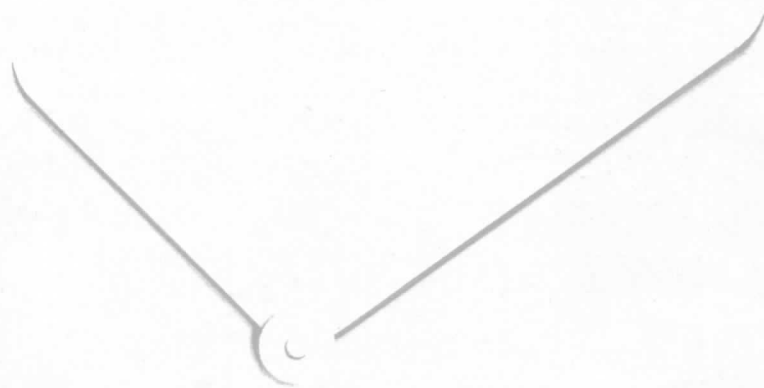


TITAN

WATCHES LIMITED



ANNUAL REPORT 1987-88

1 Computer Controlled Electro-Erosion.

2 Multi-spindle Machining Centres.

3 Precision Presses.

4 The Autoturning Shop.

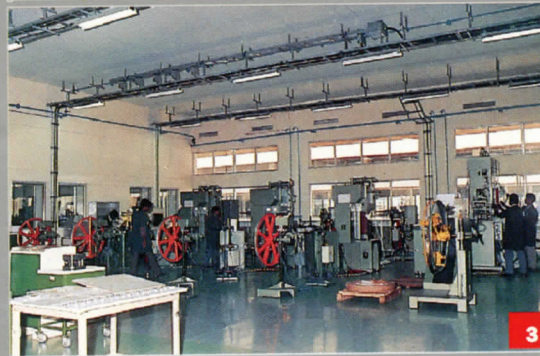
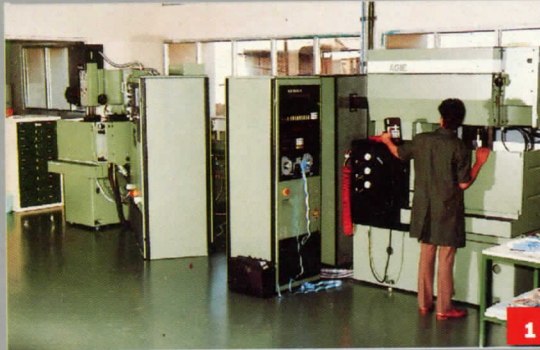
5 Gear Hobbing.

6 Surface Treatment of Components.

7 Sub-Assembly

8 The Watch Assembly Shop.

9 A panoramic view of the Factory.



TITAN WATCHES LIMITED

DIRECTORS

A.L. Mudaliar Chairman
M.H. Mody Vice-Chairman
Xerxes Desai Managing Director
P.N. Veda Narayanan
F. Perret
A.S. Gore
A.C. Mukherji
P.K. Dave
M.K. Kumar
T.K. Balaji
R. Nagarajan
C. Shanmukham
A.N. Palwankar
Dara P. Mehta (Alternate Director to F. Perret)

EXECUTIVES

A.K. Manchanda Executive Vice-President
I.K. Amitha Senior Vice-President (Operations)
C. Gaudot Technical Advisor
R.C. Hari Rao Vice-President (Manufacturing)
Ravi Kant Vice-President (Marketing)
K.S. Oberoi Vice-President (Administration)
M.N. Ramdas General Manager (Finance) & Company Secretary
C.R. Menon General Manager (Sales)
V.V. Pillai General Manager (Special Assignments)

BANKERS

Canara Bank
Central Bank of India

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

REGISTERED OFFICE

3, SIPCOT Industrial Complex
Hosur 635 126

SHARE DEPARTMENT

Tata Share Registry Limited
Army & Navy Building
148, Mahatma Gandhi Road
Bombay 400 001

DIRECTORS' REPORT

TO THE MEMBERS OF TITAN WATCHES LIMITED

The Directors are pleased to present the Fourth Annual Report and Audited Statement of Accounts for the year ended 30 June, 1988.

FINANCIAL RESULTS

	Rupees in lakhs	
	1987-88	1986-87
Profit before depreciation and interest	251.31	18.25
Depreciation	84.80	15.28
Interest	136.40	8.01
Profit/(Loss) for the year	30.11	(5.04)
Provision for taxes	4.00	—
Profit/(Loss) after taxes	26.11	(5.04)
Profit/(Loss) brought forward	(5.04)	—
Profit/(Loss) carried forward	21.07	(5.04)

1987-88 was the first full year of operations of your Company during which it earned an income of Rs. 19.13 crores and sold 3.44 lakh watches. Your Company has emerged as the leading Indian producer of quartz analog watches.

In view of limited profits, the Directors are unable to recommend the payment of a dividend to the Shareholders.

INAUGURATION

The Hosur complex was formally inaugurated by Mr. J. R. D. Tata on 11 March, 1988. Speaking on the occasion, Mr. Tata referred to Titan as an outstanding example of the public and private sectors working together in the pursuit of excellence. He ascribed Titan's excellent achievements, in a very limited time span, to leadership, magnificent equipment, the remarkable spirit of adventure and collaboration which prevailed in the organisation and the dedication, determination and pride with which employees set about their tasks.

OPERATIONS

We have succeeded in creating at Hosur a manufacturing facility which has earned the admiration of seasoned watch manufacturers from all over the world including Europe and Japan. We have some of the finest equipment in use by the horological industry, installed in buildings which are outstanding both functionally and aesthetically and set in beautifully landscaped surroundings. We have thus succeeded in creating an excellent physical environment both for those who work there and for the sophisticated machines they operate.

The indigenisation of our watches has proceeded well and far exceeds the Phased Manufacturing Programme approved by the Government of India. Commercial production of components commenced in April 1988 and by now the bulk of the components are being manufactured at Hosur. Technology transfer from France Ebauches continues smoothly. The excellent progress achieved in the Company's manufacturing facilities has enabled it to negotiate an export scheme with France Ebauches for watch movements.

The Company's wide range of internationally styled watches has been extremely well received and will be further augmented and improved in the course of the current year.

The Company's well conceived marketing and sales strategies have proved their effectiveness. The sales network will be substantially expanded in 1988-89.

While your Company's products have a low import content, currently about 25%, every watch nevertheless contains components purchased from a number of countries – France, Switzerland, Japan, Hongkong, Korea, Taiwan. The logistics of organising these supplies and keeping inventories down to an acceptable level is a formidable task, especially in the context of delayed issue of import approvals and worldwide shortages of certain key components.

CASE PROJECT

The Company's Case Project is making good progress and the unit is expected to commence operations in the middle of 1989. The project is estimated to cost Rs. 22 crores and is being financed partly through internal resources and largely through borrowings from the International Finance Corporation (the equivalent of Rs. 8.35 crores in foreign currencies) and the Tamil Nadu Industrial Development Corporation Limited (Rs. 7 crores). The commencement of case production will provide greater flexibility in responding to market preferences, improve quality, reduce costs and ease the availability constraints which are currently restricting production and sales.

FINANCE

A major portion of the loan from the International Finance Corporation for the movement component manufacturing project has been drawn. The Canara Bank has sanctioned cash credit facilities of Rs. 5 crores. The Tamil Nadu Government has sanctioned a sales tax loan not exceeding Rs. 100 lakhs and a subsidy of Rs. 10 lakhs.

PROSPECTS

During the current year the Company expects to sell substantially more watches. The Company's profitability will partly depend on the policies and practices of the Central Government. Unacceptable delays have taken place, and continue to take place, in the release of import licences for watch cases despite their very poor availability in the domestic market and despite the fact that the Company's applications for such licences accord with the government approved 'Phased Manufacturing Programme'. It is a matter of regret that high import duties (105%) continue to be imposed on watch cases and dials, thereby increasing the cost of watches to Indian consumers.

These restrictive policies need to be reviewed in the context of the high rate of smuggling of watches to this country. It is expected that in 1988-89 about 17 million watches will be bought in India of which about half, mostly counterfeits, will be of foreign origin, the street value of which could be of the order of Rs. 250 crores.

The Company's efforts to extend its product range and combat the sale of popular smuggled models has been hampered by the ban on the import of high quality metal bracelets and by the reservation of watchstrap manufacture for the small scale sector despite the fact that such straps require capital investment levels well beyond the scope of small scale units.

High sales taxes imposed by certain States also inhibit sales and encourage not only the purchase of foreign watches but also sales tax evasion.

The Company is actively examining a number of projects for expansion and horizontal integration. Negotiations are continuing with Casio for introducing a new range of watches.

HUMAN RESOURCES

The Company continues to attract superior professional talent and it has now emerged as a highly desirable corporation for young people to make their careers. The bulk of the workforce is drawn from Dharmapuri District, a backward area, where Hosur is located. Intensive efforts have been made to recruit the right type of persons and to impart to them the right type of training.

ROLE IN COMMUNITY

The Company takes an active interest in community development activities in Hosur town and the surrounding region. With a view to encourage the pursuit of learning, the Company has announced a scheme of scholarships to be awarded every year in various educational fields to students from Dharmapuri District.

ACKNOWLEDGEMENTS

Your Directors appreciate the continued support and assistance received from the Central Government, the Government of Tamil Nadu and its agencies, the Company's foreign collaborators, participating financial institutions and its bankers.

DIRECTORS

Mr. A.C. Mukherji and Mr. T.K. Balaji retire by rotation and are eligible for re-appointment.

Mr. R. Nagarajan was appointed as a Director on 30 June, 1988 to fill the casual vacancy caused by the resignation of Mr. A.M. Sundararaj. Your Directors appointed Mr. A.N. Palwankar as an additional Director on 12 March, 1988. Mr. R. Nagarajan and Mr. A.N. Palwankar hold office upto the forthcoming Annual General Meeting. The Company has received notices from some Members signifying their intention to propose Mr. R. Nagarajan and Mr. A.N. Palwankar as candidates for the office of Director.

Following the resignation of Mrs. E.V.K. Sulochana Sampath, former Chairperson of the Tamil Nadu Industrial Development Corporation Limited (TIDCO), TIDCO has nominated Mr. P.N. Veda Narayanan, the present Chairman of TIDCO as their nominee.

PARTICULARS OF EMPLOYEES

Information required to be provided under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is attached to this report.

AUDITORS

Members will be requested at the Annual General Meeting to appoint auditors for the current year and fix their remuneration.

Bombay, 27 September 1988

On behalf of the Board of Directors,
A.L. Mudaliar
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF TITAN WATCHES LIMITED

We have audited the attached balance sheet of Titan Watches Limited as at 30 June 1988 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1975 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 30 June 1988; and
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.
Chartered Accountants
R. Subramaniam
Partner

Bombay, 27 September 1988

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Watches Limited on the Accounts for the year ended 30 June 1988.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Most of the fixed assets have been physically verified by the management during the year. No discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not significant and the same have been properly dealt with in the books of account. In our opinion, the valuation of the abovementioned stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
4. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
5. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in the payment of interest where applicable.
6. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials (including components), plant and machinery, equipment and other assets.
7. The Company has not purchased any stores, raw materials and components exceeding Rs. 10,000 in value for each type thereof during the year from firms, companies or other parties in which Directors are interested as listed in the register maintained under section 301 of the Companies Act, 1956, except for components purchased from its foreign collaborators where, according to the information and explanations given to us, the items are of a specialised nature for which there is no alternative source of supply to enable a comparison of prices paid.
8. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores and raw materials. Adequate provision has been made in the accounts for the loss arising on the items so determined.
9. The Company has not accepted any deposits from the public to which the provisions of section 58A of the Companies Act, 1956, and the rules made thereunder would apply.
10. The sale of scrap is not significant and the Company's operations do not generate any by-products.
11. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
12. Maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products.
13. According to the records of the Company, provident fund dues have been regularly deposited during the year with the appropriate authorities.

For A.F. Ferguson & Co.
Chartered Accountants
R. Subramaniam
Partner

Bombay, 27 September 1988

BALANCE SHEET
AS AT 30 JUNE 1988

SOURCES OF FUNDS	Schedule	Rupees in lakhs	
		30-6-1988	30-6-1987
Shareholders' funds			
Share capital	A	2394.95	1743.75
Reserves and surplus	B	21.07	—
Loan funds			
Secured loans	C	3775.93	2365.55
Total		6191.95	4109.30
 APPLICATION OF FUNDS			
Fixed assets	D		
Gross block, at cost		4949.65	586.20
Less: Depreciation		105.70	20.90
Net block		4843.95	565.30
Advances on capital account and capital work in progress, at cost		532.05	1638.11
		5376.00	2203.41
Investments, at cost	E	3.00	—
Current assets, loans and advances	F		
Inventories		817.29	437.02
Sundry debtors		23.58	4.07
Cash and bank balances		334.38	180.75
Loans and advances		516.09	2099.32
		1691.34	2721.16
Less:			
Current liabilities and provisions	G		
Current liabilities		878.39	820.31
Net current assets		812.95	1900.85
Profit and loss account		—	5.04
Total		6191.95	4109.30
Notes	J		

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

R. Subramaniam
Partner

Bombay, 27 September 1988

For and on behalf of the Board,

A.L. Mudaliar Chairman

M.H. Mody Vice-Chairman

M.N. Ramdas
General Manager (Finance)

& Company Secretary Xerxes Desai Managing Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1988

		Rupees in lakhs	
INCOME	Schedule	Current year	Previous year
Sales		1679.62	243.10
Other Income	H	232.93	45.43
Total		<u>1912.55</u>	<u>288.53</u>
EXPENDITURE			
Operating and other expenses	I	1661.24	270.28
Depreciation		84.80	15.28
Interest (including Rs. 111.28 lakhs on fixed loans and debentures; 1987: Rs. 0.71 lakh)		136.40	8.01
Total		<u>1882.44</u>	<u>293.57</u>
PROFIT/(LOSS)			
Profit/(Loss) for the year		30.11	(5.04)
Taxes		4.00	-
Profit/(Loss) after taxes		26.11	(5.04)
Profit/(Loss) brought forward		(5.04)	-
Profit/(Loss) carried to balance sheet		<u>21.07</u>	<u>(5.04)</u>

Notes

J

Per our report attached
to the balance sheet
For A.F. Ferguson & Co.
Chartered Accountants

R. Subramaniam
Partner

Bombay, 27 September 1988

For and on behalf of the Board,

A.L. Mudaliar Chairman

M.H. Mody Vice-Chairman

M.N. Ramdas
General Manager (Finance)

& Company Secretary Xerxes Desai Managing Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees in lakhs	
	30-6-1988	30-6-1987
"A" SHARE CAPITAL		
Authorised		
3,50,00,000 equity shares of Rs. 10 each	3500.00	3500.00
Issued and subscribed		
2,38,99,000 (1987: 85,05,000) equity shares of Rs. 10 each, fully paid up	2389.90	850.50
1,01,000 equity shares of Rs. 10 each, fully called up	10.10	-
Less: unpaid allotment money @ Rs. 5 per share	5.05	-
	5.05	-
Share application money received, pending allotment	-	893.25
	2394.95	1743.75
"B" RESERVES AND SURPLUS		
Surplus, being balance in profit and loss account	21.07	-
"C" SECURED LOANS		
15% non-convertible debentures of Rs. 100 each, fully paid up (includes premium on redemption Rs. 20.00 lakhs)	420.00	420.00
13.5% debentures of Rs. 200 each, (previous year Rs. 300 each) fully called up (net of allotment money due Rs. 10.10 lakhs; 1987: Rs. 429.26 lakhs)	1302.40	1539.49
Foreign currency term loans from the International Finance Corporation, Washington	1896.25	406.06
Cash credit account secured by hypothecation of book debts, stocks and stores and spares	157.28	-
	3775.93	2365.55

SCHEDULES FORMING PART OF THE BALANCE SHEET

"D" FIXED ASSETS

	Rupees in lakhs					
	Gross block		Depreciation		Net block	
	Cost as at 1-7-1987	Additions	Cost as at 30-6-1988	As at 30-6-1988	As at 30-6-1988	As at 30-6-1987
Land-freehold	0.82	-	0.82	-	0.82	0.82
Land-leasehold	3.67	-	3.67	-	3.67	3.67
Buildings	219.34	326.58	545.92	14.10	531.82	216.40
Plant, machinery and equipment	273.23	3952.79	4226.02	80.06	4145.96	260.79
Furniture, fixtures and equipment	69.08	73.34	142.42	7.96	134.46	65.37
Vehicles	20.06	10.74	30.80	3.58	27.22	18.25
Total	586.20	4363.45	4949.65	105.70	4843.95	
30 June 1987	43.26	542.94	586.20	20.90		565.30
Advances on capital account and capital work in progress, at cost					532.05	1638.11
					5376.00	2203.41

"E" INVESTMENTS, AT COST

Rupees in lakhs
30-6-1988 30-6-1987

Trade investments - unquoted

300 fully paid equity shares of Rs. 1,000 each in Tata Share Registry Ltd.

3.00 -

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees in lakhs	
	30-6-1988	30-6-1987
"F" CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
Consumable stores, at cost	5.25	0.18
Loose tools	11.96	7.76
Stock-in-trade, at cost or net realisable value, whichever is lower		
Raw materials and bought-out components	319.92	196.10
Work in progress	261.84	151.09
Finished goods	218.32	81.89
	<u>800.08</u>	<u>429.08</u>
	<u>817.29</u>	<u>437.02</u>
Sundry debtors, unsecured and considered good		
Over six months	0.14	—
Others	23.44	4.07
	<u>23.58</u>	<u>4.07</u>
Cash and bank balances		
Cash on hand	18.12	2.22
With scheduled banks — in current accounts	302.11	164.49
— in transit	14.15	14.04
	<u>334.38</u>	<u>180.75</u>
Loans and advances (unsecured, unless otherwise stated, and considered good)		
Deposits with companies — secured	—	700.00
— others	326.00	1260.00
Interest accrued on above	8.72	17.02
Advances recoverable in cash or in kind or for value to be received	139.83	116.87
Income-tax deducted at source, net of provision for tax	26.55	4.46
Balances with excise and customs authorities	14.99	0.97
	<u>516.09</u>	<u>2099.32</u>
	<u>1691.34</u>	<u>2721.16</u>
"G" CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors	862.88	809.74
Interest accrued but not due on loans	15.51	10.57
	<u>878.39</u>	<u>820.31</u>

SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Rupees in lakhs	
"H" OTHER INCOME	Current year	Previous year
Interest – gross (tax deducted at source on interest received Rs. 26.09 lakhs; 1987: Rs. 4.46 lakhs)	122.49	40.11
Profit on sale of investments	68.00	–
Miscellaneous income	42.44	5.32
	232.93	45.43

SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT

Rupees in lakhs

"I" OPERATING AND OTHER EXPENSES

	Current year	Previous year
Materials consumed		
Raw materials and components	1247.13	357.04
Stores and spare parts consumed	20.33	2.30
Payments to and provisions for employees		
Salaries and wages	71.50	9.15
Company's contribution to provident and other funds	5.55	1.20
Welfare expenses	23.43	2.95
Retiring gratuities	2.15	—
	102.63	13.30
Other expenses		
Power and fuel	23.92	0.60
Repairs to buildings	0.91	0.02
Repairs to plant and machinery	2.06	0.02
Advertising	184.76	79.17
Selling and distribution expenses	48.37	9.92
Insurance	13.83	1.95
Rent	20.52	5.89
Rates and taxes	55.27	7.39
Travel	35.20	5.22
General expenses	151.25	20.28
	536.09	130.46
Auditors' remuneration		
Audit fees	0.50	0.12
Fees for other services	1.52	—
Reimbursement of out-of-pocket expenses	0.13	—
	2.15	0.12
Directors' fees	0.09	0.04
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress	261.84	151.09
Finished goods	218.32	81.89
	480.16	232.98
Opening stocks		
Work in progress	151.09	—
Finished goods	81.89	—
	232.98	—
	(247.18)	(232.98)
	1661.24	270.28

SCHEDULE FORMING PART OF THE ACCOUNTS

"J" NOTES TO THE ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 904.29 lakhs (1987: Rs. 1494.60 lakhs).
2. (a) The 15% non-convertible debentures of Rs. 100 each are secured by a legal mortgage on certain immovable properties of the Company.
(b) In September 1988, the Company created an additional security by way of an equitable mortgage of the Company's immovable property situated at Hosur, both present and future, and by hypothecation of its movable assets, both present and future (save and except book debts), subject to a prior charge on inventories, in favour of banks for providing working capital.
(c) These debentures are redeemable in three equal annual instalments from the expiry of the 7th year from the date of allotment (i.e. 3 March 1987) at a premium of 5% of the face value, payable together with the first instalment.
3. (a) The 13.5% debentures of Rs. 300 each were comprised of a non-convertible portion of Rs. 200 and a convertible portion of Rs. 100. The latter were converted into ten equity shares each of Rs. 10 each, at par, on 15 September 1987.
(b) The 13.5% debentures of Rs. 200 each, i.e. non-convertible portion, are secured by a legal mortgage on certain immovable properties of the Company.
(c) In September 1988, the Company created an additional security by way of an equitable mortgage of the Company's immovable property situated at Hosur, both present and future, and by hypothecation of its movable assets, both present and future (save and except book debts), subject to a prior charge on inventories, in favour of banks for providing working capital.
(d) These debentures are redeemable at par at the end of ten years from the date of allotment (i.e. 15 June 1987), with the Company having an option to redeem the same at any time after the end of seven years from the date of allotment, either fully or partly, on a pro rata basis or by draw of lots or any other basis.
4. The foreign currency term loan from the International Finance Corporation, Washington, is secured by way of an equitable mortgage of the Company's immovable properties situated at Hosur, both present and future, and by hypothecation of its movable assets, both present and future (save and except book debts), subject to a prior charge on certain movables forming part of current assets in favour of banks for providing working capital. This loan is converted at the rates prevailing at the end of the year in which it was sanctioned and first disbursed. Sundry creditors include additional liability of Rs. 235.34 lakhs arising due to exchange fluctuation on realignment of this loan in rupee terms at exchange rates as at 30 June 1988.
5. The securities referred to in notes 2(b), 3(c) and 4 rank pari passu.
6. During the year the Company purchased 4,00,000 units of Unit Trust of India of Rs. 10 each at Rs. 13 per unit and sold them at Rs. 14.70 per unit.
7. Depreciation has been provided on the straight line method at the rates prescribed under the Companies Act, 1956.

SCHEDULE FORMING PART OF THE ACCOUNTS

8. The amount charged to the profit and loss account is net of Rs. 418.43 lakhs (1987: Rs. 380.28 lakhs) being the net expenditure prior to the commissioning of the assets capitalised.

9. Break-up of expenditure on employees who were:

	employed throughout the year on a remuneration of at least Rs. 72,000		employed for a part of the year on an aggregate remuneration at a rate of at least Rs. 6,000 per month	
	1988	1987	1988	1987
Number of employees	9	7	1	1
	Rupees in lakhs		Rupees in lakhs	
Salaries and wages	7.48	5.95	0.88	0.50
Company's contribution to provident and other funds	1.68	1.32	-	0.10

The above figures have been disclosed as per the amendment to Schedule VI of the Companies Act, 1956, notified on 13 July 1988.

10. Managing Director's remuneration is Rs. 1.42 lakhs (1987: Rs. 1.43 lakhs).

11. The provisions of the Industries (Development and Regulation) Act, 1951, relating to licenced capacity are not applicable to the Company. The installed capacity is 2 million watches.

12. The Company produced 3,89,925 watches (1987: 76,860), sold 3,44,218 watches (1987: 48,521), and had a closing stock of 74,046 watches (1987: 28,339, 1986: Nil).

13. Analysis of raw materials and components consumed during the year:

	Rupees in lakhs	
	1988	1987
Components	1185.30	344.36
Other materials	52.76	7.19
Sundry charges	9.07	5.49
	1247.13	357.04

14. C.I.F. value of imports of:

Raw materials and components	634.82	369.73
Stores and spares	1.00	0.65
Capital goods	1064.15	842.06
	1699.97	1212.44

SCHEDULE FORMING PART OF THE ACCOUNTS

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

	Rupees in lakhs	
	1988	1987
Royalty	11.31	—
Know-how fees	25.00	—
Interest	155.95	6.57
Others	30.90	52.69

16. Value of imported and indigenous materials, spare parts and components consumed and the percentage of each to the total consumption during the year:

	1988		1987	
	Rupees in lakhs	%	Rupees in lakhs	%
Imported, including customs duties	1063.62	84	334.01	94
Indigenous	183.51	16	23.03	6
	1247.13	100	357.04	100

17. Interest earned in foreign exchange: Rs. 5.13 lakhs (1987: Nil).

18. The Company will create the required reserve prior to the investment allowance being claimed as a deduction from future taxable income.

19. Previous year's figures have been recast wherever necessary.

Signatures to Schedules 'A' to 'J'
For and on behalf of the Board,

A.L. Mudaliar Chairman

M.H. Mody Vice-Chairman

M.N. Ramdas
General Manager-Finance
& Company Secretary

Bombay, 27 September 1988

Xerxes Desai Managing Director

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 30 June 1988.

Particulars given below are in the following sequence:
Name, Designation, Age, Gross and Net remuneration, Qualification, Experience, Last employment held, Commencement of employment.

Amitha I.K. Senior Vice President (Operations) 62 1,25,566 90,390 B.E. (Mech.), PG (Prec. Engg.) 38 HMT Ltd. Jul 1985 – Bhat Bhaskar Sales Manager 34 72,696 53,193 B.Tech., PGDBM 10 Tata Press Ltd. Jan 1986 – Claude Gaudot* Technical Advisor 62 95,750 90,750 Graduate Engineer (Mech.) 40 France Ebauches Aug 1987 – Desai Xerxes Managing Director 52 1,14,365 64,742 M.A. (Oxon.) 28 Tata Press Ltd. Jan 1986 – Hari Rao R.C. Vice President (Manufacturing) 56 1,16,863 77,995 B.E. (Mech.), PG (Ind. Engg.) 31 HMT Ltd. Oct 1985 – Manchanda A.K. Executive Vice President 40 1,16,565 76,038 M. Stat., Dip. SQC & OR 20 Tata Press Ltd. Jan 1986 – Menon C.R. General Manager (Sales) 44 87,836 58,887 M.Com., M.B.A. 20 Voltas Ltd. Jul 1986 – Oberoi K.S. Vice President (Administration) 42 96,248 64,307 M.A. 21 Tata Tea Ltd. Jul 1986 – Ramdas M.N. General Manager (Finance) & Company Secretary 37 89,199 57,661 B.Com., LL.B., A.C.S. 13 Tata Press Ltd. Jan 1986 – Ravi Kant Vice President (Sales & Mktg.) 44 99,010 69,571 M.Sc., B.Tech. 22 Kinetic Engineering Ltd. Dec 1986.

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 contributions to provident and superannuation funds.
2. Net remuneration is arrived at by deducting from the gross remuneration, income tax, Company's contributions 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. * Indicates employed for part of the year.
6. None of the above employees is related to any director of the Company.

On behalf of the Board of Directors,
A.L. Mudaliar
Chairman

Bombay, 27 September 1988

..... with the proper leadership, the proper equipment, the proper atmosphere, we in India, our people in India, cannot only equal but, in some cases, outpace others from countries that have had much more experience than we have had. And, I think, Titan Watches is a model of what can be done and what should be done in India, not only in making watches but in producing so many other things

MR J R D TATA
speaking at the Inaugural Function
on 11th March, 1988.

..... visiting this beautiful and amazing Titan Watches plant, I was really impressed with the organisation, the order, the precision, the purity and the beauty, not only of the end product, but also of the atmosphere, the surroundings and the way of working

MR ANDRE LEWIN
The Ambassador of France,
writing in the Visitors' Book,
22nd January, 1988.

.... An extremely interesting visit. I am indeed very happy to note the high level of sophistication in production. I am also happy that most of the workers are from this district or neighbouring areas in TN

DR P C ALEXANDER
Governor of Tamil Nadu,
writing in the Visitors' Book,
20th September, 1988.

- | | | |
|--|---|--|
| 1 Commemorative plaque being unveiled by Mr. J.R.D. Tata, 11th March, 1988. | 2 Inauguration day celebration in Hosur Town. | 3 Entertainment at the inaugural function. |
| 4 Mr. J.R.D. Tata in a production shop. | 5 The French Ambassador signing the Visitors' Book at Hosur, 22nd January, 1988. | 6 The Governor of Tamil Nadu on his visit to the Titan Plant, 20th September, 1988. |



NOTICE

The Fourth Annual General Meeting of Titan Watches Limited will be held at the Registered Office of the Company, at 3, SIPCOT Industrial Complex, Hosur on Friday, 9 December 1988, at 4.00 p.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 30 June 1988 and the Balance Sheet as at that date.
2. To appoint Directors in place of Mr. T.K. Balaji and Mr. A.C. Mukherji who retire by rotation and are eligible for re-appointment.
3. To appoint a Director in place of Mr. R. Nagarajan who holds office upto the date of this Annual General Meeting in terms of section 262 of the Companies Act, 1956, read with article 118 of the Articles of Association of the Company, who offers himself for re-appointment and in respect of whom the Company has received notices in writing from some Members proposing his candidature for the office of Director.
4. To appoint a Director in place of Mr. A.N. Palwankar who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with article 117 of the Articles of Association of the Company, who offers himself for re-appointment and in respect of whom the Company has received notices in writing from some Members proposing his candidature for the office of Director.

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

"RESOLVED that pursuant to the provisions of section 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby approves of the re-appointment and terms of remuneration of Mr. Xerxes Desai, Managing Director of the Company, for a period of five years from 1 October 1988 upon the terms and conditions set out and in the Agreement submitted to this meeting and for identification initialled by a Director thereof which Agreement is hereby specifically approved and sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said re-appointment and/or Agreement in such manner as may be agreed to between the Central Government and the Directors and acceptable to Mr. Xerxes Desai."

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:

"RESOLVED that pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended in the following manner:

- (i) in article 89, the words 'demanded by at least five members having the right to vote on the resolution and present in person or by proxy' be substituted the words 'demanded by any member or members present in person or by proxy and holding shares in the Company on which an aggregate sum of not less than fifty thousand rupees has been paid up'.
- (ii) in article 124, after the words 'left at the office of the Company a notice' the words 'along with a deposit of five hundred rupees or such sum as may be prescribed by the Act, which shall be refunded to such person or, as the case may be, to such member, if the person succeeds in getting elected as a Director' be inserted.

(iii) in clause (a) of article 125 the words 'not exceeding Rs. 250 (Rupees Two Hundred and Fifty only)' be substituted by 'not exceeding Rs. 1,000 (Rupees One Thousand only) or such other higher sum as may be prescribed under the Act'."

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

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors:

(a) for mortgaging and/or charging all the immovable and movable properties of the Company wherever situated, present and future, and the whole of the undertaking of the Company to or in favour of all or any of the following: -

(i) The International Finance Corporation, Washington D.C., U.S.A. (IFC-W)

(ii) The Tamil Nadu Industrial Development Corporation Limited (TIDCO) and/or any other Tamil Nadu State Government enterprise

to secure the foreign currency term loan of Japanese Yen four hundred and twelve million (JY 412 million) and Swiss Francs four million and eight hundred thousand (Sw. Fr. 4.8 million) provided by IFC-W and a term loan of Rupees seven crores (Rs. 7 crores) provided by TIDCO and/or any other Tamil Nadu State Government enterprise together with interest at the respective agreed rates, additional interest, liquidated damages, commitment charges, premium on prepayment, any other charges, expenses and all other money payable by the Company to IFC-W, TIDCO and/or any other Tamil Nadu State Government enterprise in terms of the Investment agreement/loan agreement/letters of sanction entered into/to be entered into by the Company, in respect of the aforesaid foreign currency term loan/rupee term loan.

(b) for entering into an agreement with all or any of the said IFC-W, TIDCO and/or any other Tamil Nadu State Government enterprise in terms of the investment agreement/loan agreement/letters of sanction to reserve a right to take over the management of the business and undertaking of the Company in certain events.

RESOLVED further that the Board of Directors of the Company be and are hereby authorised to finalise the documents for creation of suitable mortgages/charges as provided in the respective agreements and to do all such acts and things as may be necessary for giving effect to the above resolution."

8. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:

"RESOLVED that pursuant to section 370 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and are hereby authorised to give any guarantee(s) and/or provide any security or securities on such assets of the Company (both present and/or future) as the Directors may decide and that the outstanding guarantee and the outstanding amount secured at any time shall not exceed 50% of the paid up share capital and free reserves, as per the latest available audited accounts of the Company or Rs. 12 crores, whichever is higher."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:

"RESOLVED that A.F. Ferguson & Co. be and are hereby 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 1988-89 on a remuneration of Rs. 50,000 plus out of pocket, travelling and living expenses."

Notes:

- (a) The relative Explanatory Statements pursuant to section 173 of the Companies Act, 1956, in respect of the business under item nos. 3 to 9 above, are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- (c) The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 15 November 1988 to Tuesday, 29 November 1988, both days inclusive.

By Order of the Board of Directors,

M.N. Ramdas

General Manager (Finance)
& Company Secretary

Bombay, 27 September 1988

ANNEXURE TO NOTICE

1. As required by section 173 of the Companies Act, 1956, the following explanatory statements set out all material facts relating to the business mentioned under item nos. 3 to 9 of the accompanying Notice dated 27 September 1988.
2. Item No. 3: Mr. R. Nagarajan was appointed as Director of the Company on 30 June 1988 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. A.M. Sundararaj. In terms of section 262 of the Companies Act, 1956, read with article 118 of the Articles of Association of the Company, Mr. R. Nagarajan holds office up to the date of the forthcoming Annual General Meeting being the date up to which Mr. A.M. Sundararaj would have held the office had he not resigned.

Notices in writing have been received from some Shareholders of the Company signifying their intention of proposing Mr. R. Nagarajan as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

Mr. R. Nagarajan may be deemed to be interested in this item of business as it relates to his appointment.

3. Item No. 4: Mr. A.N. Palwankar was appointed as an Additional Director of the Company on 12 March 1988 by the Board of Directors. In terms of section 260 of the Companies Act, 1956, read with article 117 of the Articles of Association of the Company, Mr. A.N. Palwankar holds office upto the forthcoming Annual General Meeting.

Notices in writing have been received from some Shareholders of the Company signifying their intention of proposing Mr. A.N. Palwankar as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

Mr. A.N. Palwankar may be deemed to be interested in this item of business as it relates to his appointment.

4. Item No. 5: The remuneration of Mr. Xerxes Desai, who was appointed as Managing Director from 3 January 1986, was restricted by the guidelines issued by the Central Government and prevailing at that time. The Companies (Amendment) Act, 1988 has amended the provisions relating to the payment of managerial remuneration. The Board of Directors, therefore, subject to the approval of the Shareholders and the Central Government, have re-appointed Mr. Xerxes Desai as Managing Director of the Company for a period of five years from 1 October 1988 on revised terms and conditions. The present Agreement between the Company and Mr. Xerxes Desai has, therefore, been terminated.

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

- | | |
|-------------------------|---|
| (i) Period of Agreement | : 5 years with effect from 1 October 1988. |
| (ii) Remuneration | : Salary Rs. 15,000 per month.
Commission at 1% per annum of the net profits subject to a maximum of Rs. 90,000 per annum. |
| (iii) Perquisites | : Perquisites shall be restricted to an amount equal to the annual salary or Rs. 1,15,000 per annum, whichever is less. |

PART A:

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

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

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

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

- (b) Medical reimbursement – Expenses incurred for the Managing Director and his family subject to a ceiling of three months' salary over a period of three years.
- (c) Leave travel concession – For the Managing Director and his family, once in a year incurred in accordance with the Rules specified by the Company.
- (d) Club fees – Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- (e) Personal Accident Insurance – Premium not to exceed Rs. 1,000 per annum.

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

PART B:

- (a) Gratuity not exceeding half a month's salary for each completed year of service subject to a ceiling of Rs. 1,00,000.
- (b) Contribution to the Provident Fund, Superannuation Fund or Annuity Fund shall be as per the rules of the Company and will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

PART C:

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

- (a) In the event of loss or inadequacy of profits during the aforesaid period, the salary (to the exclusion of commission, to the extent it exceeds the limits) and the perquisites shall be same as above.
- (b) The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to managing and whole-time Directors in accordance with Schedule XIII to the Companies Act, 1956, or any amendments made hereafter in this regard.
- (c) The Agreement may be terminated by either party giving the other party six months' notice.

- (d) The Managing Director shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.
- (e) The Managing Director shall not have the following powers:
- * the power to make calls on Shareholders in respect of money unpaid on shares in the Company.
 - * the power to issue debentures, and
 - * the power to invest the funds of the Company in shares, stocks and securities.

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

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

Mr. Xerxes Desai is interested in this item of business.

5. Item No. 6: The Companies (Amendment) Act, 1988, has introduced several changes in the Companies Act, 1956 ("the Act"). With a view to bring the Articles of Association in line with the amendment, the articles mentioned in this item of business are proposed to be amended by a special resolution.

Article 89 specifies the circumstances under which a poll can be demanded in the general meeting. The provision that the poll can be demanded by at least five Members having the right to vote on the resolution and present in person or by proxy is proposed to be replaced by a provision that a poll can be demanded by any Member or Members present in person or by proxy if the aggregate holding of such persons amounts to not less than Rupees fifty thousand.

Article 124 deals with the right of a Member to stand as a candidate for directorship at any general meeting of the Company. This article provides that he or some other Member intending to propose him should give a notice not less than fourteen days before the date of the meeting. The amended section 257 of the Act provides that a sum of Rupees five hundred be deposited along with the notice which will be refunded provided he is elected as a Director.

Clause (a) of article 125 provides that the fees payable to a Director for attending each meeting of the Board or Committee thereof may be decided by the Board and shall not exceed Rs. 250. The article is being amended to provide that the maximum fees payable shall be Rs. 1,000 or such higher sum as may be prescribed under the Act.

Except for the matter relating to the sitting fee, none of the Directors of the Company has any concern or interest in this item of business.

6. Item No. 7: The Company has been sanctioned a foreign currency term loan by the International Finance Corporation, Washington (IFC-W) the rupee equivalent of which is approximately Rs. 8.35 crores and is negotiating a rupee term loan of Rs. 7 crores to be provided by the Tamil Nadu Industrial Development Corporation Limited (TIDCO) and/or any other Tamil Nadu State Government enterprise.

Section 293(1)(a) of the Companies Act, 1956, inter alia, provides that the Board of Directors of a Public Company shall not, except with the consent of the Company in the general meeting, sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since the mortgage and/or charges proposed to be created may be considered to be covered by the said section, it is considered advisable, as a measure of abundant caution, that the same be approved by an ordinary resolution in terms of the aforesaid section of the Act.

Mr. P.N. Veda Narayanan and Mr. R. Nagarajan, Directors of the Tamil Nadu Industrial Development Corporation Limited (TIDCO), may be deemed to be concerned or interested in this item of business, to the extent it relates to TIDCO.

7. Item No. 8: Under section 370 of the Companies Act, 1956, a company can give any guarantee or provide any security in connection with a loan made by any other person to, or to any other person by, any body corporate, after the same is approved by a special resolution passed at the general meeting. The Company, for its operational needs and requirements, and for guaranteeing the loans provided to its employees by any person(s) and/or institution(s) for the purpose of housing and other requirements, may be required to give guarantee(s) and/or provide its assets as security.

The Directors recommend this resolution to be passed as a special resolution.

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

8. Item No. 9: Since the shareholding pattern of the Company is such that the provisions of section 224A of the Companies Act, 1956, are applicable, the appointment of A.F. Ferguson & Co. as Auditors of the Company is required to be made by a special resolution.

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

By Order of the Board of Directors,
M.N. Ramdas
General Manager (Finance)
& Company Secretary

Bombay, 27 September 1988

TITAN WATCHES LIMITED
4TH ANNUAL GENERAL MEETING

TRANSPORT FACILITIES BETWEEN BANGALORE AND HOSUR

The Annual General Meeting of TITAN WATCHES LIMITED is being held at 4 p.m. on 9 December 1988 at the Registered Office of the Company at Hosur.

Hosur is 40 km south-west of Bangalore and is well connected by public transport from Bangalore.

Nevertheless, for the convenience of Members, the Company will be providing a coach service from Bangalore on the day of the Annual General Meeting.

The coaches will leave for Hosur at 2 p.m. from Queens Statue (Cubbon Park main entrance), Bangalore and bring the Members back to Bangalore after the meeting.

To enable the Company to make the necessary arrangements, it is requested that Members wishing to avail of this facility should write to the Company on or before 21 November 1988 at the following address:

General Manager (Finance) and
Company Secretary
TITAN WATCHES LIMITED
3, SIPCOT Industrial Complex
Hosur 635 126

On receipt of such intimation, a 'confirmation card' will be sent to the Members. The 'confirmation card' will have to be presented on the day of the meeting to avail of the coach facility.

TITAN WATCHES LIMITED

Registered Office: 3, SIPCOT Industrial Complex, Hosur 635 126

PROXY FORM

I/We in the district of being a member/members of the above-named Company hereby appoint of in the district of or failing him in the district of as my/our Proxy to vote for me/us on my/our behalf at the FOURTH ANNUAL GENERAL MEETING of the Company to be held on Friday, the 9th day of December 1988 and at any adjournment thereof.

Signed this day of 1988

Signature

30 Paise
Revenue
Stamp

Note: The Proxy form should be deposited at the Registered Office of the Company at Hosur fortyeight hours before the meeting.

To: Tata Share Registry Limited
Unit: **TITAN WATCHES LIMITED**
Army & Navy Building
148, Mahatma Gandhi Road
Bombay 400 001

Place:
Date:
Folio No(s):
(To be filled in by the Shareholder(s))

CHANGE OF ADDRESS

Dear Sirs,
Kindly take on record my new address for your future communications.
Name and new Address
.....
Signature(s)

TITAN WATCHES LIMITED

Registered Office: 3, SIPCOT Industrial Complex, Hosur 635 126

ATTENDANCE SLIP

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall. I hereby record my presence at the FOURTH ANNUAL GENERAL MEETING of the Company at the Registered Office of the Company on Friday, the 9th day of December 1988.

Full name of the Shareholder Signature
(in block letters)
Folio No:

Full name of Proxy Signature
(in block letters)

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies of the Annual Report to the Meeting.

One side printing