

TITAN WATCHES LIMITED

SIXTH ANNUAL REPORT
1989-90

Titan Watches Limited

Directors

A.L. Mudaliar Chairman
Xerxes Desai Managing Director
K. Venkatesan
Ishaat Hussain
F. Perret
T.K. Balaji
P.K. Dave
A.S. Gore
A.C. Mukherji
R. Nagarajan
A.N. Palwankar
C. Shanmukham
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 Vice President - Finance & Company Secretary
Bhaskar Bhat General Manager - Sales
V. Rajaram General Manager - Materials
V.V. Pillai General Manager - Services

Bankers

Canara Bank
Indian Overseas Bank

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 Sixth Annual Report and Audited Statement of Accounts for the year ended 31 March 1990. The Accounts have been presented in the newly prescribed abridged form.

Financial Results

The Company's performance during the year has been very satisfactory. Income rose from Rs.2801.79 lakhs during the nine month period ended 31 March 1989 to Rs.7461.73 lakhs during the year under review. The profit performance is as follows :

	Rupees in lakhs	
	1989-90 (12 months)	1988-89 (9 Months)
Gross profit	1560.40	694.68
Interest	650.85	351.24
Depreciation	398.28	215.72
Profit before taxes	511.27	127.72
Provision for taxes	78.00	21.00
Profit after taxes	433.27	106.72
Profit brought forward	127.79	21.07
Amount available for appropriation	561.06	127.79
Appropriations :		
Debenture redemption reserve	102.33	-
Proposed dividend	360.00	-
Transfer to general reserve	25.00	-
Balance carried forward	73.33	127.79
	561.06	127.79

Dividend

The Directors are very pleased to recommend the payment of a maiden dividend at the rate of 15%, subject to deduction of tax, if approved by the Shareholders at the Annual General Meeting.

Rights Issue

The Directors are thankful to the Shareholders for the excellent response to the recent Rights Issue of Convertible Debentures. The offer to the Indian public was oversubscribed 2.58 times. The total amount raised by the issue was Rs.1422.23 lakhs and is being used for the purposes for which it was raised. In terms of the offer, Part "A" of the convertible debentures of Rs.100 each, amounting to Rs. 284.46 lakhs, was converted into 10 equity shares of Rs.10 each, at par, on 31 March 1990. Interest on this part was paid upto that date. As per the terms of the offer, these equity shares will be eligible for dividend from 1 April 1990.

Operations

The year under review has been an eventful one for the Company. Production of watches was 13.55 lakhs and 12.53 lakh watches were sold. Steps have been taken to increase watch production from a level of 2 million to 3 million, largely by working a third shift. A satellite casing unit, with a capacity of 500,000 watches per year, has been set up at Dehra Dun in Uttar Pradesh which will result in greater operating convenience and reduced costs.

Shareholders will be pleased to know that the Company has effected a number of improvements to movement design and manufacturing methods resulting in greater output, better quality and lower costs.

In keeping with world-wide trends, your Company continues to introduce new watch models with international styling. The 'Aqura' range, launched in December 1989, has been very well received in the market and almost immediately became the leader in its market segment. At present, the Company has over 450 models and has succeeded in providing the Indian consumer with a wide range of quality watches from which to choose. The current year will, nevertheless, see many modifications to the product range.

On the export front, your Company has made a good beginning with the export of 6.26 lakh watch movements, resulting in foreign exchange earnings of Rs.532.54 lakhs. Emphasis is now being placed on the export of complete watches. Cash Compensatory Support (CCS), if introduced by the Government of India, would enable the country to make a more significant breakthrough in the international market.

Indigenisation

The year under review saw the commissioning of the Company's Case Plant. Mr. J.R.D. Tata visited the plant on 10th March and lit a lamp to commemorate the commencement of operations. At peak capacity, the plant will produce 1.5 million watch cases, thereby reducing the Company's reliance on both imports and the domestic market. Shareholders will be glad to know that the project was completed within the time and cost targets that had been set and that both output and quality have been excellent.

In view of this as also the fact that your Company is making all the movement components it initially set out to make, action is being taken to establish facilities for the manufacture of certain critical items such as motors, electronic circuit blocks, dials, hands and straps and for highly durable surface coatings using the physical vapour deposition process. These steps will result in lower costs, improved quality, timely deliveries and reduced imports.

Sales & Marketing

Titan is now clearly seen as the most preferred brand in the Indian quartz analog watch market. Your Company has succeeded in displacing smuggled watches from the price band in which Titan watches are marketed. We have also succeeded in establishing the product as something significantly more than just a timekeeping device - an article to be worn as personal adornment, an expression of the wearer's aesthetic sense and personality.

This process has been aided by the retailing revolution which Titan has been bringing about. Titan now has a chain of 21 exclusive retail showrooms which will increase to about 50 in a years time. These showrooms have set standards not only for watch retailing in India but also world-wide, the showpiece being the shop at Colaba in Bombay. At the instance of Titan, and realising the benefits, a number of traditional retailers have made substantial new investments in improving the look of their shops and the quality of service. They are to be congratulated for taking this step and we are confident that their efforts will be fully rewarded.

The success of Titan's products is based on many factors including, very importantly, its advertising. Working closely with O & M, Titan's advertising agency, the Company has transformed the public's attitude to watches and has also won professional acclaim for the quality of its advertising.

The Bangalore Advertising Club rated the Titan advertising campaign as the Best Campaign of the Year and its TV commercial as the best as well. Coming a close second was the Aqura press campaign. At the Bombay Advertising Club Contest, Aqura wound up as finalist for Campaign of the Year. The Titan radio spot won a second prize at Calcutta. At the Madras Advertising Club Contest, Aqura won the runner up award for Campaign of the Year, with the Titan TV commercial securing the third place. Titan also won the second prize from Aaren for outstanding outdoor advertising.

Employees

The Company now employs approximately 1900 persons, of whom over 1500 work in Hosur. The average age in the Company is under 23 years and at Hosur it is 21 years. The Company's employees have been selected with great care and equal care has been taken in their training. They constitute the Company's greatest strength and are a source of pride to all of us.

The Company's management is sensitive to its obligations to employees, their needs and aspirations. It has sought, in a variety of ways, to obtain for them a superior quality of life both at work and during

their leisure hours. It has also sought a significant role for Titan in the life of the community at Hosur and in Dharmapuri District. Shareholders may have read in the Press that the Company received an award from the President of India for employing the physically handicapped. We now have almost 100 physically handicapped employees.

With the expansion of activities and employee strength at Hosur, the Company felt the need to establish a new administration building which was completed in December of 1989 and a new Canteen building on which work has begun and which will be ready by the end of the year, releasing the existing Canteen building for various manufacturing operations. The Company is now playing a pivotal role in developing a large, employee-owned housing project with an emphasis on affordability.

Government Policies

The world market for watches is enormous - about 800 million watches and watch movements will be marketed this year. Of this, India will make about 12 million. India can become a major player in the world market if the Government of India adopts a number of supportive policies that have been recommended to it. Such supportive action has in the past helped the watch industries of Switzerland, Japan, Hong Kong and China to become what they are today.

There are a number of issues of great concern to the Industry. Customs duties have been increased, at times very sharply. Releases of import licences have been tardy and have failed to take into account the rate at which units within the industry are growing. Customs authorities have come up with interpretations which fail to take into account international practices or the intent of Indian legislators. The prospect of Cash Compensatory Support flounders in technicalities. The Watch Industry is allowed to be severely constrained by a primitive strap manufacturing industry which is unrealistically restricted to the small scale sector that cannot possibly make the substantial investments required for producing good quality straps. The manufacture of electronic circuit blocks is reserved for a public sector enterprise which not only cannot deliver on time but can do so only at three times the international price. These issues are under discussion with the Government of India and it is earnestly hoped that they will be resolved expeditiously, enabling the industry to not only drive smuggled watches out of the lower and upper price segments but to undertake substantial export of watches, movements and other watch components.

Prospects

The Company's inherent strengths hold out great promises for the future - not only for the Shareholders and for Titan customers but for the industry as a whole.

We expect to increase production in the current year to well over 2 million watches and close to 3 million movements. We expect not only to maintain but also to enhance our technical and market leadership positions in the current year and increasingly emerge as a force to be reckoned with world-wide.

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 31 March 1990.

Particulars given below are in the following sequence :

Name, Designation, Age, Gross and Net remuneration, Qualification, Experience, Last employment held, Commencement of employment.
Ahlwalia Avi Regional Manager 30 1,17,491 86,894 B. Tech. 8 Hindustan Lever Ltd. Jan 1987 - Ahmed Rafeekh Senior Manager - Press Shop 42 1,03,234 92,719 B. E.(Mech.) 20 HMT Ltd. Aug 1986 - Amitha I. K. Senior Vice President - Operations 63 1,82,716 1,33,631 B. E.(Mech.), PG(Prec. Engg.) 40 HMT Ltd. Jul 1985 - Bhat Bhaskar General Manager - Sales 36 1,34,807 92,590 B. Tech., PGDBM 12 Tata Press Ltd. Jan 1986 - Chakrapani H. Senior Manager - Auto Turning 48 90,559 70,089 DME 26 HMT Ltd. Aug 1986 - Chopra Sunil Area Manager 30 91,951 77,735 B. Com., MBA 8 WIMCO Ltd. Dec 1987 - Daboo Jamshed Manager - Marketing 28 83,229 71,294 B. E., MBA 3 Tata Administrative Service Jun 1987 - Deenadayalan S. Personnel Manager 39 1,02,403 77,879 B. A., DSSA, BGL 15 Fenner India Ltd. Oct 1986 - Desai Xerxes Managing Director 53 2,02,500 1,10,099 M. A. (Oxon.) 30 Tata Press Ltd. Jan 1986 - Dwarkanath B. G. Group Manager - Assembly 41 1,32,109 1,02,512 B. E. 19 HMT Ltd. Oct 1985 - Gaudot Claude A. Technical Advisor 64 1,09,200 90,000 Graduate Engineer (Mech.) 42 France Ebauches Aug 1987 - Gopalakrishna B. A. Manager - Factory Accounts 52 91,469 75,121 B. A. 29 HMT Ltd. Jul 1986 - Gopalakrishnan S. D. Costing Executive 35 81,415 69,325 B. Com., AICWA 13 Lipton India Ltd. Jan 1989 - Govind Raj V. Distribution Manager 34 85,530 72,986 B. Sc., MBA 9 Kinetic Engineering Ltd. Jan 1987 - Hari Rao R. C. Vice President - Manufacturing 58 1,73,432 1,18,041 B. E. (Mech.), PG (Ind. Engg.) 33 HMT Ltd. Oct 1985 - Jain Ajay Factory Manager 30 75,569 66,394 B. Com., LL. B. 10 Sriram Fertilisers & Chemicals Ltd. Mar 1987 - Jain Arvind Area Manager 28 76,135 59,440 B. Sc., PGDM 7 Shaw Wallace & Co. Ltd. Dec 1987 - Kannan G. Area Manager 35 82,782 68,803 M. A. 10 Blaze Enterprises Pvt. Ltd. Jan 1987 - Kar Kalpana Manager - Marketing 31 86,314 75,088 M. A., M. Phil. 8 Tata Unisys Ltd. Oct 1988 - Karkera R. G. Commercial Executive 30 72,612 61,318 B. Com. 10 Tata Press Ltd. May 1987 - Kashyap Sandip Area Manager 29 83,513 67,017 B. Com., B. Mgmt. 7 Peico Electronics & Electricals Ltd. Jan 1987 - Khan Azeez H. K. Group Manager - Component Manufacturing 50 1,15,462 85,116 B. A., DME 29 Bifora Watch Industry Ltd. May 1986 - Krishna Rajiv Manager - Accounts 31 80,659 70,900 B. Com. (Hons.), ACA 7 Fraser & Ross Sep 1986 - Krishnappa C. M. Senior Manager - Quality Control 40 83,639 68,055 B. E. (Mech.) 15 HMT Ltd. Feb 1987 - Kulhali Sandeep Area Manager 30 72,696 61,399 B. Sc., MBA 8 Khimley & Pumps Ltd. Jul 1988 - Kulothungan P. M. Area Manager 37 83,559 70,574 M. A. Dip. (Mktg. Mgmt.) 13 Tuticorin Alkali Chemicals Ltd. Jan 1987 - Kumar M. Manager - Methods 37 73,964 64,767 DME, B. E. (Mech.) 17 N. T. T. F. Dec 1987 - Kurien Bijou Regional Manager 31 1,06,789 80,845 B. Sc., PGDBM 7 Hindustan Lever Ltd. Aug 1987 - Manchanda A. K. Executive Vice President 42 1,86,269 1,16,368 M. Stat., Dip. SQC & OR 22 Tata Press Ltd. Jan 1986 - Mohammed Iqbal Engineer - Maintenance 35 74,747 65,482 B. E. (Mech.) 15 HMT Ltd. Aug 1987 - Mohammed Kaseem A. Manager - Heat Treatment 43 82,599 70,143 B. E. (Met.) 16 Universal Carburising Works (P.) Ltd. Oct 1987 - Mohanka Jayashree J. Area Manager 31 93,992 74,100 M. Sc., PGDM 7 Reckitt & Colman (I) Ltd. Sep 1987 - Mukanda N. Engineer - Auto Turning 34 74,345 68,520 B. E. (Mech.) 8 HMT Ltd. Dec 1986 - Nagabhushan R. Senior Executive - Planning 39 77,770 70,883 B. Sc. Engg. (Mech.), PGDM 15 HMT Ltd. Feb 1987 - Nagabhushanam M. V. Engineer - Maintenance 36 78,175 67,700 B. E. (Elec.) 12 Steel Authority of India Ltd. Mar 1987 - Nagaraj B. V. Engineer - Designs 32 74,308 67,095 B. E. (Mech.) 9 HMT Ltd. Dec 1986 - Nagarajan S. Senior Manager - Market Development 34 1,00,751 75,939 B. E. (Mech.), PGDM 9 Voltas Ltd. Feb 1987 - Nangia V. I. Finance Manager 32 1,42,632 98,225 B. A. (Hons.), PGDBM 11 The Indian Hotels Co. Ltd. Jun 1986 - Narain Shyamendra Manager - Purchase 30 87,305 73,929 B. Tech., PGDM 8 TVS Suzuki Ltd. Dec 1986 - Narayana N. V. Senior Manager - Purchase 42 93,244 71,862 B. E. (Elec.) 13 HMT Ltd. May 1986 - Nazareth M. N. Confidential Secretary 34 73,083 68,711 B. A. 13 Tata Press Ltd. Jan 1986 - Oberoi K. S. Vice President - Administration 44 1,42,328 91,817 M. A. 23 Tata Tea Ltd. Jul 1986 - Pai Sudhir B. * Area Manager 32 42,733 31,389 B. Sc., DBM 12 Indian Shaving Products Ltd. Oct 1989 - Paramian Johnny Systems Analyst 33 79,918 72,976 B. E. (Elec.), MIE 7 HAL Ltd. Apr 1986 - Patil S. Senior Manager - Treatment 47 98,810 78,352 D.E.E., AMIE 28 HMT Ltd. Jun 1986 - Paul Jessudasan * Manager - Moulds 47 38,552 34,892 Dip. Tools & Die 24 N.T.T.F. Nov 1989 - Pillai V. V. General Manager - Services 53 94,824 67,220 Matriculation 30 Tata Press Ltd. Jun 1988 - Raghunath H. G. Senior Manager - Product Services 35 93,280 71,954 B. Sc., B.E. 10 HMT Ltd. June 1986 - Rajaram Vikram* General Manager - Materials 48 1,02,660 75,557 M.S., MBA 24 Ghana Aluminium Co. May 1989 - Ramdas M.N. Vice President - Finance & Company Secretary 39 1,52,273 94,960 B.Com.(Hons.), LL.B., ACS 15 Tata Press Ltd. Jan 1986 - Rangappa M. Engineer - Tool Room 45 79,306 69,040 I.T.I., DME 16 HMT Ltd. Oct 1986 - Rangasamy L. Engineer - Case Project 33 72,570 64,367 B.E. (Chem.) 10 TVS Suzuki Ltd. Apr 1989 - Ravi Kant Vice President - Marketing 46 1,43,356 98,844 M.Sc., B.Tech. 24 Kinetic Engineering Ltd. Dec 1986 - Ravishankar J. Engineer - ECB Assembly 32 73,921 65,541 B.E. 10 Semiconductor Complex Ltd. Mar 1988 - Saibaba M.D. Manager - Planning 41 79,951 65,405 L.M.E., AMIE 17 HMT Ltd. Jan 1989 - Saldanha David Regional Manager 28 96,309 85,350 B.Com. 7 Voltas Ltd. Jan 1987 - Satyanarayana K.R. Senior Manager - Maintenance 42 1,04,647 91,026 B.E. (Mech.) 19 HMT Ltd. Dec 1986 - Shantharam M.S. Group Manager - Projects and Engineering 41 1,19,449 86,389 B.E. (Mech.) 19 HMT Ltd. Oct 1985 - Shetty Taranath Senior Manager - Gears 42 94,643 73,882 B.E. (Mech.) 20 HMT Ltd. Jan 1987 - Shivswamy J.M. Senior Manager - Tools Design 42 99,338 82,438 B.E. (Mech.) 14 HMT Ltd. May 1986 - Sindhvani Ravikant Senior Manager - Direct Marketing 30 95,233 81,560 B. Sc., MBA 8 HCL Ltd. Jun 1988 - Singer M. G. Manager - Civil Engineering 43 85,749 66,341 B. E. (Civil) 20 Tata Electric Co. Ltd. Jun 1988 - Singh Vijay Marketing Controller 33 1,22,058 79,550 B. A.(Hons.), MMS 13 Tata Chemicals Ltd. Aug 1988 - Sridhara M. S. Engineer - Designs 35 74,769 67,397 B. E. 11 HMT Ltd. Dec 1986 - Srinivas Babu S. Group Manager - Planning 42 1,12,040 93,061 B. E., PGDPM 19 HMT Ltd. Jun 1986 - Srinivas Nayak K. Manager - Quality Assurance 43 83,494 72,763 B.E. (Mech.), MIE 19 Motor Industries Co. Ltd. Oct 1987 - Srinivasan C. Manager - Sales Operations 35 98,005 74,488 B. Sc., PGDM 13 Berger Paints Ltd. Dec 1987 - Subramaniam K. S. Senior Manager - ECB Assembly 50 1,03,502 83,407 B. Sc., MIETE 25 Semiconductor Complex Ltd. Nov 1986 - Talati R. A. Accounts Manager 30 94,342 77,527 B. Com., LL. B. 11 Tata Press Ltd. Apr 1986 - Vaidyanathan L. K. Systems Manager - Factory 33 83,272 67,315 B. E. (Mech.) 10 Peico Electronics & Electricals Ltd. Aug 1988 - Venkatesh Engineer - Maintenance 36 72,137 63,156 M.Tech. (Ind. Engg.) 9 HMT Ltd. Aug 1986 - Verghese Johnson Area Manager 30 83,599 70,179 B. Sc., MBA 7 Tata Press Ltd. Jan 1989 - Vishwanath C.S. Group Manager - Case Project 43 1,04,863 79,452 B.E. (Ind. Engg.) 20 HMT Ltd. Oct 1986 - Vivekanandah R. Engineer - Maintenance 32 72,585 62,346 B.E. (Elec.) 8 Eicher Research Centre Feb 1989 - Yathiraju C.G. Group Manager - Plant Services 49 1,07,913 88,260 DME 29 HMT Ltd. Aug 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.

Bangalore. 11 June 1990

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

Acknowledgements

Your Directors appreciate the support and confidence reposed in them by the Shareholders during the formative years of the Company. Your Directors also wish to place on record their appreciation of the support which the Company continues to receive from the Government of Tamil Nadu and its agencies, the Company's foreign collaborators, the participating financial institutions, the Company's bankers and all those involved in the watch trade. A special word of thanks is due to the Indian Press which has systematically chronicled and even commended the Company's many achievements.

Directors

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

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 annexed.

Section 217(1)(e) of the Companies Act

In accordance with the provisions of section 217(1)(e) of the Companies Act, 1956, the required information relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is annexed.

Auditors

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

Bangalore, 11 June 1990

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

Annexure to the Directors' Report

(Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs)

A. Conservation of Energy

(a) Energy Conservation measures taken :

The manufacturing facilities of the Company have been recently established. Conservation of energy was taken into the reckoning at the planning stage itself, in plant design and equipment selection. Energy conservation has been essentially by way of effecting improvements to product design and manufacturing processes, increasing tool life, minimising raw material consumption, ensuring high yields and adopting such practices as installing capacitors to improve the electric power utilisation factor, recycling of lubricants and maintaining a strict vigil over the use of utilities such as air conditioning, compressed air, lighting, etc. Energy consumption, therefore, has been below estimates made at the project planning stage.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

Future action will continue on the same lines as earlier. In addition, the use of engineering plastics in products is being studied as an alternative to energy-intensive metal formation processes. The use of solar energy in the Canteen is planned.

(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods :

The impact of these measures has seen superior quality, higher output and lower costs, apart from direct energy savings.

(d) Total energy consumption and energy consumption per unit of production as per prescribed Form-A :

The Company is not covered under the list of specified industries.

B. Technology Absorption

(a) Research and Development :

1. Specific areas in which R & D carried out by the Company :

The bulk of R & D has been with respect to product styling and, therefore, the design and manufacture of appearance parts. As far as movements go, R & D has been essentially in the nature of product and process improvements, import substitution, use of alternative materials and development of special jigs, tools and machines carried out as an integral part of shop management activities by technical personnel highly qualified in critically evaluating boughtout know-how.

2. Benefits derived as a result of the above R & D :

The benefits have been in the nature of improved product quality, higher productivity and lower costs, providing a wide range of products from which the consumer can choose and increase in output from 2 million to 3 million sets per year.

3. Future plan of action :

The future plan is to form an independent R & D cell which will develop new calibres and new appearance parts and work on new materials.

4. Expenditure on R & D :

Separate records for R & D will be maintained for the year 1990-91 onwards.

(b) Technology absorption, adaptation and innovation :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :

Technical absorption, adaptation and innovation have been ensured through recruitment of very highly qualified and capable engineers and placing very great emphasis on recruiting young operators with the right attitudes and aptitudes and giving them appropriate training. All imported technology inputs have been critically examined and modified to suit Indian conditions and the Company's overall business objectives. A highly participative and open management style which encourages idea generation has greatly facilitated the technology absorption, adaptation and innovation process.

2. Benefits derived as a result of the above efforts :

The benefits derived have been in the form of improved quality, high productivity and lower costs. Most importantly, the Company has completed the indigenisation process at a very fast rate, effecting considerable savings in foreign exchange outflows and acquiring a world-wide reputation for technical excellence. This in turn will enable the Company to make significant exports.

3. Technology imported during the last 5 years :

- | | |
|--|--|
| a) Technology imported | Manufacture of quartz analog wrist watches and certain wrist watch components. |
| b) Year of import | 1986-87 |
| c) Has technology been fully absorbed? | Yes |

C. Foreign exchange earned and used

	Rupees in Lakhs	
	1990	1989
Foreign exchange earned :		
Export of goods on FOB basis	532.54	1.15
Interest	3.12	1.50
Outgo of Foreign Exchange :		
Value of imports on CIF basis		
Raw materials and components	1748.45	846.26
Stores and spares	15.84	6.47
Capital goods	677.25	275.02
Expenditure in foreign currencies	419.21	261.24

Auditors' Report

To the Members of Titan Watches Limited

We have audited the attached balance sheet of Titan Watches Limited as at 31 March 1990 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we 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 31 March 1990; and
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

Bangalore, 11 June 1990

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

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 31 March 1990.

1. The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets. Most of the fixed assets have been physically verified by the management during the year. As explained to us, no discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals. The stocks in possession of third parties have been verified by the management with reference to certificates obtained from them and/or other relevant documents.
4. The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not significant and have been properly dealt with in the books of account.
6. In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding period.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 of the Companies Act, 1956.
9. 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.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and comparable alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials (including components), plant and machinery, equipment and other assets, and for the sale of goods.
11. The Company has not purchased any goods and materials or sold any goods, materials or services exceeding Rs. 50,000 in value for each type thereof during the year from/to 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.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. As explained to us, no provision is considered necessary.
13. 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.
14. As explained to us, the Company's operations do not generate any by-products and in our opinion, reasonable records have been maintained by the Company for the sale of scrap.
15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
16. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products.
17. According to the records of the Company, provident fund and employees state insurance dues have been regularly deposited during the year with the appropriate authorities.
18. There are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty as at 31 March 1990 which are outstanding for a period of more than six months from the date they became payable.
19. In our opinion and according to the information and explanations given to us, personal expenses have not been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of its service activities, the Company has a reasonable system of recording receipts, issues and consumption of components and stores commensurate with its size and the nature of its business. The system provides for a reasonable allocation of materials to the relative jobs but it is not considered necessary by the management to allocate man-hours consumed to relative jobs. In our opinion, there is a reasonable system for authorisation at proper levels, and adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of stores to jobs.

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

Bangalore, 11 June 1990

Balance Sheet

as at 31 March 1990

Sources of funds	Schedule	Rupees in lakhs	
		31-3-1990	31-3-1989
Shareholders' funds			
Share capital	A	2683.97	2396.25
Reserves and surplus	B	211.06	137.79
Convertible portion of 12.5% debentures		568.91	-
Loan funds	C		
Secured loans		5216.83	4244.62
Total		8680.77	6778.66
Application of funds			
Fixed assets	D		
Gross block, at cost		8591.57	5814.01
Less: Depreciation		719.17	321.19
Net block		7872.40	5492.82
Advances on capital account and capital work in progress, at cost		93.39	540.88
		7965.79	6033.70
Investments	E	6.00	6.00
Current assets, loans and advances	F		
Inventories		2993.20	1494.06
Sundry debtors		326.93	241.28
Cash and bank balances		96.00	237.90
Loans and advances		451.04	240.76
		3867.17	2214.00
Less:			
Current liabilities and provisions	G		
Current liabilities		2798.19	1475.04
Provisions		360.00	-
		3158.19	1475.04
		708.98	738.96
Total		8680.77	6778.66
Notes	J		

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 11 June 1990

For and on behalf of the Board,

A.L. Mudaliar

Chairman

M.N. Ramdas
Vice President - Finance
& Company Secretary

Xerxes Desai

Managing Director

Profit and Loss Account

for the year ended 31 March 1990

Income	Schedule	Rupees in lakhs	
		Current Year	Previous Period
Sales		7405.56	2771.68
Other income	H	56.17	30.11
Total		<u>7461.73</u>	<u>2801.79</u>
Expenditure			
Operating and other expenses	I	5901.33	2107.11
Depreciation		398.28	215.72
Interest		650.85	351.24
Total		<u>6950.46</u>	<u>2674.07</u>
Profit for the year		511.27	127.72
Taxes		78.00	21.00
Profit after taxes		433.27	106.72
Profit brought forward		127.79	21.07
Amount available for appropriation		561.06	127.79
Appropriations			
Transfer to debenture redemption reserve		102.33	-
Proposed dividend (subject to deduction of tax)		360.00	-
Transfer to general reserve		25.00	-
		<u>487.33</u>	-
Balance carried to balance sheet		<u>73.73</u>	<u>127.79</u>
Notes	J		

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 11 June 1990

For and on behalf of the Board,

A.L.Mudaliar

Chairman

M.N. Ramdas
Vice President - Finance
& Company Secretary

Xerxes Desai

Managing Director

Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-1990	31-3-1989
“A” Share Capital		
Authorised		
3,50,00,000 equity shares of Rs. 10 each	3500.00	3500.00
Issued and subscribed		
2,68,34,750 (1989 : 2,39,24,900) equity shares of Rs. 10 each, fully paid up	2683.48	2392.49
9,800 (1989 : 75,100) equity shares of Rs. 10 each, fully called up	0.98	7.51
Less : unpaid allotment money @ Rs. 5 per share	0.49	3.75
	0.49	3.76
	2683.97	2396.25
The above includes 28,44,550 equity shares, fully paid up, allotted on 31 March 1990 on compulsory conversion of Part A of 12.5% debentures.		

“B” Reserves and Surplus

Capital reserve		
State subsidy, as per last balance sheet	10.00	10.00
Debenture redemption reserve		
Transfer from profit and loss account	102.33	-
General reserve		
Transfer from profit and loss account	25.00	-
Balance in profit and loss account	73.73	127.79
	211.06	137.79

Schedules forming part of the accounts

"C" Loan funds	Rupees in lakhs	
	31-3-1990	31-3-1989
Secured loans		
15% 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, fully called up (net of unpaid allotment money Rs. 0.98 lakh; 1989 : Rs. 7.51 lakhs)	1311.53	1305.00
12.5% debentures of Rs. 200 each, fully paid up	568.91	-
Foreign currency term loans from the International Finance Corporation, Washington	2366.39	2119.62
Interest free sales tax loan	10.00	-
Other term loan	540.00	400.00
	<u>5216.83</u>	<u>4244.62</u>

"D" Fixed Assets

Rupees in lakhs

	Gross block			Depreciation		Net block	
	Cost as at 1-4-1989	Additions	Deductions	Cost as at 31-3-1990	As at 31-3-1990	As at 31-3-1990	As at 31-3-1989
Land-freehold	0.82	6.38	-	7.20	-	7.20	0.82
Land-leasehold	3.67	-	-	3.67	-	3.67	3.67
Buildings	567.41	261.00	-	828.41	50.58	777.83	539.35
Plant, machinery and equipment	5024.05	2375.16	-	7399.21	639.74	6759.47	4748.56
Furniture, fixtures and equipment	179.38	130.83	0.04	310.17	20.94	289.23	167.01
Vehicles	38.68	5.22	0.99	42.91	7.91	35.00	33.41
Total	<u>5814.01</u>	<u>2778.59</u>	<u>1.03</u>	<u>8591.57</u>	<u>719.17</u>	<u>7872.40</u>	
As at 31 March 1989	<u>4949.65</u>	<u>865.35</u>	<u>0.99</u>	<u>5814.01</u>	<u>321.19</u>		<u>5492.82</u>
Advances on capital account and capital work in progress, at cost						93.39	540.88
						<u>7965.79</u>	<u>6033.70</u>

Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-1990	31-3-1989
“E” Investments		
Trade investments - unquoted, at cost		
6,000 fully paid equity shares of Rs.100 each in Tata Share Registry Ltd	<u>6.00</u>	<u>6.00</u>
“F” Current assests, loans and advances		
Inventories		
Consumable stores, at cost	59.92	19.42
Loose tools	44.64	37.90
Stock-in-trade, at cost or net realisable value whichever is lower		
Raw materials and bought-out components	685.97	391.58
Work in progress	1529.64	810.07
Finished goods	<u>673.03</u>	<u>235.09</u>
	<u>2888.64</u>	<u>1436.74</u>
	2993.20	<u>1494.06</u>
Sundry debtors (unsecured and considered good)		
Over six months	7.49	2.38
Others	<u>319.44</u>	<u>238.90</u>
	326.93	<u>241.28</u>
Cash and bank balances		
Cash on hand	0.84	5.35
With scheduled banks - in current accounts	4.62	1.61
- on deposit	33.45	217.03
- in transit	<u>57.09</u>	<u>13.91</u>
	96.00	<u>237.90</u>
Loans and advances (unsecured and considered good)		
Deposits with companies	6.00	6.00
Advances recoverable in cash or in kind or for value to be received	422.55	205.38
Income-tax deducted at source, net of provision for tax	11.23	11.07
Balances with excise and customs authorities	<u>11.26</u>	<u>18.31</u>
	<u>451.04</u>	<u>240.76</u>
	<u>3867.17</u>	<u>2214.00</u>

Schedules forming part of the accounts

	Rupees in lakhs	
“G” Current liabilities and provisions	31-3-1990	30-3-1989
Current liabilities		
Sundry creditors	1715.25	1169.25
Interest accrued but not due on loans	152.22	75.42
Current maturities of loan funds		
Terms loans repayable within one year	297.00	118.50
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	508.72	111.87
Deposits from companies	<u>125.00</u>	-
	2798.19	1475.04
Provisions		
Proposed dividend	<u>360.00</u>	-
	<u>3158.19</u>	<u>1475.04</u>

“H” Other Income	Current Year	Previous Period
Interest - gross (tax deducted at source on interest received Rs. 9.91 lakhs; 1989 : Rs. 5.52 lakhs)	50.70	20.73
Income from trade investments - gross (tax deducted at source Rs. 0.21 lakh)	0.90	-
Miscellaneous income	4.57	9.38
	<u>56.17</u>	<u>30.11</u>

Schedules forming part of the accounts

	Rupees in lakhs	
	Current Year	Previous Period
“I” Operating and other expenses		
Materials consumed		
Raw materials and components	4777.52	1822.40
Stores and spare parts consumed	124.08	20.57
Payments to and provisions for employees		
Salaries and wages	292.63	116.56
Company’s contribution to provident and other funds	18.48	8.17
Welfare expenses	82.69	29.70
Gratuity	4.41	1.31
	398.21	155.74
Other expenses		
Power and fuel	52.59	25.89
Repairs to buildings	14.90	7.57
Repairs to plant and machinery	1.94	0.95
Advertising	560.97	205.14
Selling and distribution expenses	117.85	40.00
Insurance	46.76	21.97
Rent	39.27	26.19
Rates and taxes, net of modvat	314.68	44.55
Travel	87.38	37.50
Telephone and telex	59.81	32.66
Royalty	87.41	38.61
General expenses	374.16	183.37
	1757.72	664.40
Auditors’ remuneration		
Audit fees	0.75	0.50
Fees for other services	0.22	0.15
Reimbursement of expenses	0.21	0.17
	1.18	0.82
Directors’ fees	0.13	0.06
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress	1529.64	810.07
Finished goods	673.03	235.09
	2202.67	1045.16
Opening stocks		
Work in progress	810.07	261.84
Finished goods	235.09	226.44
	1045.16	488.28
	(1157.51)	(556.88)
	5901.33	2107.11

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 is Rs. 235.90 lakhs (1989 : Rs. 1229.42 lakhs).
2. a) The secured term loans repayable within one year, short term inter-corporate deposits and cash credit are grouped under current liabilities. The convertible portion of debentures has been shown separately.
b) Sundry creditors includes Rs. 563.39 lakhs (1989 : Rs. 367.42 lakhs) being the additional liability in rupee terms due to variations in the exchange rates of foreign currency term loans from the International Finance Corporation, Washington.
3. a) The 15% debentures of Rs. 100 each and the 13.5% debentures of Rs. 200 each are secured by a legal mortgage on an immovable property of the Company.
b) Further, the Company has also created an additional security by way of an equitable mortgage of the Company's immovable property situated at Hosur, and by hypothecation of its movable assets (save and except book debts), both present and future, subject to a prior charge on inventories in favour of banks for providing working capital.
4. a) The 15% debentures are redeemable in three equal annual instalments with the first instalment payable on 3 March 1994. A premium of 5% of the face value is payable together with the first instalment.
b) The 13.5% 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 on any other basis.
5. The foreign currency term loans from the International Finance Corporation, Washington, including the amount repayable within one year which has been shown under current liabilities, are secured by the securities stated in 3(b) above and rank pari passu with the debentures referred to therein. These loans are converted at the rates prevailing at the end of the year in which they were sanctioned and first disbursed.
6. The convertible portion of the 12.5% debentures, i.e. Part B of Rs. 200 each, fully paid up, is secured by a legal mortgage on an immovable property of the Company. This portion will be compulsorily and automatically converted on a date, to be fixed by the Board of Directors, between 1 October 1992 and 30 September 1993, into such number of equity shares and at such premium as may be decided by the Board of Directors with the approval of the Controller of Capital Issues.
7. The non convertible portion of the 12.5% debentures, i.e. Part C of Rs. 200 each, fully paid up, is secured by a legal mortgage on an immovable property of the Company and is redeemable at par on 30 September 1999.
8. The interest free sales tax loan is secured by a second charge by way of an equitable mortgage on the immovable property of the Company located at Hosur and hypothecation of assets except inventories and book debts.
9. The other term loan shown under secured loans, including the amount repayable within one year which has been shown under current liabilities, is in the process of being secured by the securities stated in 3(b) above.
10. a) Income from sales includes Rs. 533.83 lakhs (1989 : Rs. 1.18 lakhs) being the income from sale of components. The Company considers watch components 'as meant for sale' only when it is actually sold.
b) Income from sales includes Rs. 54.48 lakhs (1989 : Rs. 12.75 lakhs) being the income from sale of process scrap and from after-sales-service.
11. Interest on fixed loans and debentures amounts to Rs. 552.29 lakhs (1989 : Rs. 316.20 lakhs).
12. Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956.

Schedule forming part of the accounts

13. Break-up of expenditure (excluding gratuity) on employees who were :

	employed throughout the year on a remuneration at a rate not less than Rs. 72,000 per annum		employed for a part of the year on an aggregate remuneration at a rate of at least Rs. 6,000 per month	
	1990	1989	1990	1989
Number of employees	72	13	3	2
	Rupees in lakhs		Rupees in lakhs	
Salaries and wages	63.84	9.40	1.52	0.86
Company's contribution to provident and other funds	5.23	1.61	0.17	0.19

14. The Managing Director's remuneration is Rs. 2.30 lakhs (1989 : Rs. 1.51 lakhs).

15. The provisions of the Industries (Development and Regulations) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 3 million watches per annum (1989 : 2 million watches). The installed capacity is as certified by the management and relied upon by the auditors, being a technical matter.

16. The Company produced 13,55,000 watches (1989 : 5,06,310), sold 12,51,925 watches (1989 : 5,13,106), and had a closing stock of 1,70,325 watches (1989 : 67,250; 1988 : 74,046).

17. Analysis of raw materials and components consumed :

	Rupees in lakhs	
	1990	1989
Components	4459.30	1687.89
Other materials	282.60	120.19
Sundry charges	35.62	14.32
	<u>4777.52</u>	<u>1822.40</u>

18. Value of imports on CIF basis :

Raw materials and components	1748.45	846.26
Stores and spares	15.84	6.47
Capital goods	677.25	275.02
	<u>2441.54</u>	<u>1127.75</u>

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

Royalty	57.85	13.60
Interest	297.74	171.46
Technical services	2.84	40.11
Others	60.78	36.07

20. Earning in foreign exchange on receipt basis :

Export of goods on FOB basis	532.54	1.15
Interest	3.12	1.50

Schedule forming part of the accounts

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

	1990		1989	
	Rupees in lakhs	%	Rupees in lakhs	%
Imported				
CIF value	1959.64	41	807.86	44
Customs duties	1633.33	34	670.11	37
	<u>3592.97</u>	<u>75</u>	<u>1477.97</u>	<u>81</u>
Indigenous	1184.55	25	344.43	19
	<u>4777.52</u>	<u>100</u>	<u>1822.40</u>	<u>100</u>

22. The figures of the previous nine month period, which have been regrouped where necessary, are not directly comparable with the figures of the current year.

Signatures to Schedules "A" to "J"
For and on behalf of the Board.

A.L.Mudaliar Chairman

Xerxes Desai Managing Director

M.N. Ramdas
Vice President - Finance
& Company Secretary

Bangalore, 11 June 1990