TITAN

ELEVENTH ANNUAL REPORT

1994 - 95

TITAN INDUSTRIES

THE DUBAI SHOWROOM

Titan adds another jewel to its retailing crown. The company

opened its first exclusive showroom in Dubai this year, signalling an international extension of its showroom chain. Located in one of the city's most prestigious shopping malls, this elegant

showroom provides a magnificent back drop for Titan's international range of jewellery and watches.

Directors

A L Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

J J Bhabha

S Arvind

Farrokh K Kavarana

Ishaat Hussain

T K Balaji

A C Mukherji

A N Palwankar

Dr Anuradha K Rajivan

Executives

I K Amitha
Senior Vice President-Business Development

R C Hari Rao
Vice President - Manufacturing

Bhaskar Bhat
Vice President - Sales & Marketing

C R Menon
Vice President - Sales & Marketing
(International Operations)

K F Kapadia
Vice President - Finance

V Rajaram
Vice President - Corporate Affairs

Secretary

V Ganesh
Asst. Company Secretary

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 Industries Limited
Shalaka, Maharshi Karve Road, Bombay 400 021

NOTICE

The Eleventh Annual General Meeting of Titan Industries Limited will be held at the Registered Office of the Company, at 3 SIPCOT Industrial Complex, Hosur 635 126, on 18th August 1995 at 3.30 p.m. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 1995 and the Balance Sheet as at that date.
2. To declare a dividend of 30% on equity shares.
3. To appoint Directors in place of Mr J J Bhabha, Mr F K Kavarana, and Mr Ishaat Hussain who retire by rotation and are eligible for reappointment.
4. To appoint a Director in place of Dr Anuradha K Rajivan who holds office upto the date of this Annual General Meeting in terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, who offers herself for reappointment and in respect of whom the Company has received notices in writing from some Members proposing her candidature for the office of Director.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:

   "RESOLVED that A F Ferguson & Co. be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, to audit the accounts of the Company for the financial year 1995-96 on a remuneration of Rs 6,00,000/= plus out of pocket, travelling and living expenses."
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

   "RESOLVED that sanction be and is hereby accorded to the payment of retirement benefits to the Managing Director of the Company, on his retirement, which benefits as set out in the explanatory statement hereto, will only be provided at the discretion of the Board on the recommendation of a Committee of the Board appointed by it, and which benefits are subject to the terms and conditions set out in the explanatory statement."
7. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

   "RESOLVED that in partial modification of the resolution passed at the Extraordinary General Meeting held on 24th March 1995 and pursuant to the provisions of the Companies Act, 1956, the terms of perquisites of Mr Xerxes Desai, Vice Chairman and Managing Director of the Company, be and are hereby revised as under :

   Perquisites

   'In addition to the above, Mr Xerxes Desai shall be entitled to the following perquisites restricted to an amount of 125% of gross salary per annum'

   in place of

   'In addition to the above, Mr Xerxes Desai shall be entitled to the following perquisites restricted to an amount of Rs 6,00,000 /= per annum'."

Notes:

[a] The relative explanatory statement pursuant to section 173 of the Companies Act, 1956, in respect of the business under item nos. 4 to 7 above are annexed hereto.

[b] A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

[c] The Register of Members and the Transfer Books of the Company will be closed from Thursday, 17th August 1995 to Thursday, 31st August 1995, both days inclusive.

[d] The dividend on the shares as recommended by the Directors for the year ended 31st March 1995, if declared at the Meeting, will be payable on or after 1st September 1995 in accordance with the resolution to be passed by the Shareholders of the Company, to those Members whose names stand on the Register of Members of the Company as on 31st August 1995.

[e] Members who are resident individuals as per the Income Tax Act, 1961, and who would receive a dividend of more than Rs 2,500/= and estimate that the total income during the financial year ending 31st March 1996, to be less than the minimum amount liable to income tax, may file the tax exemption certificates or declarations in Form 15 G (in duplicate), to receive the dividend payment without deduction of tax at source. The tax exemption certificates/declarations in Form 15 G should be filed with the Company's Registrars and Share Transfer Agents on or before 17th August 1995, at the following address :

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

[f] Members are also requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, at the aforesaid address before 17th August 1995:
[i] the changes, if any, in their registered addresses along with the pin code number.
[ii] the permanent Income-tax Account Number allotted to them by the Income-tax authorities.

[g] For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 1.45 p.m.from Queens' Statue (Cubbon Park main entrance), Bangalore, and bring the Members back to Bangalore after the Meeting.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

BY ORDER OF THE BOARD OF DIRECTORS,

V Ganesh
Asst. Company Secretary

24 June 1995

ANNEXURE TO NOTICE

1. As required by section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under item nos.4 to 7 of the accompanying Notice.

2. Item No. 4 : Dr Anuradha K Rajivan was appointed as a Director of the Company by the Board of Directors to fill the casual vacancy of Mr B Chandran. In terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, Dr Anuradha K Rajivan holds office upto the date of the forthcoming Annual General Meeting being the date upto which Mr B Chandran would have held office had he not resigned.

   Notices in writing have been received from some Shareholders of the Company signifying their intention of proposing Dr Anuradha K Rajivan as a candidate for the office of Director. The Directors recommend that she be appointed as a Director of the Company.

   Dr Anuradha K Rajivan may be deemed to be interested in this item of business as it relates to her appointment.

3. Item no. 5 : Since the shareholding pattern of the Company is such that the provisions of section 224A of the Companies Act, 1956, are applicable, the reappointment of A F Ferguson & Co., as Auditors of the Company is required to be made by a special resolution.

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

4. Item no. 6 : At its Meeting on 24th June 1995, the Board of Directors had approved of a retirement policy and payment of retirement benefits to its Managing Director on his retirement from the Company.

   The benefits to be provided to the Managing Director will be at the discretion of the Board on the recommendation of a Committee appointed by the Board from time to time and subject to the condition that the retiring Director undertakes not to engage in or start, directly or indirectly any business or activity competing with the business of the Company.

   The retirement benefits may include compensation in the nature of a monthly payment related to last drawn salary and length of service with the Tata Group (and on the death of the Director, a portion thereof to the spouse for lifetime); exgratia payment related to length of service; medical benefits; residential accomodation for Managing Director during his lifetime on such terms and conditions as may be decided by the Board.

   It is considered appropriate as a measure of good corporate practice that the Shareholders' approval be sought to the said payments.

   Mr Xerxes Desai, Vice Chairman and Managing Director of the Company, to the extent that he may be entitled to these benefits, may be deemed to be concerned or interested in the resolution at item no. 6 of the Notice.

5. Item No. 7 : At the Extraordinary General Meeting held on 24th March 1995, the Members had approved the revision in the remuneration of Mr Xerxes Desai, Vice Chairman and Managing Director of the Company.

The terms approved by the Members for Mr Xerxes Desai had provided for perquisites restricted to an amount of Rs 6,00,000/= per annum. Your Directors recommend for approval by the Members that the perquisites be restricted to 125% of gross salary per annum.

This may be treated as an abstract of the variation in the remuneration of Mr Xerxes Desai pursuant to section 302(2) of the Companies Act, 1956.

Mr Xerxes Desai as Managing Director is interested in this item of business.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

BY ORDER OF THE BOARD OF DIRECTORS,

V Ganesh
Asst. Company Secretary

24 June 1995

DIRECTORS' REPORT

To the Members of Titan Industries Limited

The Directors are pleased to present the Eleventh Annual Report and the Audited Statement of Accounts for the year ended 31st March 1995.

Financial Results

The Company's financial performance continues to reflect a very satisfactory growth. Sales income increased by 24% and profit by over 30%. The improved results are mainly due to cost savings from indigenisation, export incentives, improved operating efficiencies, economies of scale and higher sales volumes. However, sales income was below target due to a postponement of the Indian launch of jewellery and jewellery watches as also the launch of the European collection in Europe and India.

	Rs in lakhs	
	1994 - 95	1993 - 94
Income	**28,393.55**	22,880.78
Expenditure	**22,393.10**	18,377.64
Gross profit	**6,000.45**	4,503.14
Interest	**2,179.77**	1,615.93
Depreciation	**1,311.35**	978.33
Profit before taxes	**2,509.33**	1,908.88
Provision for taxes	**-**	-
Profit after taxes	**2,509.33**	1,908.88
Add : Profit brought forward	**675.37**	78.40
Amount available for appropriation	**3,184.70**	1,987.28
Appropriations :		
Debenture redemption reserve	**29.00**	55.00
Proposed dividend		
On Preference shares	**0.23**	
On Equity shares	**1,268.29**	1,056.91
Transfer to general reserve	**260.00**	200.00
Balance carried forward	**1,627.18**	675.37
	3,184.70	1,987.28

Dividend

The Directors are pleased to recommend that dividend on equity shares be enhanced from 25% to 30%. The Directors also recommend dividend at 11% on a pro-rata basis on the redeemable cumulative preference shares allotted on 31st March 1995. Accordingly, the dividend per share is recommended as under :

Preference shares of Rs 100 each	3 paise
Equity shares of Rs 10 each	Rs 3.00

Payment is subject to deduction of tax and approval by the Shareholders at the Annual General Meeting.

Finance

As approved by the Shareholders at the Extraordinary General Meeting of the Company held on 24th March 1995, your Company raised a total of Rs 12.50 crores by way of a private placement of 11% Redeemable Cumulative Preference Shares amounting to Rs 7.50 crores and 15.5% Non-Convertible Debentures amounting to Rs 5 crores. With the issue of the preference shares, the share capital of your Company now stands at Rs 49.78 crores.

In addition, the Company availed of term loans aggregating Rs 24 crores from banks and Rs 2.05 crores from financial institutions.

Additional fixed deposits accepted during the year aggregated to Rs 1.43 crores and, as on 31st March 1995, the Company held fixed deposits of Rs 6.68 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs 12.05 lakhs.

During the year under review, the Company repaid an aggregate amount of Rs 24.11 crores to various institutional lenders and banks. Out of the 15% debentures amounting to Rs 4 crores privately placed with the Unit Trust of India in 1986, the second instalment of Rs 1.33 crores was redeemed during the year.

An amount of Rs 29 lakhs has been transferred to the debenture redemption reserve in accordance with statutory requirements and contractual obligations.

During the year under review, the Company-made payments aggregating over Rs 66.63 crores by way of central, state and local taxes and duties.

Payment of excise duty is marginally lower compared to the previous year on account of the reduction in stocks of finished watches by almost 1,00,000 pieces.

Manufacturing

During the year under review, the Eurowatch and Jewellery plants, both show pieces of manufacturing excellence in themselves, commenced commercial production.

The combined output of your Company's watch plants was 3.13 million watches, 3.15 million movements and 1.97 million cases. The new jewellery plant produced 14,498 jewellery pieces and 7,802 jewellery watches, consuming 234 kgs of gold and 3,986 carats of diamonds. Supplies of jewellery to overseas markets has commenced and the quality of the jewellery has been richly complimented by experts from many countries.

Over one thousand designs have been productionised in preparation for a country-wide launch in India. Between 1,20,000 and 1,50,000 pieces are planned for production this year. Very satisfactory progress has been made in the hiring and training of employees and in introducing systems, controls and a high productivity orientation.

The Company's watch manufacturing group made good progress in introducing new engineering processes resulting in increased output and yield, lower material consumption, improvements to product quality and lower costs.

Shareholders will be pleased to know that the Company's watch division received certification under ISO 9001 during the year under review. Renewed emphasis is being planned on total quality management throughout the Company's plants.

The product development and engineering group put in prodigious efforts during the year to develop a stunningly attractive collection of over 400 models for the European market as also a series of very slim movements which were entirely designed in-house.

The CIF value of imported materials and components consumed during the year was Rs 21.54 crores as against Rs 22.88 crores in the previous year, a drop of 6% despite a 7% increase in output.

Sales

Sales registered a growth of 16% in volume terms over the previous year and Titan became the largest selling Indian brand, with domestic sales of 3 million watches, export sales of 0.23 million and a total of 3.23 million. The growth in value was even more impressive at 24% over the previous year. Your Company's products continue to dominate the upper end of the market, and the Titan and Timex brands taken together account for over 75% of the quartz analog watches made by Indian manufacturers.

The Company's chain of exclusive retail Showrooms increased from 73 to 80 and the number of Titan Shops is now approaching 100. Together they dominate the upper end of watch retailing in India and account for over one-third of domestic sales income.

Your Company now offers after sales service to its customers from 226 service centres located across 100 towns in the country, up from 180 centres last year. Further improvements to the speed, cost and reliability of repairs as also customer handling will be effected during the current year.

In the last quarter of the financial year, your Company introduced the first batch of the Tanishq range of watches made of 18 carat gold and studded with precious stones. Such watches are being sold for the first time in this country and have evoked a great deal of interest. Volume sales of jewellery watches are crucial to the Company's success in 1995-96.

The sale of Tanishq jewellery is just about to start - initially through leading jewellers, fashion boutiques and select Titan showrooms and shops. The first of the Company's chain of jewellery boutiques are expected to open in Delhi, Madras and Bangalore in September. Boutiques in Bombay, Calcutta, Ahmedabad and other major cities of India are planned for later this year. Your Company's jewellery products and business practices are expected to initiate a sea change in the Indian jewellery scene.

Your Company has made a limited launch in India of a part of the new range of watches created for the European market. While these watches were designed keeping European tastes in mind, the initial response in the Indian market has been excellent. The main launch is scheduled for late September. The top of the European range will be sold in India under the range name "Insignia".

Exports

During 1994-95, exports increased by over 75% compared to the previous year, almost touching Rs.19 crores.

Your Company continued to steadily expand its coverage of the Middle East where its products continue to gain greater and greater acceptance.

During the year under review, preparations were completed for setting up exclusive Company Showrooms in Dubai and Colombo. These were inaugurated during April 1995. The Dubai Showroom, franchised to our distributors, the Emirates Trading Company, is by far the best in our retail chain and one of which even Dubai can be proud. More showrooms in other cities are planned for later this year.

Another significant development has been the launch of the Titan range in South and South East Asian countries. The response to our products in these markets has been very encouraging, and in order to co-ordinate our marketing efforts, a new company has been established in Singapore very recently. A new company is also planned to be incorporated to co-ordinate the marketing of our products in the Middle East and Africa.

Ambitious export targets have been set and it is expected that in the current year, Titan will become a significant net earner of foreign exchange with exports exceeding Rs 75 crores.

New Activities

The Company's capital expenditure budget for the next two years is currently estimated at Rs 150 crores of which Rs 100 crores will be spent in the current year. The main heads of expenditure are :

Capacity expansion and indigenisation	Rs 81 crores
Table Clock Unit	Rs 6 crores
Infrastructural Support	Rs 48 crores
Investment in Subsidiary Companies	Rs 15 crores

During the current year, the Company will establish and commission new facilities for the manufacture of table clocks with a capacity of 1.5 million pieces per annum which will constitute a major diversification into an allied field using the design, manufacturing, distribution and retailing strengths of your Company. New facilities are also being established for the manufacture of complex integrated metal bracelets with technical assistance from a reputed manufacturer in Japan. This project will have a capacity of 1.2 million bracelets and cost Rs.16 crores.

It is proposed to raise the watch manufacturing capacity to 5 million pieces per year by adding some balancing equipment and productivity devices in the component manufacturing plants, adding an automated line for movement assembly, developing an ancillary unit in Ooty for watch assembly and expanding the capacity of the Dehradun watch assembly plant to 1.6 million pieces per annum.

Capacity in the jewellery plant will be progressively increased in response to market demand.

The Company's erstwhile technical partner, France Ebauches, ran into serious financial difficulties. Your Company was asked to bid for a rescue plan which it declined. The manufacturing assets of France Ebauches have now been acquired by a new Company which is jointly owned by a group of employees and a Chinese Government Company. Your Company is examining the scope for a joint manufacturing and marketing plan which could be in the interests of both Companies.

Your Company has also commenced work on the manufacture of special watches for reputed European brands. It is also examining the prospects for acquiring licences from certain reputed global brands to design, make and market watches internationally.

Your Company plans to strengthen its bonds with the Swiss Watch Industry in two ways. Firstly, it will make some watches in Switzerland, using sophisticated Swiss automatic movements and Indian made steel and precious metal external appearance parts, thus qualifying for the "Swiss Made" label. Secondly, it will sell certain highly reputed Swiss brands through the Company's retail chain in India once the present restrictions on imports are lifted. Your Company, already has close links with the Swiss horological industry because of its significant purchases of equipment, components, raw materials and technology from that country.

Your Company is also examining the scope for diversification into other fields which are related to its core competencies in the areas of micro precision engineering, personal fashion goods and retailing.

Associate Companies

Titan International Marketing Limited (TIML) had a busy year. Sales of jewellery to various European buyers commenced and the sale of watches was formally launched during the Basel Fair of April 1995 where they were enthusiastically received. Distributors for nine European countries are being appointed and sales to the trade will commence from July 1995 onwards. The consumer launch is scheduled for September. Lowe Howard Spink, a London based advertising agency, which is part of the US $ 2.5 billion Lowe Group, will handle the Company's advertising.

In addition to its headquarters in London, TIML established branch offices in Paris and Dubai during the year. The Paris office supervises the design and development of both watches and jewellery and our entry into the private label business. The Dubai office spearheads the thrust in the Middle East markets and will also manage sales to African countries and Islamic countries of the CIS.

The Company's wholly owned subsidiary in the Netherlands, Titan International Holdings BV, whose accounts and Directors' Report are annexed, made a profit which erased the losses of the previous year. During the year under review, US $ 1 million was remitted towards share capital and during April 1995 a further US $ 500,000 was remitted, bringing the total remittance to US $ 2 million. Remittances of additional amounts upto the sanctioned limit of US $ 5 million will be made as required. During the year, Titan International Holdings acquired the rights to the brand name TITAN in a large number of countries of the world.

On the homefront, our Associate Companies continue to make excellent progress. Timex Watches Limited sold almost 15 lakh watches during the year under review - an increase of 50% over the previous year. Very creditably, Timex registered a profit in the second full year of operation. Your Company's sales and service network, which distributes and services the Timex range, has been a major factor in this success as has been the efficiency of Timex's manufacturing operations. Your Company earned Rs.2.52 crores from the sales and marketing related services provided to Timex and the royalty charged for Aqura. This income is shown under Other Income in the accounts. During the current year, your Company expects to sell close to two million Timex watches.

Titan TimeProducts Ltd (TTPL), sold over 35 lakh Electronic Circuits during the year under review. Steps are being taken to convert the advances made by your Company to TTPL into equity as already approved by the Shareholders. TTPL made a profit in 1994-95 and should be in a position to declare a maiden dividend next year.

Titan Properties Limited continues to make satisfactory progress on its project for housing our employees at Hosur. The infrastructure for the first phase of the township comprising of roads, water supply, sewerage, electricity and a town centre providing commercial and community facilities are nearing completion. Construction of residential units will commence shortly.

Professional Recognition

For the third consecutive year, your Company was voted India's most admired consumer durable Company in a poll conducted by A&M, the advertising and marketing magazine and MARG, the market research agency.

In the "Review 200" published by the Far Eastern Economic Review of Asia's leading companies, your Company ranked number seven overall among Indian companies and first in terms of its product quality, its service and its innovative response to customer needs.

The Government of India conferred awards on your Company for employing handicapped employees and for its export performance.

Employees

The Company now has over 3,400 employees, of whom approximately 2,200 are at the Hosur watch plant, 480 at the Jewellery unit, 100 at Dehradun, 340 in the field and 280 at the Corporate Head Office. They continue to be one of the most highly motivated and talented workforces in Indian industry.

Relations with the employees have been satisfactory except for the stoppage of work at Hosur resulting from industrial action between 1st and 27th June 1994, when the Management dealt firmly with the illegal stoppage of work by a section of the employees. Relations with the employees have since been cordial.

Prospects

The future is full of challenges but looks very bright for your Company. Ambitious targets have been set for 1995-96 and we are aiming at a sales income close to Rs 500 crores. While achievement of this target will involve very hard work and dedication at all levels, your Company's Management is hopeful of achieving it.

Government Policy

In spite of repeated representations by Indian manufacturers, including your Company, sufficient attention has not been given by Government policy makers to the menace of smuggling. While customs duties have come down in the last two years, the current level of duties still remains high and, combined with the damaging effect of a 10% excise duty as also high rates of sales taxes, octroi and turnover taxes, makes it extremely difficult for the legitimate Indian manufacturers to compete with smugglers, control over whose activities is largely ineffective. Most affected are watches priced below Rs 750.

Your Company is of the considered view that, in addition to further reductions in customs duties on components to 20% and on raw materials to 10% or less, it is also essential for the Central Government to lower the excise burden on watches to a nominal 1% and for State Governments to peg sales taxes at 3%. Equally importantly, vigilance, detection and punitive action against those who indulge in smuggling and defrauding the Government of India must be stepped up. Suggestions made to various ministries of the Government of India have met with a muted response much to the relief of the global smuggling fraternity. At the same time, Government needs to review its present restrictions on the import of complete watches. We recommend that, in the first stage, watches with a CIF value of Swiss Francs 300 and above be allowed to be imported with Special Import Licences and floor prices gradually lowered thereafter. We also recommend that the import duty in such watches be no more than 40%.

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 world press.

Directors

Mr J J Bhabha, Mr Farrokh K Kavarana and Mr Ishaat Hussain retire by rotation and are eligible for reappointment.

During the year, Tamilnadu Industrial Development Corporation Limited (TIDCO) nominated Dr. Anuradha K Rajivan, their Executive Director, as a Director of the Company in place of Mr B Chandran. Your Directors have placed on record their appreciation of the services rendered by Mr Chandran during his tenure. In terms of the Articles of Association and the Companies Act, 1956, Dr Anuradha K Rajivan holds office upto the forthcoming Annual General Meeting. The Company has received notices from some members signifying their intention to propose Dr Anuradha K Rajivan as a candidate for the office of Director.

Subsidiary Company

The statement under section 212 of the Companies Act, 1956, and the Annual Report of Titan International Holdings BV, which is a wholly owned subsidiary of the Company, are annexed.

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 to this report.

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

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

Auditors

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

BY ORDER OF THE BOARD OF DIRECTORS,

A L Mudaliar
Chairman

Bangalore, 24 June 1995

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. At the Watch Division in Hosur, installation of the solar water heating system for the canteen (daily capacity: 10,000 litres) and design improvisation in the compressed air system have together resulted in an estimated monthly saving in power consumption of 27000 kwH.

2. During the last four years, it has been possible to achieve an average power factor of 0.95 resulting in reduction of maximum demand by 350 KVA.

3. During 1995-96 it is proposed to

   - introduce solar-powered lights along the roads within the plant; and

   - install an Energy Management System which is expected to achieve power savings of up to 40,000 kwH per month.

B. *Technology Absorption*

[a] *Research & Development*

1. Research and Development activities carried out during the year in the Company's R & D centre (which has accredition from the Department of Scientific and Industrial Research) are as follows:

   - Design and development of speciality movements and slim line movements is in progress. One type of slim movement was developed and launched during the year 1994-95, two other types of movements will be launched in 1995-96. The concepts for various other movements like Solar movements and Alarm movements are being developed.

   - Reliability lab for testing and upgradation of product has been set up. This will help establish ISO 9000 standards of quality as required in terms of the ISO 9001 certification received during the year by the Company's Watch Division.

   - CAD/CAM facilities for advanced capabilities in integrated product/tool design and tool manufacture have been established.

   - Developmental work on adaptation of Philips IC and indigenisation of coil end circuit were completed during the year. This will result in better product quality.

2. A full-fledged prototype center which has the capability of producing small batch prototypes commenced operation. The prototype center bridges the gap between design conceptualisation and manufacturing technology, and substantially reduces the time and cost involved in development of new products.

[b] *Technology Absorption, Adaptation and Innovation*

1. CNC Technology for the manufacture of main plate manufacturing has been successfully absorbed.

   Productivity improvements along with marginal investments in balancing equipment, have resulted in an increase in installed capacity for Movement manufacture.

2. Various technologies associated with case and Solid Link Bracelet manufacturing viz., double coining, multi axis CNC machining, hot forging and laser marking have been successfully absorbed and implemented.

3. The process of technology absorption for step motor manufacture has been completed. In-house manufacture of step motors has resulted in substantial savings in cost and foreign exchange outflows.

4. The plant for Jewellery manufacture has been commissioned and commercial production has commenced in 1994-95.

5. A pilot plant for the manufacture of Table Clocks and Alarm Time Pieces has been established. Plastic Injection moulding and assembling techniques for the clocks have been mastered.

C. Foreign Exchange Earned and Used

The Company has earned Rs. 1886.51 lakhs in foreign exchange and used Rs. 5775.47 lakhs.

BY ORDER OF THE BOARD OF DIRECTORS,

A L Mudaliar
Chairman

Bangalore, 24 June 1995

ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies :

1. Name of Subsidiary	Titan International Holdings, B.V.
2. Financial Year of the Subsidiary	31st March 1995
3. Share of the Subsidiary held by Titan Industries Limited on the above date -	
[a] Number of Shares and face value	3,600 Equity Shares of NLG 1000 each (Paid up value - NLG 711 each)
[b] Extent of Holding	100%
4. Net aggregate amount of Profit / (Loss) of the Subsidiary so far as they concern members of Titan Industries Limited -	
[a] Dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1995	Nil
[b] Not dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1995	NLG 13558
5. Net aggregate amount of Profit / (Loss) for previous financial years of the Subsidiary since it became Subsidiary so far as they concern members of Titan Industries Limited -	
[a] Dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1995	Nil
[b] Not dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1995	(NLG 10556)

BY ORDER OF THE BOARD OF DIRECTORS,

A L Mudaliar
Chairman

Bangalore, 24 June 1995

AUDITORS' REPORT

To the Members of Titan Industries Limited

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 1995 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, 1995; 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, 24th June 1995

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Industries Limited on the Accounts for the year ended 31st March, 1995.

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 (1-B) 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 (1-B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loan given by the Company, the parties are repaying the principal amounts as stipulated or as rescheduled and are also regular in the payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature 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 register maintained under section 301 of the Companies Act, 1956 and

aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services as available with the Company, or the prices at which transactions for similar goods or services have been made with other parties.

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

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

14. As explained to us, the Company's operations do not generate any by-products 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 31st March, 1995 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 section3 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.

22. In respect of the Company's trading activity, we are informed that there are no damaged stocks.

FOR A.F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 24th June 1995

BALANCE SHEET

as at 31st March 1995

Sources of funds	Schedule		31-3-95	31-3-94
			Rupees in lakhs	
Shareholders' funds				
Share capital	A		**4977.63**	4227.63
Reserves and surplus	B		**9874.49**	8633.68
Loan funds				
Secured loans	C		**15595.24**	12035.38
Unsecured loans	D		**3567.95**	3236.91
TOTAL			**34015.31**	28133.60
Application of funds				
Fixed assets	E			
Gross block, at cost		**24357.04**		15861.04
Less : Depreciation		**5010.99**		3708.39
Net block		**19346.05**		12152.65
Advances on capital account and capital work in progress, at cost		**1245.03**		4511.52
			20591.08	16664.17
Investments	F		**2181.85**	1492.29
Current assets, loans and advances	G			
Inventories		**11207.05**		10184.60
Sundry debtors		**3358.28**		1432.09
Cash and bank balances		**962.74**		1265.22
Loans and advances		**1893.52**		1861.29
		17421.59		14743.20
Less :				
Current liabilities and provisions	H			
Current liabilities		**4837.75**		3662.66
Provisions		**1341.46**		1103.40
		6179.21		4766.06
Net current assets			**11242.38**	9977.14
TOTAL			**34015.31**	28133.60
Notes	K			

PER OUR REPORT ATTACHED

FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner
Bangalore, 24 June 1995

FOR AND ON BEHALF OF THE BOARD,

K. F. Kapadia
Vice President - Finance

V. Ganesh
Asst. Company Secretary

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1995

	Schedule		Rupees in lakhs Current Year	Previous Year
Income				
Sales			**28034.24**	22622.69
Other income	I		**359.31**	258.09
TOTAL			**28393.55**	22880.78
Expenditure				
Operating and other expenses	J		**20028.48**	15984.14
Excise duty			**2364.62**	2393.50
Depreciation			**1311.35**	978.33
Interest			**2179.77**	1615.93
TOTAL			**25884.22**	20971.90
Profit for the year			**2509.33**	1908.88
Taxes			-	-
Profit after taxes			**2509.33**	1908.88
Profit brought forward			**675.37**	78.40
Amount available for appropriation			**3184.70**	1987.28
Appropriations				
Transfer to debenture redemption reserve		**29.00**		55.00
Proposed dividends (subject to deduction of tax)				
Preference shares		**0.23**		-
Equity shares		**1268.29**		1056.91
Transfer to general reserve		**260.00**		200.00
			1557.52	1311.91
Balance carried to balance sheet			**1627.18**	675.37
Notes	K			

PER OUR REPORT ATTACHED

FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner
Bangalore, 24 June 1995

FOR AND ON BEHALF OF THE BOARD,

K. F. Kapadia
Vice President - Finance

V. Ganesh
Asst. Company Secretary

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

"A" Share capital

	Rupees in lakhs 31-3-95	31-3-94
Authorised		
8,00,00,000 (1994 : 5,00,00,000) equity shares of Rs. 10 each	**8000.00**	5000.00
20,00,000 (1994 : Nil) redeemable cumulative preference shares of Rs. 100 each	**2000.00**	-
	10000.00	5000.00
Issued and subscribed		
4,22,76,270 equity shares of Rs. 10 each, fully paid up	**4227.63**	4227.63
7,50,000 (1994 : Nil) 11% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**750.00**	-
	4977.63	4227.63

"B" Reserves and surplus

		Rupees in lakhs 31-3-95	31-3-94
Capital reserve			
As per last balance sheet		**13.23**	13.23
Share premium account		**6172.69**	6172.69
Debenture redemption reserve			
As per last balance sheet	**328.58**		273.58
Transfer from profit and loss account	**29.00**		55.00
		357.58	328.58
Investment allowance reserve account			
As per last balance sheet		**1038.81**	1038.81
General reserve			
As per last balance sheet	**405.00**		205.00
Transfer from profit and loss account	**260.00**		200.00
		665.00	405.00
Balance in profit and loss account		**1627.18**	675.37
		9874.49	8633.68

"C" Secured loans

	Rupees in lakhs 31-3-95	31-3-94
15% debentures, fully paid up	**133.33**	266.67
13.5% debentures, fully paid up	**1312.50**	1312.50
12.5% debentures, fully paid up	**568.91**	568.91
15.5% debentures, fully paid up - First series	**2000.00**	2500.00
15.5% debentures, fully paid up - Second series	**500.00**	-
Foreign currency term loans from the International Finance Corporation, Washington	**3289.08**	3666.23
Term loans from financial institutions	**1208.97**	1500.00
Term loan from a bank	**1000.00**	-
Interest free sales tax loan	**99.96**	99.96
Other term loan	**420.00**	640.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**5062.49**	1481.11
	15595.24	12035.38

"D" Unsecured loans

		Rupees in lakhs 31-3-95	31-3-94
Fixed deposits		**667.95**	1216.89
Short term loans and advances			
Loan from a bank	-		820.02
Loan from a financial institution	-		500.00
Deposits from companies	**1500.00**		-
		1500.00	1320.02
Other loans and advances			
Term loan from banks		**1400.00**	700.00
		3567.95	3236.91

"E" Fixed Assets

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION	NET BLOCK	
	Cost as at 1-4-1994	**Additions**	**Deductions**	**Cost as at 31-3-1995**	**As at 31-3-1995**	**As at 31-3-1995**	As at 31-3-1994
Land-freehold	29.96	-	-	**29.96**	-	**29.96**	29.96
Land-leasehold	40.68	-	-	**40.68**	-	**40.68**	40.68
Buildings	1000.45	**1230.42**	-	**2230.87**	**230.58**	**2000.29**	830.53
Plant,machinery and equipment	13604.77	**6881.27**	**8.92**	**20477.12**	**4411.81**	**16065.31**	10257.69
Furniture, fixtures and equipment	1030.97	**333.44**	**3.51**	**1360.90**	**322.23**	**1038.67**	868.64
Vehicles	154.21	**63.30**	-	**217.51**	**46.37**	**171.14**	125.15
TOTAL	15861.04	**8508.43**	**12.43**	**24357.04**	**5010.99**	**19346.05**	
As at 31st March 1994	14793.07	1125.12	57.15	15861.04	3708.39		12152.65
Advances on capital account and capital work in progress, at cost						**1245.03**	4511.52
						20591.08	16664.17

"F" Investments		Rupees in lakhs **31-3-95**	31-3-94
Trade investments			
Quoted			
95,00,000 fully paid equity shares of Rs. 10 each in Timex Watches Limited		**950.00**	950.00
1,17,538 (1994: Nil) fully paid equity shares of Rs. 10 each in Tata Press Limited		**318.94**	-
Unquoted			
6,000 fully paid equity shares of Rs. 10 each in Tata Share Registry Limited.....................................	**6.00**		6.00
1,00,000 fully paid equity shares of Rs. 100 each in Tata Industries Limited	**100.00**		100.00
22,000 fully paid 14% redeemable cumulative preference shares of Rs. 1,000 each in Tata Sons Limited..	**220.00**		220.00
1 fully paid equity share of Rs. 10 in Titan TimeProducts Limited...			
		326.00	326.00
Investment in subsidiary company - unquoted			
3,600 equity shares of NLG 1,000 each in Titan International Holdings BV (NLG 711 paid up; 1994 : NLG 250)		**472.19**	157.25
Others - unquoted			
6,78,480 (1994 : 3,65,400) units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs. 121.79 lakhs; 1994: Rs. 65.59 lakhs)..................		**114.72**	59.04
		2181.85	1492.29
Aggregate amount of quoted investments....................................		**1268.94**	950.00
Aggregate amount of unquoted investments..................................		**912.91**	542.29
Market value of quoted investments		**5298.98**	7220.00

"G" Current assets, loans and advances		Rupees in lakhs 31-3-95	31-3-94
Inventories			
Consumable stores		**435.39**	482.01
Loose tools		**108.39**	96.71
Stock-in-trade			
Raw materials and bought-out components	**3051.37**		2401.59
Work in progress	**3857.94**		3907.37
Finished goods	**3753.96**		3296.92
		10663.27	9605.88
		11207.05	10184.60
Sundry debtors (unsecured and considered good)			
Over six months	**53.82**		27.70
Others	**3304.46**		1404.39
		3358.28	1432.09
Cash and bank balances			
Cash and cheques on hand	**563.02**		915.28
With scheduled banks - in current accounts	**230.64**		63.74
- on deposit	**12.54**		92.53
- in transit	**156.54**		193.67
		962.74	1265.22
Loans and advances (unsecured and considered good)			
Advances recoverable in cash or in kind or for value to be received	**1843.84**		1811.81
Income-tax deducted at source, net of provision for tax	**34.36**		10.42
Balances with customs and excise authorities	**15.32**		39.06
		1893.52	1861.29
		17421.59	14743.20

"H" Current liabilities and provisions

Rupees in lakhs

		31-3-95	31-3-94
Current liabilities			
Sundry creditors	**4641.76**		3453.28
Unclaimed dividends	**17.81**		15.76
Interest accrued but not due on loans	**178.18**		193.62
		4837.75	3662.66
Provisions			
Retiring gratuities	**72.94**		46.49
Proposed dividend	**1268.52**		1056.91
		1341.46	1103.40
		6179.21	4766.06

"I" Other income

Rupees in lakhs

	Current Year	Previous Year
Interest - *gross* (tax deducted at source on interest received Rs. 9.45 lakhs; 1994: Rs. 0.93 lakhs)	**65.71**	92.67
Income from trade investments - gross (tax deducted at source Rs. 2.20 lakhs; 1994: Nil)	**8.88**	1.20
Dividend from units of Unit Trust of India (tax deducted at source Rs. 1.29 lakhs; 1994: Nil)	**14.70**	6.79
Miscellaneous income	**270.02**	157.43
	359.31	258.09

"J" Operating and other expenses

			Rupees in lakhs Current Year	Previous Year
Raw materials and components consumed			11580.74	9810.65
Stores and spare parts consumed			703.29	713.73
Purchase of finished goods			198.48	145.84
Payments to and provisions for employees				
Salaries and wages		1802.35		1430.47
Company's contribution to provident and other funds		92.35		76.31
Welfare expenses		337.67		265.40
Gratuity		29.69		16.46
			2262.06	1788.64
Other expenses				
Power and fuel		335.15		181.64
Repairs to buildings		48.41		31.03
Repairs to plant and machinery		80.07		45.87
Advertising		2022.32		1605.61
Selling and distribution expenses		391.04		291.79
Commission		33.72		86.37
Insurance		133.30		145.65
Rent		326.80		343.69
Rates and taxes		650.15		631.63
Travel		415.43		445.98
General expenses		1470.90		1131.03
			5907.29	4940.29
Auditors' remuneration				
Audit fees		4.00		3.00
Fees for taxation matters		0.89		1.00
Fees for other services		2.85		1.75
Reimbursement of expenses		0.66		1.13
			8.40	6.88
Directors' fees			0.30	0.17
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	3857.94			3907.37
Finished goods	3753.96			3296.92
		7611.90		7204.29
Opening stocks				
Work in progress	3907.37			3710.12
Finished goods	3296.92			2258.27
		7204.29		5968.39
			(407.61)	(1,235.90)
			20252.95	16170.30
Less : Expenses capitalised			224.47	186.16
			20028.48	15984.14

"K" Notes to the accounts

1. *Accounting policies :*

The accounts are prepared under the historical cost convention and materially comply with the applicable accounting standards. The significant accounting policies followed by the Company are as stated below:

[i] Fixed Assets : Capitalised at acquisition cost including directly attributable cost.

[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 cost of various categories of inventory is determined 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] Product warranty expenses: Product warranty costs are determined based on past experience and provided for in the year of sale.

[vii] Retirement benefits : Contribution to the provident fund is made monthly at a pre-determined 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 pre-determined rate to the Superannuation Trust and debited to the profit and loss account on an accrual basis.

2. During the year, the Company has commenced production of jewellery, jewellery watches and euro watches.

3. a] Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.441.86 lakhs (1994 : Rs.2735.91 lakhs).

   b] Uncalled liability on shares of subsidiary company partly paid is Rs. 208.91 lakhs (1994 : Rs.451.71 lakhs).

4. The 11% redeemable cumulative preference shares are redeemable at par at the end of 7 years from the date of allotment (i.e., 31st March 1995). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 24 months from the date of allotment.

5. a] The 15% debentures and the 13.5% debentures 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 relating to the Watch Plant 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 and specific charge on assets covered under note 14(b) below.

6. a] The 15% debentures are redeemable in three equal annual instalments. The first instalment was paid on 3rd March 1994, together with a premium of 5% of the face value and the second instalment was paid on 3rd March 1995.

   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.

7. The 12.5% debentures are secured by :

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

   b] an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur.

   c] Further, the Company has also created an additional security by hypothecation of its movable assets (save and except the current assets and book debts) both present and future relating to the Watch Plant located at Hosur subject to prior charge on specific assets covered under note 14 (b) below.

8. The 12.5% debentures are redeemable at par on 30th September, 1999.

9. The 15.5% debentures (First series) of Rs. 2000 lakhs and 15.5% debentures (Second series) of Rs. 500 lakhs are to be secured by a residual charge on an immovable property of the Company and assets both present and future, of the Watch Plant located at Hosur. The first series debentures are redeemable at par on 30th September 1995. The second series debentures are redeemable on 30th September 1996, together with a premium of 0.75% of the face value of the debentures.

10. The foreign currency term loans from the International Finance Corporation, Washington, are secured by the securities stated in 5(b) above.

11. The term loans from financial institutions shown under secured loans include

 a] Loan of Rs. 1029 lakhs (1994 : Rs. 1500 lakhs) secured by the securities stated in 5(b) above.

 b] Loan of Rs. 179.97 lakhs (1994: Nil) which is to be secured by a first charge on certain specified assets.

12. Term loan from a bank amounting to Rs. 1000 lakhs (1994 : Nil) is to be secured by the securities stated in 5(b) above.

13. The interest free sales tax loan is secured by a second charge by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur and hypothecation of assets except inventories and book debts.

14. The other term loans shown under secured loans, include :

 a] loan of Rs.120 lakhs (1994 : Rs. 240 lakhs) secured by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur.

 b] loan of Rs.300 lakhs (1994 : Rs. 400 lakhs) secured by a first charge on an asset purchased out of this amount.

15. The security covered under notes 5(b), 7(b) & (c), 10, 11(a), 12 and 14(a) above rank pari passu.

16. Loans and advances include Rs.124 lakhs (1994 : Rs.124 lakhs) advanced to a company which is proposed to be adjusted against issue of equity shares by that Company.

17. Sundry creditors include Rs.81.21 lakhs (1994 : Rs.40.02 lakhs) payable to small scale and ancillary industries.

18. Income from sales includes Rs. 929.16 lakhs (1994 : Rs. 604.48 lakhs) being the income from sale of process scrap and from after-sales- service.

19. a] Interest debited to the profit and loss account is net of Rs.89.39 lakhs (1994 : Rs. 61.60 lakhs), being the amount capitalised.

b] Expenses capitalised during the year are net of sale of jewellery amounting to Rs. 10.04 lakhs (1994 : Rs. 83.75 lakhs) which represents products manufactured during trial production.

20. Interest on fixed loans and debentures amounts to Rs.1775.43 lakhs (1994 : Rs. 1403.04 lakhs).

21. The maximum amount of Commercial Paper raised at any time during the year was Rs.1500 lakhs (1994: Rs.Nil) Balance at the end of the year Rs.Nil (1994: Rs. Nil).

22. Maximum amount due by an officer of the company at any time during the year was Rs. 0.24 lakhs (1994 : Rs. Nil). Balance as on 31st March, 1995 Rs. 0.10 lakhs (1994 : Rs. Nil).

23. The Managing Director's remuneration (including commission of Rs. 9.60 lakhs; (1994 : Rs. 5.40 lakhs) is Rs. 18.43 lakhs (1994 : Rs. 10.54 lakhs). Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under:

		Rupees in lakhs	
		1995	1994
Profit before taxes as per Profit & Loss Account		**2509.33**	1908.88
Add:	Managing Director's remuneration	**18.43**	10.54
	Director's fees	**0.30**	0.17
	Depreciation provided in the accounts for the current year	**1311.35**	978.33
	Loss on sale of fixed assets as per books	**0.21**	13.37
	Profit on sale of fixed assets as per section 349 of the Companies Act,1956	**1.25**	-
		3840.87	2911.29
Less:	Depreciation as per Section 350 of the Companies Act, 1956 for the current year	**2254.41**	1681.35
	Loss on sale of fixed assets as per section 349 of the Companies Act,1956	**-**	0.29
Net profit		**1586.46**	1229.65

24. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 3.62 million watches per annum (1994 : 3.5 million watches) and 60,000 jewellery pieces per annum (1994 : Nil). The installed capacities are as certified by the management and relied upon by the auditors, being a technical matter.

25. The Company produced 31,31,802 watches (1994 : 29,22,000 watches) sold 32,26,327 watches - Rs.26,208.25 lakhs (1994 : 27,85,101 watches - Rs.21,884.92 lakhs) and had a Closing Stock of 4,56,056 watches - Rs.3,236.23 lakhs (1994 :5,50,581 watches - Rs.3,239.49 lakhs; 1993 : 4,13,682 watches - Rs.2,234.18 lakhs).

    The Company produced 14,498 jewellery pieces (1994 : Nil) sold 9,159 jewellery pieces - Rs. 680.79 lakhs (1994 : Nil) and had a closing stock of 5,339 jewellery pieces - Rs. 448.58 lakhs (1994 : Nil).

    Production and sales include products manufactured during trial production (See note 19(b)).

26. The Company purchased 34,759 watches (1994 : 27,759 watches), sold 32,335 watches - Rs. 216.04 lakhs (1994:22,477 watches - Rs. 133.29 lakhs) and had a closing stock of 13,208 watches - Rs. 69.15 lakhs 1994 : 10,784 watches - Rs.57.43 lakhs ; 1993 : 5,502 watches - Rs. 24.09 lakhs).

27. Analysis of raw materials and components consumed :

	Rupees in lakhs	
	1995	1994
Precious metals (1995:434 Kgs.) (1994:223 Kgs.)	**2004.18**	979.42
Components	**7149.85**	6692.75
Other materials	**2313.43**	2055.72
Sundry charges	**113.28**	82.76
	11580.74	9810.65

28. Value of imports on CIF basis :

Raw materials and components	**2539.18**	2436.18
Stores and spares	**209.26**	121.31
Capital goods	**2245.67**	1501.37
	4994.11	4058.86

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

Technical fees	**98.67**	55.49
Interest	**291.92**	299.55
Others	**387.54**	446.24

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

		1995	1994
[i]	Number of Shareholders	**20**	371
[ii]	Number of equity shares on which dividend was paid	**1,61,583**	19,85,775
[iii]	Year to which the dividend related	**1993-94**	1992-93
[iv]	Amount remitted (net of tax) (Rs. in lakhs)	**3.23**	29.85

Previous year's figures include payments made to NRO and NRE accounts.

31. Earnings in foreign exchange:

	Rupees in lakhs 1995	1994
Export of goods on FOB basis	**1881.47**	1066.09
Interest	**5.04**	3.39

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

	1995 Rupees in lakhs	1995 %	1994 Rupees in lakhs	1994 %
Imported				
CIF value	**2154.56**	**19**	2288.12	24
Customs duties	**996.16**	**9**	1404.06	14
	3150.72	**28**	3692.18	38
Indigenous	**8430.02**	**72**	6118.47	62
	11580.74	**100**	9810.65	100

33. Expenditure directly attributable to research and development is estimated at Rs. 118.29 lakhs (1994 : Rs. 65.81 lakhs)

34. The figures of the previous year have been regrouped/recast where necessary.

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

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman
& Managing Director

Bangalore, 24 June 1995

K. F. Kapadia
Vice President - Finance

V. Ganesh
Asst. Company Secretary

TITAN INTERNATIONAL HOLDINGS B.V.

(Amsterdam)

Annual Report

The Board of Directors of Titan International Holdings B.V. hereby presents its report for the financial year ended March 31, 1995.

Overview of Activities

During the year under review, the Company acquired preference shares in Titan International Marketing Limited, a company incorporated in England, and ordinary shares in Titan International Investments B.V., a company incorporated in the Netherlands.

The state of affairs of the Company at the closing of the financial year is adequately presented in the balance sheet and the profit and loss account, published herewith.

The course of business of the Company has been satisfactory.

Post Balance Sheet Events

On April 10, 1995 the Company received US$ 500,000 from its parent company, as a contribution to the share capital. Part of the proceeds was used to acquire additional shares in Titan International Marketing Limited, England.

THE MANAGING DIRECTORS

F K Kavarana *X S Desai*
A L Mudaliar *M N Ramdas*
V I Nangia

Amsterdam, April 18 1995

Auditors' Report

TO THE SHAREHOLDER OF TITAN INTERNATIONAL HOLDINGS B.V.

We have audited the annual accounts of TITAN INTERNATIONAL HOLDINGS B. V. for the year ended March 31, 1995. We have conducted our audit in accordance with auditing standards generally accepted in the Netherlands.

In our opinion, these annual accounts give a true and fair view of the Company's financial position at March 31, 1995 and of the result for the year then ended and also comply with the other Dutch legal requirements for annual accounts.

Amsterdam, The Netherlands
April 18, 1995

ARTHUR ANDERSON & CO.

BALANCE SHEET AS AT MARCH 31, 1995

(after appropriation of results)

		1995	1994
Assets	***Notes***	**NLG**	NLG
Fixed assets			
Intangible assets	(4)	**1,744,218**	30,745
Investments	(5)	**1,754,468**	-
Total fixed assets		**3,498,686**	30,745
Current assets			
Receivable on group company	(6)	**103,063**	924,000
Other receivable and prepaid expenses		**2,056**	-
Cash at Banks		**129,831**	7,199
Total current assets		**234,950**	931,199
Total assets		**3,733,636**	961,944
Shareholder Equity and Liabilities			
Shareholder equity	(7)		
Paid-up share capital		**2,560,710**	900,000
Retained earnings		**3,002**	(10,556)
Total shareholder equity		**2,563,712**	889,444
Long-term liabilities	(8)	**714,726**	-
Current liabilites			
Due to parent company		-	24,000
Due to affiliated company		**27,419**	30,000
Due to third parties	(8)	**381,187**	-
Capital tax payable		**8,098**	9,000
Other liabilities		**38,494**	9,500
		455,198	72,500
Total shareholder equity and liabilities		**3,733,636**	961,944

The accompanying notes form part of these accounts

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1994/1995

(Amsterdam)

	1995 NLG	1994 NLG
Operating Expenses		
General and administrative expenses	**(65,795)**	(10,116)
Amortisation expense	**(6,620)**	(2,354)
Total operating expenses	**(72,415)**	(12,470)
Financial Income / Expenses		
Net interest income	**98,124**	1,914
Currency exchange difference	**(12,151)**	-
Total financial income (expenses)	**85,973**	1,914
Net result for the year	**13,558**	(10,556)

The accompanying notes form part of these accounts.

SCHEDULE FORMING PART OF THE ACCOUNTS

Notes to the Annual Accounts March 31, 1995

1. *Group Affiliation and Principal Activity*

   The Company was incorporated on November 23, 1993 in Amsterdam, the Netherlands, with limited liability and is a wholly owned subsidiary of Titan Industries Limited, India. The principal activity of the Company is to act as a holding company.

   These accounts are appended to the accounts of the ultimate parent company, Titan Industries Limited, India.

2. *Basis of Presentation*

   The accompanying annual accounts have been prepared in accordance with principles of accounting generally accepted in the Netherlands.

3. *Significant Accounting Policies*

   a. Intangible Assets

      The initial expenses incurred in connection with the incorporation of the Company are capitalised and amortized on a straight-line basis over a period of five years.

      The Company carries its trademarks at cost. Amortization expense will be accounted for once that the

Company receives royalties on these trademarks. During the process of the transfer of the ownership of the trademarks, the possible gains or losses of financing are reflected in the cost thereof.

b. Investments

The Company carries its investments in group companies at historical cost price, less any applicable provision for diminution of value deemed to be of a permanent nature.

c. Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Dutch guilders at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated at the rates in effect at the dates of transaction.

Exchange gains or losses are reflected in the profit and loss account.

d. Other Assets and Liabilities

All assets and liabilities, other than those for which the basis of valuation is indicated on the face of the balance sheet, or notes thereto, are shown at par value.

e. Recognition of Income and Expenses

Income and expenses are recognised and reported in accordance with the accrual concept.

4. *Intangible Assets*

The amount represents incorporation expenses and trademarks, and is specified as follows:

Incorporation expenses are amortized over a period of 5 years;

	1995	1994
Incorporation expenses	**33,099**	33,099
Accumulated depreciation	**(8,974)**	(2,354)
Book value incorporation expenses	**24,125**	30,745
The trademarks will be amortized upon receiving royalties;		
Trademarks at cost	**1,720,093**	-
Total intangible assets	**1,744,218**	30,745

5. *Investments*

The amount represents the following investments in group companies stated at cost :

	1995	1994
Titan International Marketing Ltd; England representing all of the 6% redeemable non-cumulative preferred shares	**1,301,708**	
Titan International Investments B.V., The Netherlands, 45,276 shares at NLG 10 each, representing 49%	**452,760**	-
	1,754,468	-

Titan International Marketing Ltd., England:

Additional information of Titan International Marketing Ltd., England, based on preliminary and unaudited financial statements as at March 31, 1995:

Shareholders' equity	:	£ 750,689 i.e. NLG 1,871,167
Net income for the year	:	£ 121,060 i.e. NLG 301,754

The Shareholders' equity consists of 500,000, 6% redeemable non-cumulative preferred shares and 480,000 ordinary shares with a par value of £ 1 each.

Titan International Investments B.V.:

The shareholder equity of Titan International Investments B.V. as at March 31, 1995 is NLG 806,231.

6. *Receivable on Group Company*

   The Company had a receivable on Titan International Investments B.V., which group company was incorporated on December 14, 1994.

   Upon incorporation, part of the receivable was converted into share capital, and the balance has been received.

7. *Shareholder Equity*

   The Company's authorised share capital consists of 5,000 ordinary shares with a par value of NLG 1,000 each amounting to NLG 5,000,000 of which 3,600 shares have been issued and are paid-up for 71.13% and 25% as at March 31, 1995 and 1994 respectively.

   Movements in capital and reserves are as follows:

	1995	1994
Authorized share capital	**5,000,000**	5,000,000
Not issued	**(1,400,000)**	(1,400,000)
Issued shares	**3,600,000**	3,600,000
Less : amount not paid-in on issued shares	**(1,039,290)**	(2,700,000)
Paid-up share capital	**2,560,710**	900,000
Deficit carried forward	**(10,556)**	-
Result for the year	**13,558**	(10,556)
Retained earnings	**3,002**	(10,556)
Total shareholder equity	**2,563,712**	889,444

8. Long-Term Liabilities

During the year under review, the Company entered into an agreement for the purchase of the Trademark and Brand name "Titan" in various countries from a third party for Swiss Francs 1,217,000, of which Swiss Francs 412,000 was paid on January 2, 1995.

The amount is specified as follows:

	CHF	NLG
Due on December 21, 1995	280,000	381,187
Due on December 21, 1996	280,000	381,187
Due on December 21, 1997	245,000	333,539
	805,000	1,095,913

The amount payable of CHF 280,000 on December 21, 1995 is recorded as "Due to third parties" on the Balance Sheet as at March 31, 1995.

9. *Directors and Employees*

The Company has five Directors (1994:5), none of whom received any remuneration during 1995 and 1994. No loans or other advances have been given to or received from any Directors.

The Company has no supervisory Directors or other employees.

Supplementary Information

1. *Appropriation of Results*

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the General Meeting of Shareholders in accordance with Article 27 of the Company's Articles of Association.

2. Proposed Appropriation of Results

The Directors propose to add the net result for the year to the Retained earnings, and not to declare a dividend for the year under review. The proposal has been adopted in the balance sheet as at March 31, 1995.

3. Post Balance Sheet Events

On April 10, 1995 the Company received US$ 500,000 from its parent company, as a contribution to the share capital. Part of the proceeds was used to acquire additional shares in Titan International Marketing Limited, England.

THE OVERSEAS OFFICES

TIML DUBAI

TIML LONDON

TIML PARIS

TIML PARIS

TIML PARIS

THE LONDON TEAM

TATA PRESS