EIGHTH ANNUAL REPORT 1991-92

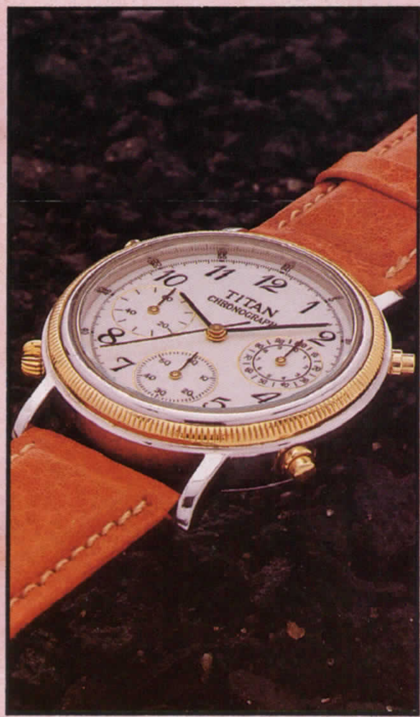
TITAN WATCHES LIMITED

Bracelet watches for women, with the fashion jewellery look – another new product line.

It has been just 5 years since your company began operations. In that short period Titan has established itself as the leader in the quartz segment in India. And made a promising entry into the international market.

With the introduction of upmarket products, Titan plans to create premium segments in the Indian watch market. And with your continued support, every venture of the company is bound to succeed.

Slim watches with clean, modern lines – to be introduced shortly.



To be introduced soon – the Chronograph. A high technology sports watch that measures upto one-twentieth of a second.

Raga: Classical Indian designs worked into distinctive ladies watches.

An exquisite range of jewellery watches, in 18K gold and precious stones, will soon be launched.

Directors

A.L. Mudaliar Chairman
Xerxes Desai Vice Chairman & Managing Director
J.J. Bhabha
S. Arvind
Ishaat Hussain
F. Perret
T.K. Balaji
A.C. Mukherji
A.N. Palwankar
B. Chandran
Dara P. Mehta (Alternate Director to F. Perret)

Executives

A.K. Manchanda Executive Vice President - International Operations
I.K. Amitha Senior Vice President – Operations
C. Gaudot Technical Advisor
R.C. Hari Rao Vice President – Manufacturing
M.N. Ramdas Vice President – Finance & Company Secretary
K.F. Kapadia General Manager – Services
C.R. Menon General Manager – Purchase
Bhaskar Bhat General Manager – Sales
M.S. Shantharam General Manager – Components & Projects
B.G. Dwarakanath General Manager – Watch Production and R & D
V.I. Nangia General Manager – Finance
V. Rajaram General Manager – Systems & HRD
Vijay Singh Marketing Controller

Bankers

Canara Bank
ANZ Grindlays Bank

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Registered Office

3, SIPCOT Industrial Complex
Hosur 635 126

Share Department

Tata Share Registry Limited
Unit : Titan Watches Limited
Shalaka, 1st Floor
Near Cooperage Telephone Exchange
Maharshi Karve Road
Bombay 400 021

Directors' Report

To the Members of Titan Watches Limited

The Directors are pleased to present the Eighth Annual Report and Audited Statement of Accounts for the year ended 31st March 1992.

Financial Results

The performance for the year ended 31st March 1992 has been good. Income rose from Rs. 106.78 crores in the previous year to Rs. 155.50 crores. Net Profit has increased significantly from Rs. 9.10 crores in the previous year to Rs. 11.10 crores for the year under review despite high interest costs, the inflationary impact of devaluation, and adverse market conditions.

	Rupees in lakhs	
	1991-92	1990-91
Gross profit	**3556.43**	2748.39
Interest	**1771.89**	1181.55
Depreciation	**674.34**	656.68
Profit before taxes	**1110.20**	910.16
Provision for taxes	-	-
Profit after taxes	**1110.20**	910.16
Provision for taxes in respect of earlier years, no longer required	-	0.93
Profit brought forward	**332.87**	73.73
Amount available for appropriation	**1443.07**	984.82
Appropriations :		
Debenture redemption reserve	**57.25**	57.00
Investment allowance reserve	**693.01**	41.75
Proposed dividend	**536.89**	483.20
Transfer to general reserve	**32.00**	70.00
Balance carried forward	**123.92**	332.87
	1443.07	984.82

Dividend

The Directors are pleased to recommend the payment of dividend at the enhanced rate of 20%, subject to the deduction of tax, if approved by the Shareholders at the Annual General Meeting.

Finance

The Shareholders of the Company, at the Extraordinary General Meeting held on 31st July 1992, approved the conversion of Part B of the 12.5% debentures issued in 1989 into equity shares, as recommended by the Directors. These Part B debentures, aggregating to Rs.568.91 lakhs, were due for conversion into equity shares between 1st October 1992 and 30th September 1993. They will now be converted into equity effective 1st October 1992. Each Part B debenture of Rs.200 will be converted into four equity shares at a price of Rs.50 per equity share, inclusive of a premium of Rs.40 per share. As required by SEBI's latest guidelines, Debentureholders will have to give their "positive consent" for conversion, failing which Part B will be redeemed at par.

At the EGM on 31st July 1992, the Shareholders also approved a proposal to make a rights offer of equity to the Shareholders, Part B Debentureholders and to Company employees. The rights entitlement is one equity share for every two equity shares and two equity shares for every Part B debenture. 1,34,22,300 equity shares are thus being offered to the Shareholders, 5,69,000 to the Holders of Part B debentures and 6,99,600 to Indian directors and employees of the Company, including employees of promoting and associate companies.

The amount so offered amounts to Rs.7345.45 lakhs. The money will be used to fund a part of the Company's capital expenditure programme and to meet its need for working capital, together amounting to Rs.170 crores. The balance will be funded through internal accruals and borrowings.

The rights offer is being made to all the Shareholders and Part B Debentureholders whose names appear in the Company's Registers on 23rd and 26th September 1992 respectively. The shares are offered at a price of Rs.50 per share inclusive of a premium of Rs.40. The full amount of Rs.50 per share is payable on application. The details are contained in an offer which will be mailed to the Shareholders and Debentureholders shortly.

The rights issue of equity replaces the earlier proposal for issue of fully convertible debentures. The issue is scheduled to open in October 1992.

During the year under review the Company repaid Rs.4.33 crores to International Finance Corporation, Washington and Rs.1.20 crores toTamil Nadu Industrial Development Corporation Limited.

During the year under review the Company took a special deposit of Rs.5 crores from Unit Trust of India, an interest-free sales tax loan of Rs.0.44 crores from the State Industries Promotion Corporation of Tamil Nadu Limited, and additional fixed deposits aggregating to Rs.3.59 crores.

The Company is in the process of concluding arrangements with The Industrial Credit & Investment Corporation of India Limited for a term loan of Rs.24 crores and with the Export-Import Bank of India for a term loan of Rs.5 crores. The Company has also availed of bridging finance from The Industrial Credit & Investment Corporation of India Limited and ANZ Grindlays Bank for Rs.20 crores, pending realisation of funds from the proposed issue of equity.

The Company resorted to substantial borrowings in the Inter-Corporate Deposit market because of the restrictions on cash credit and cash curbs on imports imposed by the Government of India as also because of the delay in making a rights issue due to changes and uncertainties in Government's capital market policies.

The capital expenditure programme for the year was drastically curtailed on account of the curbs on imports following the country's balance of payments crisis. No capital goods were imported during the year under review, thereby delaying your Company's profitable indigenisation programme.

An amount of Rs.57.25 lakhs has been transferred to the debenture redemption reserve in accordance with statutory requirements.

An amount of Rs.693.01 lakhs has been transferred to the investment allowance reserve account leaving a balance of Rs.304.05 lakhs to be provided in future.

Manufacturing

During the year under review, the Company produced 2.56 million movements, 1.24 million cases and 2.26 million watches, representing a growth over the previous year of 22%, 37% and 11% respectively. The Company's plant at Hosur is performing well and continues to receive praise from industry and trade professionals all over the world. Further improvements have been effected in productivity and product quality. Import substitution has been one of the plant's key objectives. The Dehra Dun assembly plant also performed well, fully justifying the investment made.

The Company's computer aided facilities for the design of appearance parts are being significantly upgraded. Considerable progress has been made not only in developing new styles but also in developing new movements. Your Company has been recognised by the Department of Scientific and Industrial Research as an established R & D centre.

The main technology transfer agreement with France Ebauches ended in February of this year, on completion of 5 years from the commencement of production. The Directors wish to place on record their appreciation of the crucial role which France Ebauches played in the formation and development of your Company. It has been a good and mutually beneficial relationship. While the main agreement has concluded, it has not brought our relationship to an end. Your Company continues to buy from and sell to France Ebauches. Apart from that, France Ebauches is currently in the process of transferring knowhow for the manufacture of step motors.

During the year under review, the CIF value of imported materials and components consumed amounted to Rs.25.31 crores which was only slightly above the import figure of Rs.23.51 crores for the preceding year despite the dramatic devaluation of the Indian rupee and increase in the quantity produced. The manufacturing group is attaching a great deal of importance to the curtailment of imports. The various steps being undertaken in the current year to internalise the manufacture of step motors and ECBs as also to develop a better vendor base for cases, dials and raw materials should see a very significant reduction in the import bill in the months to come.

Sales

Shareholders may have read in the Indian press that, in a poll conducted by A&M - MARG, over 200 professionals voted Titan "the most admired consumer durable Company in India". Companies were ranked on 18 parameters: Titan stood first in 16 out of 18 and second in the remaining two parameters. All of us can be justly proud of the recognition received by the Company.

During the year under review, the Company sold 22.42 lakh watches involving a growth of 22% over the previous year in terms of units sold and 45% in terms of revenues realised. Market share stood at close to 60% of quartz analog watches made in India and approximately one-eighth% of all watches sold in the country including mechanical, digital and smuggled products. The Company now has a chain of 53 showrooms of which 4 are company owned. It is proposed to take the number of showrooms to 70 before the end of the current year, of which 10 will be company owned.

Over 150 new models were introduced in 1991-92. A host of new products based both on new movements and on new styling will be introduced in the market in the current year. Raga, a new range launched in June 1992, has proved to be a great success. Spectra, a range of watches in steel and plated gold, is being reintroduced with a new look in August of this year.

In line with the Company's plans to move upmarket, it has been decided to discontinue the sale of the Aqura range in the near future. The brand name "Aqura", as also the right to make Aqura products, will be sold to Timex.

Exports

During the year the Company exported over 40,000 watches, largely to the Middle East, and over 2,00,000 movements to Hong Kong. The level of sales and marketing activity in the Middle East is being significantly stepped up and it should be possible to more than double sales this year. Sale of Titan products will also commence in other neighbouring countries during the year.

The strategy for the developed markets of Europe and North America is significantly different. It will be based on a more luxurious range explained elsewhere in this Report and will use a different brand name, suited to these markets. With the commencement of this phase of our export strategy in mid 1993, Titan will become an important exporter and player in the world watch market.

New Activities

The Company is taking steps to increase capacity to 3.5 million watches largely through productivity improvements and the addition of balancing equipment. Plans to further increase the capacity are under formulation.

A Rs.5 crore project for the manufacture of step motors is being implemented and the manufacture of certain step motor parts has already commenced. The Company expects to be fully independent of step motor imports by the end of this financial year.

The Rs.6.5 crore project to manufacture Electronic Circuit Blocks in Titan TimeProducts Limited, a joint sector project with the Economic Development Council of Goa, Daman & Diu Limited, is making good progress at Verna in Goa. The manufacture of ECBs will commence in August in a temporary location. Manufacture at the permanent location will commence in November. Your Company will become totally independent of ECB imports by the middle of 1993.

Following the technical and commercial successes achieved by the first Physical Vapour Deposition plant for highly durable gold plating, a much larger system is being installed at a cost of almost Rs.7 crores. The PVD plant will be operational by January 1993.

The indigenisation of step motors and ECBs and the expansion of the PVD plant will all significantly add to the Company's profitability.

Your Company has begun implementing a programme for starting up a jewellery business line which holds promise of good profits. India enjoys a competitive advantage in the making of jewellery because of low labour costs, a flourishing industry for the cutting and polishing of small diamonds and a tradition of jewellery making. Titan has a number of other advantages peculiar to it: an enviable name and image, financial strength, marketing skills, aesthetic capability, high standards of workmanship, a reputation for excellent business ethics and, lastly, the Tata connection with its strong connotation of reliability, an attribute crucial to success in the jewellery trade.

The jewellery which we plan to make is for both the international market and the domestic market, but predominantly for the world market. Titan's jewellery repertoire will include both daily-wear jewellery and luxury products.

The manufacturing base will be at Hosur. A pilot plant involving a capital outlay of about Rs.50 lakhs is now in production. The main manufacturing unit will be ready by the middle of 1993. It will be located on a new plot about five minutes walking distance from the present factory. This unit is expected to cost Rs.25 crores to build and equip. The plant will have a built up area of about 11,000 sq. m. and employ about 350 persons. The main manufacturing unit will eventually have a capacity of making 1250 pieces per day.

Our prime consultants for the jewellery project are a UK firm - Grant Walker. The jewellery will be marketed worldwide through an offshore company controlled by Titan Watches Limited with its main operating base in London.

In the Indian market, Titan will offer styles and levels of craftsmanship not hitherto seen, aggresively market branded products, retail the jewellery through high-profile captive showrooms and bring to the business new standards of ethics and reliability.

We believe that Titan's venture into jewellery will bring to the Company profit and prestige, both on a quite significant scale.

The project to make jewellery watches is making good progress. Prototypes have been developed and appreciatively received by experts in India and abroad. A limited offering will make its Indian debut before the end of 1992.

The project to make a new range of watches for the European, American and other developed markets is also making good progress. These watches are being designed in Europe. They are expected to retail at prices between US$ 150 to US$ 750. Special manufacturing facilities with a capacity for 2,00,000 watches per year, and estimated to cost Rs.30 crores, will be established at Hosur. Titan will work closely with certain well-known European manufacturers to achieve standards equal to the best anywhere in the world. As with jewellery, London will be the headquarters of your Company's international watch marketing operations.

The Timex project is making good progress. Timex watches are expected to be in the market by the end of October of this year. The bulk of the Timex range will be in the Rs.350-700 price bracket and will be complementary to the Titan offering. The project is estimated to cost around Rs.85 crores. Your Company along with other Tata associates will participate in the equity of Timex. Each equity share of Rs.10 will be issued at a premium of Rs.10. Timex also proposes to make a Partly Convertible Debenture issue of close to Rs.60 crores. A part of the PCD issue will be offered to the Shareholders and Part B Debentureholders of Titan Watches.

Over the next 12 months, the Company will implement a programme to link together its stock points located all over India, the showrooms which it owns, the Hosur and Dehra Dun factories and the corporate office by means of an integrated modem and satellite-based network, with a local area network in the corporate office itself. This system will substantially add to the efficient working of the Company.

The Company's capital expenditure plan is estimated at Rs.130 crores of which Rs.12 crores is by way of capacity expansion, Rs.5 crores by way of internalisation of previously imported items, Rs.45 crores is on new facilities related to watch making, Rs.25 crores is on the jewellery project, Rs.30 crores is on infrastructural support and approximately Rs.13 crores is on investments in associate companies such as Timex, Titan TimeProducts Limited and Titan Properties Limited.

Housing

Many of the employees at Hosur have to make do with overcrowded and make-shift housing in Hosur itself or spend an hour each way commuting from Bangalore. The Company has long desired to obtain for its employees a superior quality of urban life which is, at the same time, affordable. A scheme has, therefore, been formulated to develop a self-contained township at Mathigiri, about 7 kilometers from our factory.

We were privileged to have Mr. R.N.Tata launch the scheme on 27th April 1992. The township, which is being designed by Mr. Charles Correa, is projected to extend over 100 acres of land.

The Company has incorporated Titan Properties Limited to oversee the land development for the entire scheme and construction of the company owned houses. Titan Properties will undertake the construction of the entire physical infrastructure as also community facilities like schools, a medical centre, a community library, a social and sports club, a cable TV network, shopping centre, and, of course, a certain number of residential units. Employees will be encouraged to construct their own houses on land sold to them by Titan Properties, but within the basic parameters laid down by the Company and the local development authorities. Standardised house designs will also be made available to them and these will provide for variation in architectural style, in layouts and in building specifications - and thus in costs. Employees will also have the option to get their houses constructed through Titan Properties, or to merely obtain advice on selection of materials, methods of construction, choice of contractors, prices, etc.

A scheme has been formulated to enable employees to borrow from reputed housing finance companies at interest rates which will be subsidised by the Company. The recurring interest subsidy to employees will cost approximately Rs.50 lakhs per year. An expenditure of approximately Rs.6.5 crores will be incurred by the Company in providing the social infrastructure, building a certain number of residential units and providing a subsidy on the purchase of the land.

Employees

The Company now has 2321 employees of whom 1763 are at Hosur, 67 at Dehra Dun, 259 in the field, and 232 at the corporate head office. They together constitute one of the most motivated and talented workforces in Indian industry and have been a crucial factor in the Company's successes. Success both generates and attracts talent and its human resource strengths enable your Company to face the opportunities coming its way with burgeoning confidence. In a letter to the employees of Titan Watches which he wrote after his visit to our Hosur plant, Mr. R.N.Tata said :

> "The factory and the technical capabilities are impressive, but what impressed me most was the spirit and the enthusiasm I saw in each one of you. It is your enthusiasm and your commitment that has made the Company what it is today and I hope this spirit and sense of pride in you will continue to grow. It makes me extremely proud that Titan is a Company in the Tata group."

Management's on-going dialogue with employees through a system of "forums" is working well. A number of important issues concerning the welfare and well-being of the industrial workforce are being currently discussed in these forums which continue to be free of external interventions. Over the years, much good and commendable work has been done by the various employee forums.

Prospects

The prospects before the Company are indeed rather good. During 1992-93, watch sales are expected to rise to well over 2.5 million watches against the 2.25 million recorded in the previous year. Income is expected to cross Rs.200 crores. Greater attention will be paid to exports as also to up-market moves in the domestic market.

The new policies of the Government of India have aided the Company's expansion, import substitution and export drives and it is hoped that these policies will be relentlessly pursued by the Government. The only negative environmental feature is the continuing stagnation in consumer spending.

Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company continues to receive from the Governments of India and Tamil Nadu, the participating financial institutions, the Company's bankers, the watch trade and the Indian press.

Directors

Mr. J.J. Bhabha, Mr. A.C. Mukherji, Mr. T.K. Balaji and Mr. A.N. Palwankar retire by rotation and are eligible for reappointment. During the period under review, Mr. A.S. Gore, Mr. P.K. Dave and Mrs. V. Chandralekha resigned from the Board of the Company. Your Directors have placed on record their appreciation of the valuable services rendered by them during their tenure.

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.

On behalf of the Board of Directors,

A.L. Mudaliar
Chairman

Hosur, 31 July 1992

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

1. There has been a 11% increase in the activity levels at the factory over the previous year's levels. However, energy consumption has gone up by only 3%. This has been achieved by constant improvements in processes and productivity, and implementation of a well planned energy conservation programme.

2. The use of energy efficient devices in place of conventional devices is being explored. To facilitate this process, an energy audit is being planned which will identify areas where conservation of energy is possible.

3. In the year 1991-92, it has been possible to achieve an average power factor of 0.95 (0.9 in the previous year) and a monthly saving of about 30,000 units.

B. Technology Absorption

(a) Research & Development

1. Research and Development is being carried out in the following areas :

   - Design and development of speciality movements and slim line movements.
   - Upgradation of the aesthetic and functional aspects of the watch by adopting new designs and processes.
   - Developing special jigs and fixtures to increase productivity.
   - Making design modifications in the product so as to simplify the manufacturing process and enhance productivity.
   - Design and development of special machines required for increasing capacity.
   - Development of equipments required for testing product reliability at various stages.

2. Plans for 1992-93 include the setting up of a full-fledged prototype centre which will have the capability of producing small batch prototypes. The prototype centre will help bridge the gap between design conceptualisation and manufacturing technology.

In order to reduce the manufacturing response time, the existing CAD facility is being upgraded and will be linked to a CAM system. This is an important step towards the development of an integrated manufacturing system which links aesthetic design with product manufacture.

3. The Department of Scientific and Industrial Research (DSIR) has given accredition to Titan for having an established R & D centre.

(b) Technology absorption, adaptation and innovation :

1. Technology for the manufacture of watch components has been successfully absorbed. As regards movement manufacture, productivity improvements along with marginal investments in balancing equipments, have resulted in an increase in installed capacity.

2. In order to improve the quality and reliability of plating, the technology of physical vapour deposition for coating cases and straps has been adapted. This sophisticated technology provides a wear resistant coating with very high levels of finish and colour consistency.

3. The process of technology absorption for step motor manufacture has already begun. In-house manufacture of step motors will result in substantial savings in cost and foreign exchange outflows.

C. Foreign Exchange earned and used

The Company has earned Rs. 378.54 lakhs in foreign exchange and used Rs. 2835 lakhs.

On behalf of the Board of Directors,

A.L. Mudaliar
Chairman

Hosur, 31 July 1992

Auditors' Report

To the Members of Titan Watches Limited

We have audited the attached balance sheet of Titan Watches Limited as at 31st March 1992 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 31st March 1992; and
      (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 29 June 1992

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 31st March 1992.

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 serious discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
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 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 year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the terms and conditions were prima facie prejudicial to the interest of the Company. 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. In our opinion and according to the information and explanations given to us and, having regard to our comments in 10 above, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services as available with the Company, or the prices at which transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for the same has been made in the accounts.

13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted.

14. As explained to us, the Company's operations do not generate any by-products 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 period with the appropriate authorities. There are no overdue amounts outstanding as at 31st March 1992.

18. There are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty as at 31st March 1992 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 & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 29 June 1992

Balance Sheet

as at 31 March 1992

	Schedule		31-3-1992	31-3-1991
			Rupees in lakhs	
Sources of funds				
Shareholders' funds				
Share capital	A		**2684.46**	2684.46
Reserves and surplus	B		**1215.49**	642.18
Convertible portion of 12.5% debentures			**568.91**	568.91
Loan funds				
Secured loans	C		**5948.43**	5914.34
Unsecured loans	D		**1027.75**	168.54
Total			**11445.04**	9978.43
Application of funds				
Fixed assets	E			
Gross block, at cost		**11259.23**		9702.67
Less: Depreciation		**2045.87**		1374.00
Net block		**9213.36**		8328.67
Advances on capital account and capital work in progress, at cost		**306.30**		279.80
			9519.66	8608.47
Investments	F		**6.00**	6.00
Current assets, loans and advances	G			
Inventories		**7163.27**		6264.84
Sundry debtors		**565.18**		403.00
Cash and bank balances		**169.89**		222.59
Loans and advances		**1594.57**		1038.05
		9492.91		7928.48
Less:				
Current liabilities and provisions	H			
Current liabilities		**7036.64**		6081.32
Provisions		**536.89**		483.20
		7573.53		6564.52
Net current assets			**1919.38**	1363.96
Total			**11445.04**	9978.43
Notes	K			

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 29 June 1992

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

For and on behalf of the Board,

A.L. Mudaliar — Chairman

Xerxes Desai — Vice Chairman & Managing Director

Profit and Loss Account

for the year ended 31 March 1992

Income	Schedule		Current Year	Previous Year
			Rupees in lakhs	
Sales			**15500.95**	10626.04
Other income	I		**49.38**	51.91
Total			**15550.33**	10677.95
Expenditure				
Operating and other expenses	J		**11993.90**	7929.56
Depreciation			**674.34**	656.68
Interest			**1771.89**	1181.55
Total			**14440.13**	9767.79
Profit for the year			**1110.20**	910.16
Taxes			-	-
Profit after taxes			**1110.20**	910.16
Provision for taxes in respect of earlier years, no longer required			-	0.93
Profit brought forward			**332.87**	73.73
Amount available for appropriation			**1443.07**	984.82
Appropriations				
Transfer to debenture redemption reserve		**57.25**		57.00
Transfer to investment allowance reserve account		**693.01**		41.75
Proposed dividend (subject to deduction of tax)		**536.89**		483.20
Transfer to general reserve		**32.00**		70.00
			1319.15	651.95
Balance carried to balance sheet			**123.92**	332.87
Notes	K			

Per our report attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Bangalore, 29 June 1992

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

For and on behalf of the Board,

A.L. Mudaliar — Chairman

Xerxes Desai — Vice Chairman & Managing Director

Schedules forming part of the accounts

"A" Share capital

	Rupees in lakhs 31-3-1992	31-3-1991
Authorised		
5,00,00,000 (1991 : 3,50,00,000) equity shares of Rs. 10 each	**5000.00**	3500.00
Issued and subscribed		
2,68,44,550 equity shares of Rs. 10 each, fully paid up	**2684.46**	2684.46
	2684.46	2684.46

"B" Reserves and surplus

		31-3-1992	31-3-1991
Capital reserve			
As per last balance sheet	**13.23**		10.00
Surplus on re-issue of forfeited shares and debentures	**-**		3.23
		13.23	13.23
Debenture redemption reserve			
As per last balance sheet	**159.33**		102.33
Transfer from profit and loss account	**57.25**		57.00
		216.58	159.33
Investment allowance reserve account			
As per last balance sheet	**41.75**		-
Transfer from profit and loss account	**693.01**		41.75
		734.76	41.75
General reserve			
As per last balance sheet	**95.00**		25.00
Transfer from profit and loss account	**32.00**		70.00
		127.00	95.00
Balance in profit and loss account		**123.92**	332.87
		1215.49	642.18

Schedules forming part of the accounts

"C" Secured loans

	Rupees in lakhs 31-3-1992	31-3-1991
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 paid up	**1312.50**	1312.50
12.5% debentures of Rs. 200 each, fully paid up	**568.91**	568.91
Foreign currency term loans from the International Finance Corporation, Washington	**3202.17**	3091.60
Interest free sales tax loan	**84.85**	41.33
Other term loan	**360.00**	480.00
	5948.43	5914.34

"D" Unsecured loans

	31-3-1992	31-3-1991
Fixed deposits	**527.75**	168.54
Term loan from a financial institution	**500.00**	-
	1027.75	168.54

Schedules forming part of the accounts

"E" Fixed assets

Rupees in lakhs

	Gross block				Depreciation	Net block	
	Cost as at 1-4-1991	**Additions**	**Deductions**	**Cost as at 31-3-1992**	**As at 31-3-1992**	**As at 31-3-1992**	As at 31-3-1991
Land-freehold	23.57	**6.39**	-	**29.96**	-	**29.96**	23.57
Land-leasehold	3.67	-	-	**3.67**	-	**3.67**	3.67
Buildings	844.14	**135.76**	-	**979.90**	**106.13**	**873.77**	768.00
Plant, machinery and equipment	8357.79	**1277.71**	-	**9635.50**	**1873.72**	**7761.78**	7105.65
Furniture, fixtures and equipment	405.94	**121.73**	**2.55**	**525.12**	**52.53**	**472.59**	370.60
Vehicles	67.56	**24.26**	**6.74**	**85.08**	**13.49**	**71.59**	57.18
Total	9702.67	**1565.85**	**9.29**	**11259.23**	**2045.87**	**9213.36**	
As at 31st March 1991	8591.57	1116.86	5.76	9702.67	1374.00		8328.67
Advances on capital account and capital work in progress, at cost						**306.30**	279.80
						9519.66	8608.47

"F" Investments

	Rupees in lakhs	
	31-3-1992	31-3-1991
Trade investments - unquoted, at cost		
6,000 fully paid equity shares of Rs. 100 each in Tata Share Registry Ltd	**6.00**	6.00
1 (1991 : Nil) fully paid equity share of Rs. 10 in Titan TimeProducts Ltd		-
	6.00	6.00

Schedule forming part of the accounts

"G" Current assets, loans and advances

			Rupees in lakhs
		31-3-1992	31-3-1991
Inventories			
Consumable stores, at cost		**171.55**	128.46
Loose tools		**71.37**	65.08
Stock-in-trade, at cost or net realisable value whichever is lower			
Raw materials and bought-out components	**1370.23**		1621.83
Work in progress	**3656.45**		2887.24
Finished goods	**1893.67**		1562.23
		6920.35	6071.30
		7163.27	6264.84
Sundry debtors (unsecured and considered good)			
Over six months	**0.82**		28.50
Others	**564.36**		374.50
		565.18	403.00
Cash and bank balances			
Cash on hand	**2.02**		3.21
With scheduled banks - in current accounts	**14.27**		6.66
- on deposit			78.56
- in transit	**153.60**		134.16
		169.89	222.59
Loans and advances (unsecured and considered good)			
Deposits with companies	**1.75**		-
Advances recoverable in cash or in kind or for value to be received	**1572.41**		858.25
Income-tax deducted at source, net of provision for tax	**12.86**		6.90
Balances with excise and customs authorities	**7.55**		172.90
		1594.57	1038.05
		9492.91	7928.48

Schedules forming part of the accounts

"H" Current liabilities and provisions

		Rupees in lakhs	
		31-3-1992	31-3-1991
Current liabilities			
Acceptances	**503.71**		912.83
Sundry creditors	**1693.23**		1272.73
Unclaimed dividends	**8.17**		7.86
Interest accrued but not due on loans	**239.68**		157.42
Current maturities of loan funds			
Term loans repayable within one year	**779.88**		518.09
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**1470.93**		1991.17
Deposits from companies	**2188.00**		1160.00
Unsecured short-term loan from a bank	**153.04**		61.22
		7036.64	6081.32
Provisions			
Proposed dividend		**536.89**	483.20
		7573.53	6564.52

"I" Other income

	Current Year	Previous Year
Interest - gross (tax deducted at source on interest received Rs. 5.75 lakhs; 1991 : Rs. 6.55 lakhs)	**42.09**	42.86
Income from trade investments - gross (tax deducted at source Rs. 0.21 lakh; 1991 : Rs. 0.20 lakh)	**0.84**	0.84
Miscellaneous income	**6.45**	8.21
	49.38	51.91

Schedule forming part of the accounts

"J" Operating and other expenses

			Rupees in lakhs Current Year	Previous Year
Raw materials and components consumed			7397.78	6428.49
Stores and spare parts consumed			1235.19	570.31
Payments to and provisions for employees				
Salaries and wages		625.06		467.52
Company's contribution to provident and other funds ...		41.93		29.98
Welfare expenses		143.42		124.67
Gratuity		8.44		2.74
			818.85	624.91
Other expenses				
Power and fuel		114.44		113.20
Repairs to buildings		12.55		21.98
Repairs to plant and machinery		21.97		1.93
Advertising		952.21		838.08
Selling and distribution expenses		163.46		153.95
Insurance		92.51		70.59
Rent		211.81		81.40
Rates and taxes, net of modvat		1017.55		463.16
General expenses		1052.39		804.98
			3638.89	2549.27
Auditors' remuneration				
Audit fees		2.00		0.75
Fees for taxation matters		0.70		0.40
Fees for company law matters		-		0.15
Management consultancy services		0.63		1.48
Fees for other services		0.05		0.18
Reimbursement of expenses		0.31		0.27
			3.69	3.23
Directors' fees			0.15	0.15
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	3656.45			2887.24
Finished goods	1893.67			1562.23
		5550.12		4449.47
Opening stocks				
Work in progress	2887.24			1529.64
Finished goods	1562.23			673.03
		4449.47		2202.67
			(1100.65)	(2246.80)
			11993.90	7929.56

Schedule forming part of the accounts

"K" Notes to the accounts

1. Accounting policies :

   The accounts are prepared on historical cost convention and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India. The significant accounting policies followed by the Company are as stated below :

   i) Fixed assets : Expenditure which is capital in nature is capitalised at a cost, which comprises of purchase price (net of rebates and discounts), import duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

   ii) Depreciation : Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956.

   iii) Foreign currency transactions : Foreign currency liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last working day of the accounting year or forward cover rates, as applicable. The net variation arising out of the said translation and roll over charges, if any, are adjusted to the cost of fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in the manner stated in (ii) above.

   Other foreign currency assets and liabilities are similarly translated and the net loss arising out of such translation (after considering roll over charges, if any) is adjusted to the profit and loss account.

   iv) Investments : Investments are valued at acquisition cost.

   v) Inventories : Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The method of valuation of various categories of inventory is as follows:

   (a) Consumable stores, loose tools, raw materials and components are valued on a monthly moving weighted average rate.

   (b) Work in progress and finished goods are valued on full absorption cost method based on the annual average cost of production.

   vi) Retirement benefits : Contribution to the provident fund is made monthly at a predetermined rate to the Provident Fund Trust and debited to the profit and loss account on an accrual basis.

   Gratuity liability is provided on an actuarial basis.

   Contribution to the superannuation fund is made annually at a predetermined rate to the Superannuation Trust and debited to the profit and loss account on an accrual basis.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 525.42 lakhs (1991 : Rs. 109.12 lakhs).

3. The secured term loans repayable within one year, cash credit, short term deposits from companies and unsecured short term loan from a bank are grouped under current liabilities. The convertible portion of debentures has been shown separately.

Schedule forming part of the accounts

4. 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 :

      (i) by way of an equitable mortgage of the Company's immovable property situated at Hosur and

      (ii) 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.

5. a) The 15% debentures are redeemable in three equal annual instalments with the first instalment payable on 3rd 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. 15th 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.

6. The 12.5% debentures are secured by :

   a) a legal mortgage on an immovable property of the Company and

   b) an equitable mortgage on the immovable property of the Company located at Hosur.

7. a) The convertible portion of the 12.5% debentures, i.e. Part B of Rs. 200 each, fully paid up, will be compulsorily and automatically converted on a date, to be fixed by the Board of Directors, between 1st October 1992 and 30th September 1993, into such number of equity shares and at such premium as may be decided by the Board of Directors subject to such approvals as may be required.

   b) The non convertible portion of the 12.5% debentures, i.e. Part C of Rs. 200 each, fully paid up, is redeemable at par on 30th September 1999.

8. The foreign currency term loans from the International Finance Corporation, Washington, including Rs. 659.88 lakhs (1991 : Rs. 398.09 lakhs) repayable within one year which has been shown under current liabilities, are secured by the securities stated in 4(b) above.

9. 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.

10. The other term loan shown under secured loans, including Rs. 120 lakhs (1991 : Rs. 120 lakhs) repayable within one year which has been shown under current liabilities, is secured by way of an equitable mortgage on the immovable property of the Company.

11. The security covered under notes 4(b)(i), 6(b), 8 and10 above rank pari passu.

12. Loans and advances include Rs. 622.45 lakhs (1991 : Rs. 180.00 lakhs) advanced to companies which are proposed to be adjusted against issue of equity shares by them.

13. a) Income from sales includes Rs. 249.04 lakhs (1991 : Rs. 74.17 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. 234.01 lakhs (1991 : Rs. 158.79 lakhs) being the income from sale of process scrap and from after-sales-service.

14. Interest on fixed loans and debentures amounts to Rs. 1495.69 lakhs (1991 : Rs. 1000.22 lakhs).

Schedule forming part of the accounts

15. The Managing Director's remuneration (including commission of Rs. 0.90 lakh; 1991 : Rs. 0.90 lakh) is Rs. 3.67 lakhs (1991 : Rs. 3.47 lakhs). Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under :

	Rupees in lakhs 1992	1991
Profit before taxes as per Profit & Loss Account	**1110.20**	910.16
Add: Managing Director's remuneration	**3.67**	3.47
Directors' fees	**0.15**	0.15
Depreciation provided in the accounts for the current year	**674.34**	656.68
Loss on sale of fixed assets as per books	**0.46**	0.74
Profit on sale of fixed assets as per section 349 of the Companies Act, 1956	**1.96**	0.89
	1790.78	1572.09
Less: Depreciation as per section 350 of the Companies Act, 1956 for the current year	**1314.10**	1479.80
Excess of expenditure over income in respect of earlier years as per section 349 (4)(1) of the Companies Act, 1956. (Based on legal advice and a High Court decision, depreciation of earlier years has not been considered as an expenditure)	**-**	-
Net profit	**476.68**	92.29
Commission @ 1% on the above	**4.77**	0.92
Restricted to 50% of salary	**0.90**	0.90

16. 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 (1991 : 3 million watches). The installed capacity is as certified by the management and relied upon by the auditors, being a technical matter.

17. The Company produced 22,60,014 watches (1991 : 20,28,000), sold 22,41,612 watches (1991 : 18,33,404), and had a closing stock of 3,83,323 watches (1991 : 3,64,921 watches; 1990 : 1,70,325 watches).

18. Analysis of raw materials and components consumed:

	Rupees in lakhs 1992	1991
Components	**6895.03**	5938.50
Other materials	**453.42**	436.46
Sundry charges	**49.33**	53.53
	7397.78	6428.49

19. Value of imports on CIF basis :

	1992	1991
Raw materials and components	**2277.98**	2651.78
Stores and spares	**48.40**	59.54
Capital goods	**-**	114.65
	2326.38	2825.97

Schedule forming part of the accounts

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

	Rupees in lakhs 1992	1991
Royalty and technical fees	**91.54**	73.13
Interest	**334.21**	309.63
Others	**42.73**	32.95

21. Amount remitted in foreign currency on account of dividends :

	1992	1991
(i) Number of Shareholders	**218**	236
(ii) Number of equity shares on which dividend was paid	**27,08,460**	28,01,700
(iii) Year to which the dividend related	**1990-91**	1989-90
(iv) Amount remitted (net of tax)(Rs. in lakhs)	**40.14**	34.37

22. Earning in foreign exchange on receipt basis :

	Rupees in lakhs 1992	1991
Export of goods on FOB basis	**378.54**	102.00
Interest	-	0.70

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

	1992 Rupees in lakhs	**1992** %	1991 Rupees in lakhs	1991 %
Imported				
CIF value	**2530.93**	**34**	2350.62	37
Customs duties	**2335.97**	**32**	2132.90	33
	4866.90	**66**	4483.52	70
Indigenous	**2530.88**	**34**	1944.97	30
	7397.78	**100**	6428.49	100

24. Expenditure and earnings in foreign currency are not strictly comparable with the figures of previous year due to decline in value of the rupee against foreign currencies.

25. The figures of the previous year, have been regrouped where necessary.

Signatures to Schedules "A" to "K"

For and on behalf of the Board,

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

A.L.Mudaliar
Chairman

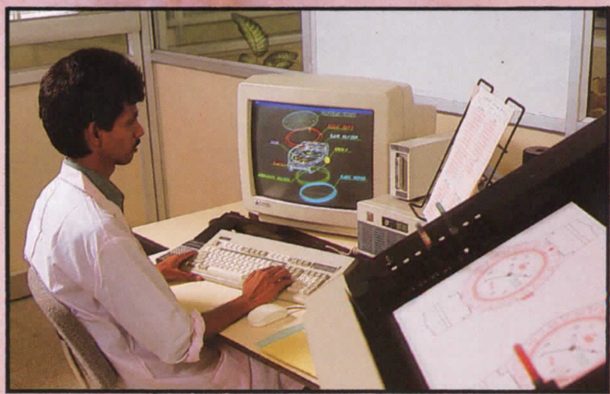
Xerxes Desai
Vice Chairman & Managing Director

Bangalore, 29 June 1992

The Titan Showroom – the ideal way to shop for watches.

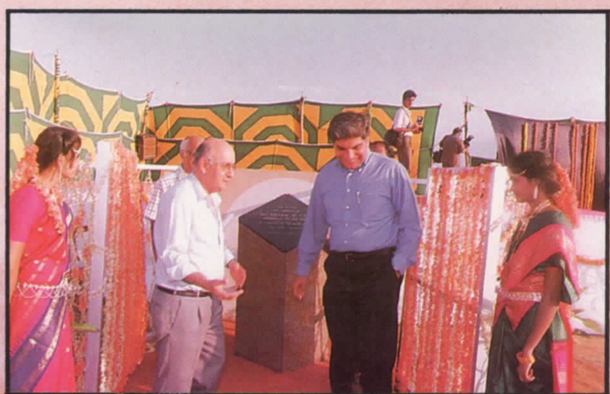
The assembly shop turns out over 8,000 watches daily.

Sophisticated computer controlled machines produce complex tools required for watch-making.



Much of Titan's product design is done using CAD stations.

The Administrative building at Hosur, set in a beautifully landscaped environment.



Mr. Ratan Tata, at Hosur, inaugurating the Titan Housing Complex.