | 21 47 | 19 61 | 19 66 | 25 59 | |
| 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 | 36 94 | 64 63 | 109 45 | 152 44 | |
| 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 | 2 09 | 2 73 | 2 43 | 3 22 | |
| Less: Exceptional Item | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (10 00) | (25 00) | (35 00) | (25 00) | (24 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 | 14 03 | 32 36 | 86 88 | 131 65 | |
| Taxes | 0 04 | 0 21 | 0 78 | - | - | - | - | - | - | 3 58 | 1 60 | 1 87 | 2 16 | 2 09 | 5 06 | 3 57 | 2 84 | 7 41 | 13 26 | 37 52 | |
| 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 | 11 19 | 24 95 | 73 62 | 94 13 | |
| Equity Dividend (%) | - | - | 15% | 18% | 20% | 22% | 25% | 30% | 33% | 33% | 25% | 26% | 26% | 26% | 15% | 10% | 10% | 20% | 30% | 50% | |
| Equity Dividend (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 | 4 23 | 8 46 | 13 32 | 22 19 | |
| Employee costs (excluding VRS) | 1 03 | 1 56 | 3 98 | 6 24 | 8 19 | 12 84 | 17 89 | 22 62 | 32 20 | 48 13 | 48 91 | 54 04 | 72 17 | 74 07 | 76 32 | 71 57 | 84 98 | 95 73 | 109 13 | 157 04 | |
| % to Sales Income | 6.1% | 5.7% | 5.4% | 5.9% | 5.3% | 6.7% | 7.9% | 8.0% | 9.2% | 11.8% | 11.1% | 11.2% | 11.4% | 10.6% | 10.5% | 9.0% | 8.9% | 8.4% | 7.4% | 7.4% | |
| Advertising | 1 85 | 2 07 | 5 61 | 8 38 | 9 52 | 13 16 | 16 06 | 20 22 | 29 62 | 36 01 | 20 04 | 27 56 | 41 69 | 40 10 | 36 55 | 47 44 | 59 82 | 76 89 | 101 31 | 133 82 | |
| % to Sales Income | 11.0% | 7.5% | 7.6% | 7.9% | 6.1% | 6.9% | 7.1% | 7.2% | 8.4% | 8.8% | 4.5% | 5.7% | 6.6% | 5.8% | 5.0% | 5.9% | 6.2% | 6.8% | 6.8% | 6.3% | |

FORM 2B
(See rules 4 CCC and 5 D)
NOMINATION FORM

(To be filled in by individual applying singly or jointly)

I/We, _____ the holder (s) of Shares / Debentures bearing Folio/Receipt Number _____ and accruals thereon of Titan Industries Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares/debentures shall vest in the event of my/our death.

Name and Address of Nominee

Name : _____

Address : _____

Pincode : _____

Date of Birth* : _____

(to be furnished in case the nominee is minor)

Signature of Nominee
(Optional)

*The nominee is a minor whose Guardian is -
Name and Address of Guardian _____

Signature(s) of Holder(s)

Signature : _____
(1st Holder)

Signature : _____
(1st Joint holder, if any)

Name : _____

Name : _____

Address : _____

Address : _____

Date : _____

Date : _____

Signature of Two Witnesses

| | Name and Address | Signature with Date |
|----|------------------|---------------------|
| 1. | | |
| 2. | | |

Instructions:

1. The Nomination can be made by individuals only applying/holding shares/debentures on their own behalf singly or jointly upto two persons. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the securities are held jointly, all joint holders will sign the Nomination Form.
2. A minor can be nominated by holders of shares/debentures and in that event the name and address of the Guardian shall be given by the holders.
3. The nominee shall not be a Trust, Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A Non-resident Indian can be a nominee on repatriable basis provided RBI approval granted to the nominee is registered with the Company.
4. Nomination shall stand rescinded upon transfer of shares/debentures.
5. Transfer of shares/debentures in favour of a nominee shall be valid discharge by a Company against the Legal heir.

FOR OFFICE USE ONLY

Nomination Regn. No. : _____ Checked by : _____

Date of Registration : _____ Signature of Employee : _____

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GUIDELINES FOR NOMINATION

1. **Nomination per Folio -**

Nomination for only one folio can be made on this Form. In case you have many folios, then you may take a photocopy of this Form and nominate separately.

2. **Signatures -**

The sole/joint holders should sign as per the specimen signature recorded with the Company, else the Form is liable to be rejected.

3. **Registration of Nomination -**

Upon receipt of a duly executed Nomination Form, TSR Darashaw Limited will register the nomination and allot a Registration number. This number will be furnished to the holder. All the subsequent correspondence regarding the nomination may please be done quoting the Registration number.

4. **Change of Nomination -**

The holder(s) can override (delete or change) an earlier nomination by executing a fresh Nomination Form for which a fresh Registration number will be allotted. The earlier nomination will automatically stand cancelled.

5. **Change in Composition of the Account -**

Nomination stands rescinded upon transfer of shares/debentures. Whenever the shares/debentures in the given folio are transferred/transposed/transmitted/dematerialised/amalgamated with some other folio, then this nomination becomes void. A new Nomination Form will have to be filled by the person(s) in whose name(s) the shares/debentures have been transferred/transposed/transmitted/amalgamated.

6. **Electronic Holding -**

The nomination given in the Form would be considered for the physical holding only. In case securities are held in electronic form, then the holder(s) have to approach the Depository Participant for registering their nomination.

7. **Accruals and Acquisitions -**

Once a nomination is registered by a Company for a given folio, the same is valid for all future accruals and acquisitions made by the holder(s) in that folio unless notified to the contrary by the holder(s). The accruals could be in the form of Rights, Bonus, Purchases from open market under the same folio etc.

8. **Validity of Nomination -**

The nomination made through Form 2B will be considered valid and recognised by the Company if the nomination made by the holder(s) of the shares/debentures is registered with the Company before the death of the holder(s) of the shares/debentures/deposits.

9. **Entitlement of Nominee -**

The nominee will be entitled to all the rights in the shares/debentures of the Company only in the event of the death of the Sole/all holders in the account. The nominee will be required to approach the Company for transmitting the securities in his/her name and will be required to produce the death certificate of the holder(s), the share/debentures and proof of identity as required by the Board of Directors of the Company. The Registration number under which the nomination was registered should also be provided to the Company.

10. **Date of Execution -**

Kindly note that nomination being a legal document should be dated by the nominator and the witnesses certifying that the Form has been signed by the nominator in their presence. Furthermore the date of execution on the Nomination Form should match with the date of witnesses, witnessing the document.

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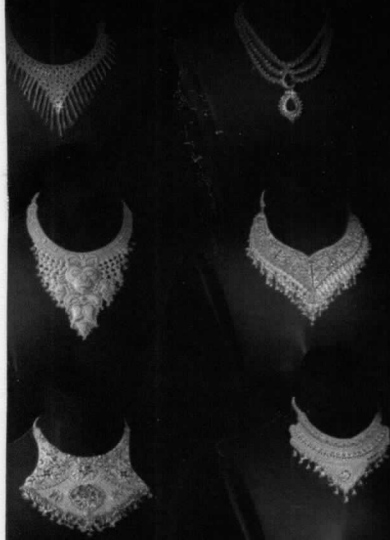
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