THE NEW TITAN NEON SIGN BLAZES DOWN ON THE HISTORIC PLACE DE L'OPERA IN THE HEART OF PARIS

TITAN INDUSTRIES LIMITED

12TH ANNUAL REPORT

1995 - 96

BUILDING A GLOBAL BRAND

Titan watches feature in a wide range of exclusive retail outlets across Europe. Consumers in 23 countries including the U.K., France, Spain, Portugal, Austria, Belgium, Netherlands and Scandinavia are discovering why 15 million Indians hold their Titan watches in such high regard.

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

Rajiv N. Choubey

SENIOR VICE PRESIDENTS

I. K. Amitha
R. C. Hari Rao
Bhaskar Bhat
K. F. Kapadia

VICE PRESIDENTS

C. R. Menon
V. Rajaram
B. G. Dwarkanath
M. S. Shantharam
Bijou Kurien
Jacob Kurian

SENIOR GENERAL MANAGERS

H. K. Azeez Khan
A. V. N. Iyengar

GENERAL MANAGERS

C. G. Yathiraju
S. Sreenivasa Babu
Rafeekh Ahmed
S. K. Nandy
N. V. Narayana
K. S. Subramanian
C. S. Vishwanath

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, Mumbai 400 021

NOTICE

The Twelfth 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 Wednesday, 14th August 1996, 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 1996 and the Balance Sheet as at that date.

2. To declare a dividend of 33% on equity shares.

3. To approve the declaration and payment of interim dividend as final dividend on :
   (i) 11% redeemable cumulative preference shares.
   (ii) 13% redeemable cumulative preference shares.

4. To appoint Directors in place of Mr. A C Mukherji and Mr T K Balaji who retire by rotation and are eligible for reappointment.

5. To appoint a Director in place of Mr Rajiv N Choubey who holds office upto the date of this Annual General Meeting in terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, who offers himself for reappointment and in respect of whom the Company has received notices in writing from some Members proposing his candidature for the office of Director.

6. 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 1996-97 on a remuneration of Rs.8,00,000 plus out of pocket, travelling and living expenses."

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

   "RESOLVED that the Authorised Share Capital of the Company be increased from Rs.100,00,00,000 (Rupees one hundred crores) divided into 8,00,00,000 equity shares of Rs.10 each and 20,00,000 redeemable cumulative preference shares of Rs.100 each to Rs.120,00,00,000 (Rupees one hundred and twenty crores) divided into 8,00,00,000 equity shares of Rs.10 each and 40,00,000 redeemable cumulative preference shares of Rs.100 each by the creation of 20,00,000 redeemable cumulative preference shares of Rs.100 each."

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

   "RESOLVED that the Memorandum of Association of the Company be and is hereby altered by deleting the existing clause V and substituting instead thereof the following:

'V. The authorised Share Capital of the Company is Rs.120,00,00,000 (Rupees one hundred and twenty crores) divided into 8,00,00,000 equity shares of Rs.10 each and 40,00,000 redeemable cumulative preference shares of Rs.100 each with the rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being, with the power to increase the share capital by such amounts as the Company thinks expedient by issuing new shares and to divide the shares in the capital for the time being into several classes, and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being, and to vary, modify or abrogate any such rights, privileges, or conditions in such manner as may be permitted by the Companies Act, 1956, or provided by the Articles of Association for the time being of the Company'."

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

   "RESOLVED that the Articles of Association of the Company be and are hereby altered by deleting the existing clause 8 and substituting instead thereof the following:

   '8. The authorised Share Capital of the Company is Rs.120,00,00,000 (Rupees one hundred and twenty crores) divided into 8,00,00,000 equity shares of Rs.10 each and 40,00,000 redeemable cumulative preference shares of Rs.100 each'."

10. 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 remuneration of Mr Xerxes Desai, Vice Chairman and Managing Director of the Company, be and are hereby revised as under :

   'Salary per month - in the scale of Rs.30,000 to Rs.75,000'
   in place of
   'Salary per month - in the scale of Rs.30,000 to Rs.50,000'."

NOTES:

(a) The relative explanatory statement pursuant to section 173 of the Companies Act, 1956, in respect of business under item nos. 5 to 10 above are annexed hereto.

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

(c) The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 16th July 1996 to Tuesday, 30th July 1996, both days inclusive.

(d) The dividend on the shares as recommended by the Directors for the year ended 31st March 1996, if declared at the Meeting, will be payable on or after 30th August 1996, 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 30th July 1996.

(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 1997, to be less than the minimum amount liable to income tax, may file the tax exemption certificates or declaration in Form 15G (in duplicate), to receive the dividend payments without deduction of tax at source. The tax exemption certificates/declarations in Form 15G should be filed with the Company's Registrars and Share Transfer Agents on or before 8th August 1996, at the following address :

Tata Share Registry Limited
Unit : Titan Industries Limited
Shalaka, 1st Floor
Near Cooperage Telephone Exchange
Maharshi Karve Road
Mumbai 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 8th August 1996 :

(i) the changes, if any, in their registered addresses alongwith the pin code number.
(ii) the permanent Income-tax Account Number allotted to them by the Income-tax authorities.

(g) Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March 1992, have been transferred to the General Revenue Account of the Central Government. Members who have a valid claim to the unclaimed dividend referred to above may claim the same from the Registrar of Companies, Tamil Nadu, Bank of Baroda Building, 5th Floor, 82 Bank Road, Coimbatore 641 018.

(h) 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,

G Mohana Sundaram
Asst. Company Secretary

1 June 1996

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. 5 to 10 of the accompanying Notice dated 1st June 1996.

2. Item no. 5 : Mr. Rajiv N Choubey was appointed as a Director of the Company on 18th August 1995 by the Board of Directors to fill the casual vacancy of Dr. Anuradha K Rajivan. In terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, Mr Rajiv N Choubey holds office upto the date of the forthcoming Annual General Meeting being the date upto which Dr Anuradha K Rajivan would have held office had she not resigned.

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

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

3. Item no. 6 : 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 nos. 7 to 9 : The authorised share capital of the Company presently stands at Rupees One Hundred Crores divided into 8,00,00,000 equity shares of Rs.10/- each and 20,00,000 redeemable cumulative preference shares of Rs.100/- each. To finance the Company's ongoing capital expenditure plan, the Company will need to issue further preference shares upto a overall limit of Rupees Forty Crores. Considering this and to enable the Company to issue further shares as and when required, it is considered advisable to increase the Authorised Capital of the Company to Rupees One Hundred and Twenty Crores divided into 8,00,00,000 equity shares of Rs.10 each and 40,00,000 redeemable cumulative preference shares of Rs.100/- each by the creation of 20,00,000 redeemable cumulative preference shares of Rs.100/- each with the rights, privileges and conditions as set out in the main resolution. The proposed increase in the Authorised Capital of the Company requires the approval of the Members in General Meeting. Consequently, upon the increase in the Authorised Capital of the Company, its Memorandum and Articles of Association will require alteration so as to reflect the increase in the share capital.

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

5. Item no. 10 : 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 salary per month in the scale of Rs.30,000 to Rs.50,000. Your Directors recommend for approval by the Members that the salary per month be in the scale of Rs.30,000 to Rs.75,000.

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,

G Mohana Sundaram
Asst. Company Secretary

1 June 1996

DIRECTORS' REPORT

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

The Directors are pleased to present the Twelfth Annual Report and the Audited Statement of Accounts for the year ended 31st March 1996.

FINANCIAL RESULTS

Income has risen from Rs 283.94 crores in the previous year to Rs 353.66 crores in the current year, an increase of 25%. Exports have doubled when compared to the previous year, crossing Rs 37 crores. Operating profits are up from Rs 60 crores in the previous year to Rs 77.48 crores, an increase of 29%. After providing for interest and depreciation, the Company's net profit before and after tax is Rs 27.57 crores as compared to a net profit of Rs 25.09 crores in the previous year, an increase of 10%.

Income and operating profit have recorded significant increases in spite of unavoidable delays in securing premises and obtaining municipal approvals for the jewellery boutiques as also the costs associated with establishing Titan in the European markets. The net profit has grown at a lower rate than income and operating profit due to the rise in interest rates and higher depreciation charges.

	Rs in lakhs	
	1995-96	1994-95
Income	**35,366.45**	28,393.55
Expenditure	**27,618.69**	22,393.10
Gross profit	**7,747.76**	6,000.45
Interest	**3,422.16**	2,179.77
Depreciation	**1,568.40**	1,311.35
Profit before taxes	**2,757.20**	2,509.33
Provision for taxes	**-**	-
Profit after taxes	**2,757.20**	2,509.33
Add : Transfer from debenture redemption reserve	**200.00**	-
Add : Profit brought forward	**1,627.18**	675.37
Amount available for appropriation	**4,584.38**	3,184.70
Appropriations :		
Debenture redemption reserve	**28.00**	29.00
Dividend paid on preference shares	**90.63**	-
Proposed dividend		
On preference shares	-	0.23
On equity shares	**1,395.12**	1,268.29
Transfer to general reserve	**300.00**	260.00
Balance carried forward	**2,770.63**	1,627.18
	4,584.38	3,184.70

The return on shareholders' funds was 17.35% (previous year 17.79%). Earnings per share was Rs 6.31 (previous year Rs 5.94) and the payout ratio was 54%, up from about 51% in the previous year.

DIVIDEND

The Directors are pleased to recommend that dividend on equity shares be enhanced from 30% in the previous year to 33%, and be paid at Rs. 3.30 per equity share. Payment is subject to deduction of tax and approval by the Shareholders at the Annual General Meeting.

At the Board Meeting held on 29th March 1996, the Directors declared an interim dividend on preference shares; at 11% on the redeemable cumulative preference shares allotted on 31st March 1995 and at 13% on the redeemable cumulative preference shares allotted on 1st January 1996. Accordingly, dividend per share was paid as under :

11% Preference shares of Rs. 100 each....	Rs.11.00
13% Preference shares of Rs. 100 each....	Rs. 3.25

No further dividend is proposed on the preference shares as the interim dividend covers the contractual requirement.

FINANCE

During the year under review the Company raised Rs. 2.50 crores by way of a private placement of 13% Redeemable Cumulative Preference Shares. With this issue of preference shares, the share capital of your Company as at 31st March 1996 stood at Rs. 52.28 crores, inclusive of a total of Rs. 10 crores of preference shares. Further, an amount of Rs. 57 lakhs was also raised by private placement of 15% Non-Convertible Debentures. Subsequent to the year end, a further amount of Rs. 10 crores was raised by private placement of 13% Redeemable Cumulative Preference Shares. The amounts so raised are as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 24th March 1995.

In addition, the Company availed of rupee term loans aggregating Rs. 89 crores from commercial banks, Rs. 13.05 crores from the Export-Import Bank of India and a foreign currency term loan equivalent to Rs. 30.65 crores from the Industrial Credit and Investment Corporation of India.

Additional fixed deposits accepted during the year aggregated Rs. 6.05 crores and, as on 31st March 1996, the Company held fixed deposits of Rs. 5.54 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs. 11.67 lakhs.

During the year under review, the Company raised a total of Rs. 133.27 crores and repaid an aggregate amount of Rs. 68.64 crores to various institutional lenders and banks.

Working capital needs increased significantly during the year as the Company provided extended credit to its overseas companies for goods sold to them and as inventories of jewellery were built up prior to a nation-wide boutique launch in the first half of the current year. The need for additional funds was met through intercorporate deposits and higher cash-credit borrowings.

Consequent upon the redemption of the 15% non-convertible debentures placed with the Unit Trust of India in 1987, an amount of Rs. 2 crores has been transferred out of the debenture redemption reserve which is in accordance with statutory requirements and contractual obligations.

During the year under review, the Company made payments aggregating over Rs. 79 crores by way of central, state and local taxes and duties.

MANUFACTURING

The Company's two new plants, the eurowatch plant and the jewellery plant, had their first full year of commercial production. Production was progressively stepped up at both plants - the eurowatch plant producing about 80,000 watches, and the jewellery plant producing almost 40,000 jewellery pieces and around 2,000 jewellery watches.

The eurowatches, launched this year in many European markets, have been extremely well received by the trade as well as the end customer. The Company expects the sale of these watches in international markets to progressively increase in the coming months and has taken steps to further increase manufacturing capacity to meet this demand.

Production of jewellery during the year more than doubled to about 40,000 pieces. The jewellery produced by your Company has drawn praise in India and abroad for the attractiveness of its designs and the excellence of its craftsmanship. The opening of the Company's jewellery boutiques in select Indian cities during the course of the current financial year is expected to lead to a sharp increase in the sale and production of jewellery and jewellery watches.

Over 93,000 plastic alarm clocks were manufactured during the year. Production of premium table clocks made a beginning. The new facilities for the manufacture of clocks will be fully operational during the current year. Production of integrated complex sheet metal bracelets commenced at the newly commissioned plant.

The Company totally produced 3.77 million watches, 3.70 million movements and 1.98 million cases. Production would have been higher but for ill-advised industrial action during wage negotiations which slowed output at Hosur.

The Company's manufacturing group has initiated a programme to place a whole new emphasis on world class manufacturing. PQCD (Productivity, Quality, Cost Control and Delivery on Time) has in fact become the new buzz word throughout the Company. There is also a whole new focus on "customer satisfaction" as understood in its broadest sense. The Company will, in the current financial year, make an application for the JRD Quality Value Award. This award has been instituted by the Tata Group in memory of the late Mr. J.R.D. Tata and his never ending quest for perfection and quality, and recognises companies within the Tata Group which excel in quality management.

The CIF value of imported materials and components consumed during the year was Rs. 40.29 crores as against Rs. 21.55 crores in the previous year, largely due to the increase in volumes and the imports of raw materials and components needed for the "eurowatch" collection created for the European market.

SALES

In spite of the Indian watch market growing by only 5%, your Company continued its dominance, selling a total of 3.40 million watches in the domestic market as against sales of 3 million watches in the previous year. In addition, 4,30,000 watches were exported.

At the end of March 1996, your Company had a market share of close to 50% of the quartz analog watches manufactured and sold in India. Together with Timex watches, which are entirely sold and marketed by your Company, the combined market share stood at 70% of the Indian made quartz analog watches and close to 25% of the estimated 21 million watches sold in India during the year, including mechanical, quartz, digital and electronic watches from all indigenous and imported sources, both legal and otherwise.

Sales of Tanishq jewellery and jewellery watches in the domestic market were encouraging. The jewellery boutiques which are scheduled to open in Madras, Bangalore, Delhi, Calcutta, Bombay, Ahmedabad and Pune during the course of this financial year will ensure very significant increases in the sales volumes of both jewellery and jewellery watches during the current year.

A small quantity of table clocks were also sold during the year under review. The market response has been excellent. The high end premium clocks, when launched this year, are expected to revolutionise the clock market in India.

The Company's chain of exclusive retail Showrooms increased from 80 to 86 and the number of Titan Shops is now 90. During the current year, your Company will further strengthen its retail network. The number of outlets will be significantly increased, Showrooms upgraded in terms of general appearance, merchandise and service, and the Titan Shop retail chain raised to a new level altogether. Titan Shops will be rechristened "Timezone" and will sell multiple brands negotiated by the Company. Every shop will be upgraded, as with the Showrooms, and the Timezone chain will be heavily promoted as a chain of trusted watch shops retailing a wide variety of reliable, reputed and high quality watches and clocks and offering excellent service.

Your Company is also in the process of setting up a joint venture with Hour Glass of Singapore, one of the world's largest wholesalers and retailers of luxury watches. A memorandum of understanding to this effect has already been signed and the modalities, including the proposed investment and the brands which Hour Glass in India will carry, are in the process of being firmed up. The new Company will set up watch boutiques in leading Indian cities for the sale of luxury watches, mainly Swiss, and will also be responsible for wholesale and after-sales operations.

With cumulative sales of close to 20 million watches since 1987, the Company is laying renewed emphasis on after-sales-service. Your Company is constantly increasing the number of service outlets and exploring ways and means of upgrading these outlets to enable it to continue to provide high quality service and thereby ensure total customer satisfaction.

The successes achieved by your Company in marketing excellence continue to receive recognition. During September 1995, Titan was once again voted "the most admired consumer durable company in India" in the poll conducted by the A & M magazine. Besides winning numerous gold medals under various categories at the Bombay, Madras and Bangalore Ad Clubs award functions, Titan won the very prestigeous "campaign of the year" awards presented by the Bombay and Bangalore Ad Clubs for its Tanishq advertising campaign, developed by Lintas. Your Company also figures in the Far Eastern Economic Review's survey of Asia's 200 leading companies, ten of which are Indian.

Despite its many successes, your Company recognises the need to further invigorate its sales and marketing organization and strategies in view of the new competitive threats which are emerging. A new programme has been initiated to combat such threats and improve the "sell through" rates at retail. At the same time, the Directors would like to extend their very special thanks to its prime business associates consisting of franchisees, stockists, dealers and after-sales service providers for the significant contribution which they have made over the years to the Company's success. The shareholders, directors and management of Titan Industries count on their unqualified support as the Company completes the first decade of its operations and commences another decade which will be marked by the emergence of new competitive forces in the Indian market. We believe that close cooperation between Titan's Central Selling Organisation and its key business partners will enable the Company to maintain its pre-eminent position in the Indian market.

EXPORTS

During 1995-96, exports increased by almost 100% compared to the previous year, crossing Rs. 37 crores. The dedication and perseverance of our highly talented international division is truly laudable. Our overseas territory managers have battled against many odds and even against unethical competitive practices to open new markets and make Titan a globally recognised watch company capable of competing on even terms with the Swiss and Japanese watch majors.

Titan International Marketing launched Titan's new range of mid and upmarket watches (in the price range of US $ 100 to $ 700) in many parts of Europe accompanied by a powerful advertising campaign on television and in the press, created and executed by one of the world's leading advertising agencies, Lowe Howard Spink & Associates based in London. The watches were launched just prior to the Christmas season and sales across Europe were most encouraging, not just to the trade but also off retailer shelves. These watches are now available in over 750 outlets across the UK, France, Spain, Portugal, Austria, Holland, Belgium, Denmark and Norway. Switzerland, Sweden, Germany, Italy and Greece will be added during the current year. By end 1997 your Company expects to be selling its watches through over 2,500 outlets across most of Western Europe, America, Africa, Asia (excluding India) and Australia. Titan's European launch is a very significant milestone in its history and an event of which India can be justly proud. The cover pages of this annual report carry pictures of Titan's presence in Europe and the press campaign which it ran.

Jewellery exports have also commenced and have evoked a most encouraging response. Typically, the ramping up of jewellery sales in the second quartile of the international market - the quartile at which Titan is aiming - is a relatively slow and tedious business given the selection processes of the big buyers and keen competition. We believe, however, that we are now on the verge of significant breakthroughs, given the very high regard in which your Company is held for the design and craftsmanship of its jewellery and the professionalism and ethics of its management.

The Company continued to expand its coverage of the Middle East where its products have been competing successfully with foreign brands and increasing market share. Titan watches are currently available in the UAE, Quatar, Bahrain, Oman, Kuwait, Saudi Arabia and Egypt. There are plans to expand coverage to several African countries during the course of the current year.

Your Company has also made in-roads into various markets in Asia and South East Asia. During the year under review, a new company, Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd was incorporated in Singapore to give a further thrust to our activities in the Asia-Pacific region. Titan watches are now being sold in Sri Lanka, Myanmar (Burma), Nepal, the Maldives and Bangladesh. During the current financial year, product launches are planned in Australia, Singapore and Malaysia.

For the second year running, your Company received the award for Excellence in Exports from the Electronics and Computer Software Promotion Council.

It needs to be recognised that the building up of overseas markets and the making of Titan a global brand name are vital to the Company's future financial prosperity and fame. Your Company is determined to invest the resources required in money and manpower to achieve this crucial objective - an objective which will also help to establish your country's reputation for the manufacture of very high quality engineered products and for marketing. Your directors look to the shareholders for their whole-hearted support and encouragement.

NEW ACTIVITIES

The Company's on-going capital expenditure plan, originally estimated at Rs. 150 crores for 1995-96 and 1996-97, has been enhanced to Rs. 175 crores to be spent over a three year period. Of this, an amount of Rs. 54 crores was spent during the year under review, leaving a balance of about Rs. 120 crores to be spent over the next two years.

The enhancement in the capital expenditure programme from Rs. 150 crores to Rs. 175 crores has been mainly due to a change in the scope of the capacity expansion and indigenisation programme which envisages watch movement manufacturing capacity being increased to 5 million pieces per annum, assembly capacity being enhanced in Hosur and in Dehradun and significantly increasing the capacity of the eurowatch plant. The Company will also be increasing its investments in associate and subsidiary companies with a view to further its exports and diversify into other fields related to its core competencies.

The table clock unit with a capacity to manufacture 1.5 million pieces per annum has commenced commercial production. The new facilities for manufacture of complex integrated metal bracelets, established at a cost of Rs. 16 crores, with technical assistance from a reputed manufacturer in Japan, also commenced production during the year under review.

ASSOCIATE COMPANIES

Titan International Marketing Limited (TIML), headquartered in London, has contributed very significantly to the phenomenal growth in your Company's exports. TIML also has offices in Paris and Dubai. The Dubai office continues to expand in the Middle East markets and will soon be making in-roads into various African markets. The Paris office, plays a key role in developing a global product strategy for watches and in creating designs for both watches and jewellery. It also handles the design and production of watches for "private labels".

The Company's wholly owned subsidiary in the Netherlands, Titan International Holdings BV, whose accounts and Directors' Report are annexed, ended the year with a small profit. During the year under review, a total of US $ 3.50 million was remitted towards the share capital, bringing the amount remitted to the sanctioned limit of US $ 5 million. Titan International Holdings is now the owner of the brand name TITAN in a large number of countries of the world.

Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd, which was incorporated in Singapore as a wholly-owned subsidiary of Titan International Holdings BV, has ended its first year of operations with a profit and has declared a maiden dividend of 20%. As required under section 212 of the Companies Act, 1956, the accounts and Directors' Report are annexed.

Timex Watches Limited continued to perform well selling over 20 lakh watches during the year under review, an increase of 29% over the previous year, with a profit after tax of Rs. 6.08 crores. Your Company continues to be responsible for the sales and marketing of Timex watches in India and, during the year, has also exported Timex watches to several South Asian countries.

Titan TimeProducts Limited (TTPL), sold 39.51 lakh Electronic Circuits during the year under review, making a profit of around Rs. 27 lakhs.

Titan Properties Limited has made satisfactory progress on its project for housing our employees in Hosur. With the infrastructure for the first phase of the township having been completed, sale of plots to employees has commenced and construction of residential units is being taken up shortly.

EMPLOYEES

The Company now has over 3,745 employees, of whom approximately 2,400 are at the Hosur watch plant, 590 at the jewellery unit, 115 at Dehradun, 345 at various sales locations and 295 at the Corporate Head Office.

During the year under review, a wage agreement was signed with the Union for a further period of three years. With the signing of this agreement our workforce becomes one of the best paid in Hosur. Some slowing down of production was witnessed during the negotiating period, impacting sales and profit.

COMMUNITY INITIATIVES

Your Company continues to play an active role in the area of community development and corporate citizenship. Since 1988, the Company has provided annual scholarships to students of Dharmapuri District on a need-cum-merit basis to enable them to pursue academic studies after receiving the higher school certificate. These scholarships are for the entire duration of the selected academic course. Till date, more than 240 students have benefited from this scheme.

The Company has played a significant role in providing employment to the disabled and in running various rehabilitation programmes for them. As many as 151 employees in the Company are physically handicapped yet have been totally integrated into the organisation's various activities. Your Company has repeatedly received recognition from the Central and State Governments for its contribution in this regard.

The Company also has a number of community outreach and village adoption programmes. It also provides financial support from time to time to organisations connected with education, health, art and culture, the relief of distress and the socially disadvantaged.

Your Company is playing a leading role in the activities of the Tata Council for Community Initiatives, a body recently constituted to provide fresh impetus and give a new direction to community-related activities - in consonance with the Tata philosophy of playing a significant role in the development of the communities in which its units are located and of utilising a part of its income for philanthropic activities. As a result of your Company's participation in TCCI's programmes, it expects to make a useful contribution to the alleviation of some of the urban problems afflicting the city of Bangalore.

The development of the social infrastructure at the Company's employee housing complex near Hosur will also benefit the community at large in Hosur Taluk. Your Company has plans to make the complex a model one with excellent facilities for health, education and recreation.

GOVERNMENT POLICY

Smuggling still remains a menace in our country. Government policy makers continue to give insufficient attention to the repeated representations made by Indian manufacturers to make adequate reductions in excise and customs duties and to destroy seized smuggled goods as part of a strategy to combat smuggling.

Your Company, and for that matter, the entire Indian watch industry, would like to see a more enlightened Government policy where, in addition to customs duties on components being reduced to 20% and on raw materials to 10%, excise duties are reduced to a nominal 1% and sales taxes are pegged uniformly at 3%.

PROSPECTS

The future continues to look very bright for your Company, even as new competition emerges, given the measures being adopted by your Company to add to its competitive advantage. We have been through a difficult year, while our new businesses and our entry into new markets stabilised. Your Company has set ambitious sales targets for 1996-97 and is confident of achieving them.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, the participating financial institutions, its bankers, the watch trade and, most importantly, the world press.

DIRECTORS

Mr. A. C. Mukherji and Mr. T. K. Balaji retire by rotation and are eligible for reappointment.

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

SUBSIDIARY COMPANIES

The statement under section 212 of the Companies Act, 1956, is annexed together with the Annual Report of the wholly owned subsidiary of the Company, Titan International Holdings BV, and the Annual Report of its wholly owned subsidiary, Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd.

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, 1 June 1996

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. Continuous operation of the solar water heating system for the canteen at the Watch Division in Hosur results in a monthly saving of 3800 KWH.
2. Improvisation of the compressed air system is resulting in a saving of 12000 KWH per month.
3. Average power factor being achieved is 0.95 against the minimum requirement of 0.85. This is resulting in a saving of 11000 KWH per month.
4. Load manager instrument modules are installed in HT and various LT feeders to monitor voltage, current, KW, KVA, KVAR, KWH and PF. These load managers, interfaced to a master computer, will enable monitoring of each feeder for power conservation. This is a part of the Company's overall Energy Management System.

B. TECHNOLOGY ABSORPTION

[a] Research & Development

1. Research & Development activities carried out during this year in the Company's R & D centre (which has accreditation from the department of Scientific and Industrial Research)include development of new and upgraded movements, surface coatings and materials.
2. The Company intends to continue its activities for the development of new and upgraded movements, surface coatings and materials.
3. Expenditure on Research & Development
The Company incurred a total expenditure of Rs 112.79 lakhs during the year inclusive of capital expenditure of Rs 20.04 lakhs.

[b] Technology Absorption, Adaptation and Innovation

1. Technologies like double coining, multi axis CNC machining and hot forging have been mastered for mass production levels for the manufacture of cases and bracelets.
2. Several manual semi-automatic operations for movement component manufacturing have been automated.
3. The plants for the manufacture of integrated metal bracelets and table clocks have been established ; and various technologies associated with bracelet and clock manufacturing viz., special pressing, polishing, tools, plastic injection moulding, etc. have been successfully absorbed and implemented.

C. FOREIGN EXCHANGE EARNED AND USED

The Company has earned Rs 3743.19 lakhs in foreign exchange and used Rs 7496 lakhs.

BY ORDER OF THE BOARD OF DIRECTORS,

A. L. Mudaliar
Chairman

Bangalore, 1 June 1996

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

1. Name of Subsidiary	Titan International Holdings, B.V.	Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd.
2. Financial Year of the Subsidiary	31st March 1996	31st March 1996
3. Share of the Subsidiary held by Titan Industries Limited on the above date -		
[a] Number of Shares and face value	8,108 Equity Shares of NLG 1000 each (fully paid up)	Nil *
[b] Extent of Holding	100%	Nil *
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 1996	Nil	Nil
[b] Not dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1996	NLG 61,971	SGD 36,320
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 1996	Nil	Nil
[b] Not dealt within the accounts of Titan Industries Limited for the year ended 31 March 1996	NLG 3,002	Nil

* 100,000 equity shares of SGD1 comprising 100% of the equity share capital are held by Titan International Holdings BV.

BY ORDER OF THE BOARD OF DIRECTORS,

A. L. Mudaliar
Chairman

Bangalore, 1 June 1996

AUDITORS' REPORT

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 1996 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, 1996; 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, 1 June 1996

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, 1996.

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, 1996 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.

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, 1 June 1996

BALANCE SHEET

as at 31st March 1996

SOURCES OF FUNDS	SCHEDULE		Rupees in lakhs 31-3-96	31-3-95
Shareholders' funds				
Share capital	A		5227.63	4977.63
Reserves and surplus	B		11145.94	9874.49
Loan funds				
Secured loans	C		19945.13	15595.24
Unsecured loans	D		10388.70	3567.95
TOTAL			46707.40	34015.31
APPLICATION OF FUNDS				
Fixed assests	E			
Gross block, at cost		28513.32		24357.04
Less : Depreciation		6555.96		5010.99
Net block		21957.36		19346.05
Advances on capital account & capital work in progress, at cost		1009.57		1245.03
			22966.93	20591.08
Investments	F		2831.50	2181.85
Current assets, loans and advances	G			
Inventories		15253.69		11207.05
Sundry debtors		7784.63		3358.28
Cash and bank balances		1385.10		962.74
Loans and advances		4389.34		1893.52
		28812.76		17421.59
Less :				
Current liabilities and provisions	H			
Current liabilities		6387.62		4837.75
Provisions		1516.17		1341.46
		7903.79		6179.21
Net current assets			20908.97	11242.38
TOTAL			46707.40	34015.31
Notes	K			

PER OUR REPORT ATTACHED

FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 1 June 1996

FOR AND ON BEHALF OF THE BOARD,

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1996

Rupees in lakhs

INCOME	SCHEDULE		Current Year	Previous Year
Sales			**35071.95**	28249.38
Other income	I		**294.50**	144.17
TOTAL			**35366.45**	28393.55
EXPENDITURE				
Operating and other expenses	J		**24825.05**	20028.48
Excise duty			**2793.64**	2364.62
Depreciation			**1568.40**	1311.35
Interest			**3422.16**	2179.77
TOTAL			**32609.25**	25884.22
PROFIT FOR THE YEAR			**2757.20**	2509.33
TAXES			-	-
PROFIT AFTER TAXES			**2757.20**	2509.33
Transfer from debenture redemption reserve			**200.00**	-
Profit brought forward			**1627.18**	675.37
Amount available for appropriation			**4584.38**	3184.70
Appropriations				
Transfer to debenture redemption reserve		**28.00**		29.00
Dividened paid on preference shares		**90.63**		-
Proposed dividends (subject to deduction of tax)				
Preference shares		-		0.23
Equity shares		**1395.12**		1268.29
Transfer to general reserve		**300.00**		260.00
			1813.75	1557.52
Balance carried to balance sheet			**2770.63**	1627.18
Notes	K			

PER OUR REPORT ATTACHED

FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 1 June 1996

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. 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 31-3-96	31-3-95
Authorised			
8,00,00,000 equity shares of Rs. 10 each		**8000.00**	8000.00
20,00,000 redeemable cumulative preference shares of Rs. 100 each		**2000.00**	2000.00
		10000.00	10000.00
Issued and subscribed			
4,22,76,270 equity shares of Rs. 10 each, fully paid up		**4227.63**	4227.63
7,50,000 11% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**750.00**	750.00
2,50,000 (1995 : Nil) 13% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**250.00**	-
		5227.63	4977.63

"B" RESERVES AND SURPLUS

		Rupees in lakhs 31-3-96	31-3-95
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	**357.58**		328.58
Transfer from profit and loss account	**28.00**		29.00
	385.58		357.58
Transfer to profit and loss account	**200.00**		-
		185.58	357.58
Investment allowance reserve account			
As per last balance sheet		**1038.81**	1038.81
General reserve			
As per last balance sheet	**665.00**		405.00
Transfer from profit and loss account	**300.00**		260.00
		965.00	665.00
Balance in profit and loss account		**2770.63**	1627.18
		11145.94	9874.49

"C" SECURED LOANS

	Rupees in lakhs 31-3-96	31-3-95
15% debentures, fully paid up	-	133.33
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
15.5% debentures, fully paid up - Second series	**500.00**	500.00
15% debentures, fully paid up	**57.00**	-
Foreign currency term loans from the International Finance Corporation, Washington	**2219.93**	3289.08
Term loans from financial institutions	**3741.03**	1208.97
Term loans from banks	**5400.00**	1000.00
Interest free sales tax loan	**99.96**	99.96
Other term loans	**1505.00**	420.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**4540.80**	5062.49
	19945.13	15595.24

"D" UNSECURED LOANS

		Rupees in lakhs 31-3-96	31-3-95
Fixed deposits		**553.70**	667.95
Short term loans and advances			
Loan from a bank	**1000.00**		-
Deposits from companies	**6835.00**		1500.00
		7835.00	1500.00
Other loans and advances			
Term loans from banks		**2000.00**	1400.00
		10388.70	3567.95

SCHEDULE FORMING PART OF THE ACCOUNTS

" E " FIXED ASSETS

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-1995	**Additions**	**Deductions**	**Cost as at 31-3-1996**	**For the year**	**As at 31-3-1996**	**As at 31-3-1996**	As at 31-3-1995
Land-freehold	29.96	**68.42**	-	**98.38**	-	-	**98.38**	29.96
Land-leasehold	40.68	**2.02**	-	**42.70**	-	-	**42.70**	40.68
Buildings	2230.87	**486.32**	-	**2717.19**	**69.63**	**300.21**	**2416.98**	2000.29
Plant, machinery and equipment	20477.12	**3438.33**	**1.24**	**23914.21**	**1357.34**	**5768.56**	**18145.65**	16065.31
Furniture, fixtures and equipment	1360.90	**154.51**	**9.58**	**1505.83**	**119.84**	**439.10**	**1066.73**	1038.67
Vehicles	217.51	**70.51**	**53.01**	**235.01**	**21.59**	**48.09**	**186.92**	171.14
TOTAL	24357.04	**4220.11**	**63.83**	**28513.32**	**1568.40**	**6555.96**	**21957.36**	
As at 31st March 1995	15861.04	**8508.43**	**12.43**	**24357.04**	**13111.35**	**5010.99**		19346.05
Advances on capital account and capital work in progress, at cost							**1009.57**	1245.03
							22966.93	20591.08

" F " INVESTMENTS - LONG TERM

		Rupees in lakhs 31-3-96	31-3-95
Trade investments			
Quoted			
95,00,000 fully paid equity shares of Rs. 10 each in Timex Watches Limited		950.00	950.00
Nil (1995: 1,17,538) fully paid equity shares of Rs. 10 each in Tata Press Limited (purchased 24,300 shares and sold 1,41,838 shares during the year)		-	318.94
Unquoted			
Nil (1995: 6,000) fully paid equity shares of Rs. 100 each in Tata Share Registry Limited (sold during the year)			6.00
1,00,000 fully paid equity shares of Rs. 100 each in Tata Industries Limited	100.00		100.00
Nil (1995: 22,000) fully paid 14% redeemable cumulative preference shares of Rs. 1,000 each in Tata Sons Limited (sold during the year)	-		220.00
2 (1995: 1) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited - Rs. 20 (1995: Rs. 10)			
10,000 (1995: Nil) fully paid equity shares of Rs. 100 each in Titan Properties Limited	10.00		-
501 (1995: Nil) fully paid equity shares of Rs. 100 each in Titan Mechatronics Limited	0.50		-
251 (1995: Nil) fully paid equity shares of Rs. 100 each in Titan Holdings Limited...............................	0.25		-
60,000 (1995: Nil) fully paid equity shares of Rs. 10 each in Questar Investments Limited	18.00		-
		128.75	326.00
Investment in subsidiary company - unquoted			
8,108 (1995: 3,600) fully paid equity shares of NLG 1,000 each in Titan International Holdings BV (1995 : NLG 711 paid up)......................................		1638.03	472.19
Others - unquoted			
6,78,480 units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs. 108.90 lakhs; 1995: Rs. 121.79 lakhs		114.72	114.72
		2831.50	2181.85
Aggregate amount of quoted investments........................		950.00	1268.94
Aggregate amount of unquoted investments...................		1881.50	912.91
Market value of quoted investments		4892.50	5298.98

"G" CURRENT ASSETS, LOANS AND ADVANCES

		Rupees in lakhs 31-3-96	31-3-95
Inventories			
Consumable stores		**405.45**	435.39
Loose tools		**165.71**	108.39
Stock-in-trade			
Raw materials and bought-out components	**4836.98**		3051.37
Work in progress	**3937.41**		3857.94
Finished goods	**5908.14**		3753.96
		14682.53	10663.27
		15253.69	11207.05
Sundry debtors (unsecured and considered good)			
Over six months	**1427.78**		53.82
Others	**6356.85**		3304.46
		7784.63	3358.28
Cash and bank balances			
Cash and cheques on hand	**682.67**		563.02
With scheduled banks - in current accounts	**674.95**		230.64
- on deposit	-		12.54
- in transit	**27.48**		156.54
		1385.10	962.74
Loans and advances (unsecured and considered good)			
Advances recoverable in cash or in kind or for value to be received	**3759.60**		1843.84
Due from a subsidiary company	**507.50**		-
Income-tax deducted at source, net of provision for tax	**68.12**		34.36
Balances with customs and excise authorities	**54.12**		15.32
		4389.34	1893.52
		28812.76	17421.59

"H" CURRENT LIABILITIES AND PROVISIONS

		Rupees in lakhs 31-3-96	31-3-95
Current liabilities			
Sundry creditors	**6030.01**		4641.76
Unclaimed dividends	**32.10**		17.81
Interest accrued but not due on loans	**325.51**		178.18
		6387.62	4837.75
Provisions			
Proposed dividend	**1395.12**		1268.52
Retiring gratuities	**111.55**		72.94
Others	**9.50**		-
		1516.17	1341.46
		7903.79	6179.21

"I" OTHER INCOME

	Rupees in lakhs Current Year	Previous Year
Interest - gross (tax deducted at source on interest received Rs. 1.15 lakhs; 1995: Rs. 9.45 lakhs)	**51.25**	65.71
Income from trade investments - gross (tax deducted at source Rs. 9.11 lakhs; 1995: Rs. 2.20 lakhs)	**36.86**	8.88
Dividend from units of Unit Trust of India (tax deducted at source Rs. 4.06 lakhs; 1995: Rs. 1.29 lakhs)	**17.64**	14.70
Profit on sale of investments	**41.63**	-
Miscellaneous income	**147.12**	54.88
	294.50	144.17

Rupees in lakhs

" J " OPERATING AND OTHER EXPENSES			Current Year	Previous Year
Raw materials and components consumed .			**14900.25**	11580.74
Stores and spare parts consumed			**1010.34**	703.29
Purchase of finished goods			**361.93**	198.48
Payments to and provisions for employees				
Salaries and wages		**2591.55**		1802.35
Company's contribution to provident and other funds		**124.44**		92.35
Welfare expenses		**453.42**		337.67
Gratuity		**50.42**		29.69
			3219.83	2262.06
Other expenses				
Power and fuel		**397.30**		335.15
Repairs to buildings		**53.58**		48.41
Repairs to plant and machinery		**98.63**		80.07
Advertising		**2961.80**		2022.32
Selling and distribution expenses		**590.90**		391.04
Commission		-		33.72
Insurance		**179.77**		133.30
Rent		**373.30**		326.80
Rates and taxes		**676.70**		650.15
Travel		**561.34**		415.43
General expenses		**1816.08**		1470.90
			7709.40	5907.29
Auditors' remuneration				
Audit fees		**6.00**		4.00
Fees for taxation matters		**2.00**		0.89
Fees for other services		**1.23**		2.85
Reimbursement of expenses		**1.01**		0.66
			10.24	8. 40
Directors' fees			**0.31**	0.30
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	**3937.41**			3857.94
Finished goods	**5908.14**			3753.96
		9845.55		7611.90
Opening stocks				
Work in progress	**3857.94**			3907.37
Finished goods	**3753.96**			3296.92
		7611.90		7204.29
			(2,233.65)	(407.61)
			24978.65	20252.95
Less : Expenses capitalised			**153.60**	224.47
			24825.05	20028.48

"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 exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

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 is adjusted to the cost of fixed assets.

Outstanding foreign currency assets and liabilities are restated at year end rates. The net loss or gain arising on restatement / settlement is adjusted to the profit and loss account.

[iv] Investments : Long term 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 manufactured goods are valued on full absorption cost method based on the annual average cost of production.

(c) Traded goods are valued at annual average cost of purchases.

[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 integrated metal bracelets and table clocks.

3. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.1213.93 lakhs (1995 : Rs.441.86 lakhs).

   (b) Uncalled liability on shares of subsidiary company partly paid Rs.Nil (1995 : Rs.208.91 lakhs).

4. (a) 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.

   (b) The 13% redeemable cumulative preference shares are redeemable at par at the end of 7 years from the date of allotment (i.e., 1st January 1996). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, the Company at its option will pay an enhanced preference dividend or redeem the preference shares or convert the preference shares into 18% secured convertible debentures with a term not exceeding 18 months.

5. (a) 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 a specific charge on assets covered under note 12(b) and 15(b) below.

6. 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 a prior charge on specific assets covered under note 12(b) and 15(b) below.

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

9. The 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 debentures are redeemable on 30th September 1996, together with a premium of 0.75% of the face value of the debentures.

10. The 15% debentures of Rs.57 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 and will rank pari passu with (9) above. The debentures are redeemable at the end of 18 months from the date of allotment i.e., 21st November 1995, together with a premium of 0.75% of the face value of the debentures.

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

12. The term loans from financial institutions shown under secured loans include :

    (a) loan of Rs.549 lakhs (1995 : Rs.1029 lakhs) secured by the securities stated in 5(b) above.

    (b) loan of Rs.126.63 lakhs (1995: Rs.179.97 lakhs) which is to be secured by a first charge on certain specified assets.

    (c) loan of Rs.3065.40 lakhs (1995 : Rs.Nil) which is secured / to be secured by the securities stated below :

        (i) a first mortgage and charge in favour of the financial institution of all the Company's immovable properties, both present and future; and

        (ii) a first charge by way of hypothecation of all the Company's movables, both present and future (save and except book debts), subject to the prior charges created in favour of the Company's Bankers for the working capital requirement of the Company and subject to a prior charge on specific assets covered under note 12(b) and 15(b) below.

13. The term loans from banks shown under secured loans include :

    (a) loan of Rs.1000 lakhs (1995 : Rs.Nil) secured by a first charge on the movable assets of the Company, both present and future (save and except current assets and book debts).

    (b) loans of Rs.4400 lakhs (1995 : Rs.1000 lakhs) to be secured by a first charge on the movable and immovable properties of the Company, both present and future.

14. 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.

15. The other term loans shown under secured loans include :

    (a) loan of Rs.Nil (1995 : Rs.120 lakhs) secured by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur.

(b) loans of Rs.575 lakhs (1995 : Rs.300 lakhs) secured by a first charge on assets purchased out of these amounts.

(c) loan of Rs.930 lakhs (1995 : Rs.Nil) which is secured / to be secured as follows:

(i) a first charge by way of hypothecation of all the movable assets and mortgage of all lands and immovable properties of the Company, both present and future.

(ii) a pledge of the shares of its wholly owned subsidiary.

(iii) all receivables to the Company from its subsidiary.

16. The security covered under notes 5(b), 7(b) & (c), 11, 12(a) & (c), 13, 15(a) and 15(c) above rank pari passu.

17. Loans and advances include Rs.124 lakhs (1995 : Rs.124 lakhs) advanced to a company which is proposed to be adjusted against issue of equity shares by that Company.

18. Sundry creditors include Rs.164.07 lakhs (1995 : Rs.81.21 lakhs) payable to small scale and ancillary industries.

19. Exchange fluctuation on foreign currency loans taken for acquisition of fixed assets capitalised is Rs.7.86 lakhs (1995 : Rs.470.90 lakhs).

Exchange gain (net), included in profit and loss account is Rs.52.11 lakhs (1995 : Rs.8.41 lakhs)

20. Sales includes sale of scrap Rs.134.41 lakhs (1995 : Rs.85.03 lakhs), sale of accessories Rs.1214.41 lakhs (1995 : Rs.734.58 lakhs) and income from services provided Rs.584.08 lakhs (1995 : Rs.324.69 lakhs).

21. (a) Interest debited to the profit and loss account is net of Rs.137.13 lakhs (1995 : Rs.89.39 lakhs), being the amount capitalised.

(b) Expenses capitalised during the year are net of sale of alarm time piece units amounting to Rs.108.01 lakhs (1995 : net of sale of jewellery amounting to Rs.10.04 lakhs) which represents products manufactured during trial production.

22. Interest on fixed loans and debentures amounts to Rs.2931.05 lakhs (1995 : Rs.1775.43 lakhs).

23. The maximum amount of Commercial Paper raised at any time during the year was Rs.Nil (1995 : Rs.1500 lakhs). Balance at the end of the year Rs.Nil (1995 : Rs.Nil).

24. Maximum amount due by the Company's officers at any time during the year was Rs.0.22 lakhs (1995 : Rs.0.24 lakhs). Balance as on 31st March, 1996 Rs.0.10 lakhs (1995 : Rs.0.10 lakhs).

25. The Managing Director's remuneration of Rs.24.55 lakhs (1995: Rs.18.43 lakhs) is inclusive of contribution to provident and other funds Rs.1.35 lakhs (1995 : Rs.1.20 lakhs), perquisites Rs.3.22 lakhs (1995 : Rs.2.83 lakhs) and commission Rs.14.58 lakhs (1995 : Rs.9.60 lakhs)

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

		Rupees in lakhs	
		1996	1995
Profit before taxes as per Profit and Loss Account		**2757.20**	2509.33
Add :	Managing Director's remuneration	**24.55**	18.43
	Director's fees	**0.31**	0.30
	Depreciation provided in the accounts for the current year	**1568.40**	1311.35
	Loss on sale of fixed assets as per books	-	0.21
	Profit on sale of fixed assets as per section 349 of the Companies Act, 1956	**25.34**	1.25
	Profit on sale of Investments	**41.63**	-
		4417.43	3840.87
Less :	Depreciation as per Section 350 of the Companies Act, 1956 for the current year	**2632.82**	2254.41
	Profit on sale of fixed assets as per books	**8.34**	-
Net Profit		**1776.27**	1586.46

26. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 3.73 million watches per annum (1995 : 3.62 million watches), 60,000 jewellery pieces per annum (1995 : 60,000) and 0.5 million table clocks (1995 : Nil). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

27. The Company produced 37,71,234 watches (1995 : 31,31,802 watches) sold 38,31,207 watches - Rs.30,987.42 lakhs (1995 : 32,26,327 watches - Rs.26,208.25 lakhs) and had a Closing Stock of 3,96,083 watches - Rs.3,460.81 lakhs (1995 : 4,56,056 watches - Rs.3,236.23 lakhs; 1994 : 5,50,581 watches - Rs. 3,239.49 lakhs).

    The Company produced 39,538 jewellery pieces (1995 : 14,498 pieces) sold 20,372 jewellery pieces - Rs.1,695.63 lakhs (1995 : 9,159 jewellery pieces - Rs.680.79 lakhs) and had a closing stock of 24,505 jewellery pieces - Rs.2,221.83 lakhs (1995 : 5,339 jewellery pieces - Rs.448.58 lakhs; 1994 : Nil).

    The Company produced 93,197 table clocks (1995 : Nil) sold 67,483 table clocks - Rs.167.57 lakhs (1995 : Nil) and had a closing stock of 25,714 table clocks - Rs.41.74 lakhs (1995 : Nil; 1994 : Nil).
    Production and sales include products manufactured during trial production (See note 21(b).

28. The Company purchased 60,593 watches (1995 : 34,759 watches), sold 43,778 watches - Rs.288.43 lakhs (1995 : 32,335 watches - Rs.216.04 lakhs) and had a closing stock of 30,023 watches - Rs.183.76 lakhs (1995 : 13,208 watches - Rs.69.15 lakhs; 1994 : 10,784 watches - Rs. 57.43 lakhs).

29. Analysis of raw materials and components consumed :

	Rupees in lakhs **1996**	1995
Precious metals (1996 : 498 Kgs.) (1995 : 445 Kgs.)	**2280.63**	2004.18
Components	**9561.20**	7149.85
Other materials	**2876.60**	2313.43
Sundry charges	**181.82**	113.28
	14900.25	11580.74

30. Value of imports on CIF basis :

	Rupees in lakhs **1996**	1995
Raw materials and components	**4489.63**	2539.18
Stores and spares	**346.67**	209.26
Capital goods	**1647.77**	2245.67
	6484.07	4994.11

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

	Rupees in lakhs **1996**	1995
Technical fees	-	98.67
Interest	**240.09**	291.92
Others	**769.37**	387.54

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

	31-3-96	31-3-95
(i) Number of Shareholders	**13**	20
(ii) Number of equity shares on which dividend was paid	**1,02,740**	1,61,583
(iii) Year to which the dividend related	**1994-95**	1993-94
(iv) Amount remitted (net of tax) (Rs. in lakhs)	**2.47**	3.23

33. Earnings in foreign exchange :

	Rupees in lakhs 1996	1995
Export of goods on FOB basis	**3740.27**	1881.47
Interest	**2.92**	5.04

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

	1996 Rupees in lakhs	%	1995 Rupees in lakhs	%
Imported				
CIF Value	**4029.07**	**27**	2154.56	19
Customs duties	**684.19**	**5**	996.16	9
	4713.26	**32**	3150.72	28
Indigenous	**10186.99**	**68**	8430.02	72
	14900.25	**100**	11580.74	100

35. Expenditure directly attributable to research and development (including capital expenditure of Rs.20.04 lakhs; 1995 : Rs.46.36 lakhs) is estimated at Rs.112.79 lakhs (1995 : Rs.118.29 lakhs).

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

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

I. REGISTRATION DETAILS

REGISTRATION NO

	1	1	0	4	1

STATE CODE

1	8

BALANCE SHEET DATE

3	1		0	3		9	6
DATE			MONTH			YEAR	

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

PUBLIC ISSUE	NIL
RIGHTS ISSUE	NIL
BONUS ISSUE	NIL
PREFERENTIAL ALLOTMENT	25000

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

TOTAL LIABILITIES	4670740
TOTAL ASSETS	4670740

SOURCE OF FUNDS

PAID-UP CAPITAL	522763
RESERVES & SURPLUS	1114594
SECURED LOANS	1994513
UNSECURED LOANS	1038870

APPLICATION OF FUNDS

NET FIXED ASSETS	2296693
INVESTMENTS	283150
NET CURRENT ASSETS	2090897
MISC. EXPENDITURE	NIL
ACCUMULATED LOSSES	NIL

IV. PEFORMANCE OF COMPANY (AMOUNT IN Rs. THOUSANDS)

TURNOVER		3536645
TOTAL EXPENDITURE		3260925
PROFIT / LOSS BEFORE TAX	+ √	275720
PROFIT / LOSS AFTER TAX	+ √	275720
EARNING PER SHARE IN Rs.		6.31
DIVIDEND RATE %		33

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

ITEM CODE No. (ITC CODE)

			9	1	.	0	2

PRODUCT DESCRIPTION

							W	A	T	C	H	E	S

ITEM CODE NO. (ITC CODE)

			9	1	.	0	3

PRODUCT DESCRIPTION

								C	L	O	C	K	S

ITEM CODE NO. (ITC CODE)

			7	1	.	1	3

PRODUCT DESCRIPTION

					J	E	W	E	L	L	E	R	Y

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

Bangalore, 1 June 1996	K. F. Kapadia Sr. Vice President - Finance	G. Mohana Sundaram Asst. Company Secretary	A. L. Mudaliar Chairman	Xerxes Desai Vice Chairman & Managing Director

CASH FLOW STATEMENT

for the year ended 31 March 1996

	Current Year	Previous Year
	Rupees in lakhs	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	**2,757.20**	2,509.33
Adjustments for :		
Depreciation	**1,568.40**	1,311.35
Exchange difference	**(52.11)**	(8.41)
Financial lease payments	**67.81**	79.71
(Profit) / loss on sale of fixed assets (net)	**(8.34)**	0.21
(Profit) on sale of investments (net)	**(41.63)**	-
Interest received	**(51.25)**	(65.71)
Dividend received	**(54.50)**	(23.58)
Interest paid	**3,559.29**	2,269.16
Operating profit before working capital changes	**7,744.87**	6,072.06
Adjustments for :		
(Increase) / Decrease in sundry debtors	**(4,426.35)**	(1,926.19)
(Increase) / Decrease in inventories	**(4,046.64)**	(1,022.45)
(Increase) / Decrease in loans and advances	**(2,462.06)**	(8.29)
Increase / (Decrease) in current liabilities	**1,597.97**	1,201.54
Cash generated from operations	**(1,592.21)**	4,316.67
Interest received	**51.25**	65.71
Interest paid	**(3,559.29)**	(2,269.16)
Direct taxes paid	**(33.76)**	(23.94)
NET CASH FROM OPERATING ACTIVITIES	**(5,134.01)**	2,089.28
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets (including capital work in progress and advances on capital account)	**(3,976.79)**	(4,771.04)
Proceeds from sale of fixed assets	**48.74**	3.47
Purchase of investments	**(1,259.53)**	(689.56)
Proceeds from sale of investments	**651.51**	-
Dividends received	**54.50**	23.58
NET CASH USED IN INVESTING ACTIVITIES	**(4,481.57)**	(5,433.55)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of preference share capital	**250.00**	750.00
Proceeds from new borrowings	**18,774.81**	7,461.35
Repayment of borrowings	**(7,604.16)**	(3,570.45)
Financial lease payments	**(67.81)**	(79.71)
Dividends paid	**(1,359.15)**	(1,056.91)
Exchange difference	**44.25**	(462.49)
NET CASH USED IN FINANCING ACTIVITIES	**10,037.94**	3,041.79
NET CASH FLOWS DURING THE YEAR (A+B+C)	**422.36**	(302.48)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	**962.74**	1,265.22
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	**1,385.10**	962.74

FOR AND ON BEHALF OF THE BOARD,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 1 June 1996

AUDITORS' CERTIFICATE

We have checked the above cash flow statement of Titan Industries Limited, derived from the audited annual financial statements for the year ended 31 March 1996, with the books and records maintained in the ordinary course of business and found the same to be in accordance therewith.

FOR A.F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 1 June 1996

ACCOUNTS OF SUBSIDIARY COMPANIES

TITAN INTERNATIONAL HOLDINGS B.V.

AMSTERDAM

TITAN WATCHES & JEWELLERY INTERNATIONAL
(ASIA PACIFIC) PTE LTD.

SINGAPORE

TITAN INTERNATIONAL HOLDINGS B.V.

Amsterdam

MANAGEMENT REPORT

The Board of Directors is pleased to present the Annual Report and Accounts of the Company for the financial year ended March 31, 1996.

OVERVIEW OF ACTIVITIES

The state of affairs of the Company at the closing of the financial year is adequately presented in the Balance Sheet and the Profit & Loss Account attached hereto.

During the year under review, the Company invested approximately NLG 5.8 million in several trademarks and brand names. This expense will be amortized over a period of 10 years and adjusted against royalty income. Sales under the trademark / brand name commenced during the year in Signapore and in various countries of Europe resulting in a royalty income equivalent to NLG 483,713.

FUTURE DEVELOPMENTS

The Management does not anticipate any major changes during the coming financial year.

POST BALANCE SHEET EVENTS

No matters or circumstances of importance have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

THE MANAGING DIRECTORS

	F. K. Kavarana	X. S. Desai	A. L. Mudaliar
Amsterdam, May 30, 1996		V. I. Nangia	M. N. Ramdas

AUDITORS' REPORT

TO THE SHAREHOLDER OF TITAN INTERNATIONAL HOLDINGS B.V.

We have audited the annual accounts for the purpose of filing with the Chamber of Commerce of TITAN INTERNATIONAL HOLDINGS B.V. for the year ended March 31, 1996. These annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts give a true and fair view of the financial position of the Company as of March 31, 1996 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of The Netherlands Civil Code applying certain restrictions allowed by Article 396 of that Part.

As further explained in note 4, the Company has capitalized costs incurred in respect of the acquisition of trademarks and related brand building expenses. Realizability of this significant asset depends on the flow of royalty income in the future.

Amstelveen, The Netherlands, May 30 1996 — ARTHUR ANDERSON & CO.

BALANCE SHEET

as at March 31, 1996
(after proposed appropriation of results)

ASSETS	NOTES	1996 NLG	1995 NLG
Fixed Assets			
Intangible Assets	(4)	**7,377,343**	1,744,218
Investments	(5)	**5,651,900**	1,754,468
		13,029,243	3,498,686
Current Assets			
Royalties Receivable	(6)	**17,277**	-
Receivables on affliated company	(7)	**141,361**	103,063
Other receivables and prepaid expenses		**4,970**	2,056
Cash at Banks		**41,617**	129,831
		205,225	234,950
TOTAL ASSETS		**13,234,468**	3,733,636
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity	(8)		
Share Capital		**8,108,000**	2,560,710
Retained earnings		**42,233**	3,002
		8,150,233	2,563,712
Provision for Deferred Taxes	(11)	**22,740**	-
Long-term liabilities	(9)	**2,776,396**	714,726
Current liabilites			
Due to affiliated company	(10)	**1,817,194**	27,419
Due to third parties	(9)	**388,545**	381,187
Accounts payable and accrued expenses		**79,360**	46,592
		2,285,099	455,198
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**13,234,468**	3,733,636

The accompanying notes form part of these accounts

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 1996

OPERATING INCOME (EXPENSES)	NOTES	1996 NLG	1995 NLG
Royalty Income		**483,713**	-
General and administrative expenses		**(295,369)**	(65,795)
Amortization expense		**(175,769)**	(6,620)
Net operating income (expenses)		**12,575**	(72,415)
FINANCIAL INCOME (EXPENSES)			
Net interest income		**91,849**	98,124
Currency exchange differences		**(42,453)**	(12,151)
Net financial income		**49,396**	85,973
Result before provision for income taxes		**61,971**	13,558
Provision for income taxes	(11)	**(22,740)**	-
NET RESULT FOR THE YEAR		**39,231**	13,558

The accompanying notes form part of these accounts

NOTES TO THE ANNUAL ACCOUNTS
March 31, 1996

1a. GROUP AFFILIATION AND PRINCIPAL ACTIVITIES

The Company incorporated on November 23, 1993 is a limited liability company with its statutory seat in Amsterdam, The Netherlands.

The principal activity of the Company is the holding and financing of group companies and the exploitation of trademarks. These accounts are appended to the Accounts of the ultimate parent company, Titan Industries Limited, India.

1b. RELATED PARTY TRANSACTIONS

Royalty and interest income is generated primarily through affiliated companies.

2. BASIS OF PRESENTATION

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

For comparison purposes certain minor reclassifications have been made in the 1995 figures.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **GENERAL**

Assets and Liabilities are stated at face value unless indicated otherwise.

(b) **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 acquisition, registration and brand building expenses associated with its trademarks at cost. These costs are amortized on a straight line basis over a period of ten years. Amortization commences upon commencement of operation of the trademarks.

(c) **FINANCIAL FIXED ASSETS**

Since no significant influence can be exercised, the investments in subsidiaries are stated at historical cost price or, in case of a permanent impairment of the value of the investment, at market value.

(d) **FOREIGN CURRENCIES**

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

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

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

			NLG 1996	NLG 1995
Exchange rates used at year-end are :	**CHF**	**1**	**1.3877**	1.3614
	FRF	**100**	**32.8200**	32.0342
	GBP	**1**	**2.5231**	2.4926
	USD	**1**	**1.6534**	1.5370
	SGD	**1**	**1.1730**	N / A

(e) DEFERRED TAXES

The value of intangible assets for tax purposes is different from the value in the statutory accounts. The deferred taxes related to these differences are determined on the basis of the tax rate in effect at year end.

(f) RECOGNITION OF INCOME AND EXPENSE

Income and expenses, including taxation, are recognised and reported on an accrual basis. Dividend income is recognised upon receipt.

4. INTANGIBLE ASSETS

The amount represents incorporation expenses and expenses associated with trademarks (see note 3b) and is specified as follows:

	NLG 1996	NLG 1995
Incorporation expenses	**33,099**	33,099
Accumulated depreciation	**(15,594)**	(8,974)
Book value of incorporation expenses	**17,505**	24,125
Trademarks at the beginning of the year	**1,720,093**	-
Movements during the year:		
Additions, net	**5,808,894**	1,720,093
Amortization expense	**(169,149)**	-
Total movements	**5,639,745**	1,720,093
Trademarks at the end of the year	**7,359,838**	1,720,093
Total intangible assets	**7,377,343**	1,744,218

Capitalized expenses associated with Trademarks are expected to be recovered through royalty income from affiliates. The management is confident that sufficient royalties will be earned to cover the costs incurred.

5. INVESTMENTS

	% held	NLG 1996	NLG 1995
TITAN INTERNATIONAL MARKETING LTD. UK			
Representing all of the 6% redeemable non-cumulative preference shares	**81**	**5,077,738**	1,301,708
TITAN INTERNATIONAL INVESTMENTS B.V., The Netherlands,			
45,276 shares at NLG 10 each	**49**	**452,760**	452,760
TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD, Singapore			
1,00,000 shares of S$ 1 each	**100**	**121,402**	-
Total investments stated at cost		**5,651,900**	1,754,468

TITAN INTERNATIONAL MARKETING LTD., UK:

Additional information of Titan International Marketing Ltd., England is based on unaudited financial statements as of March 31, 1996:

The Shareholders' equity consists of 2,000,000, 6% redeemable non-cumulative preferred shares and 480,000 ordinary shares with a par value of GBP 1 each.

	GBP	NLG
Net loss for the year	1,105,541	2,789,390
Shareholders' equity as on March 31, 1996	1,161,342	2,930,182

TITAN INTERNATIONAL INVESTMENTS B.V., THE NETHERLANDS:

The shareholders' equity of Titan International Investments B.V. as of March 31, 1996 and the results for the year then ended are NLG 755,581 and NLG (50,650) respectively based on audited financial statements.

TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD., SINGAPORE

Additional information of Titan Watches & Jewellery International is based on audited financial statements as of March 31, 1996:

	SGD	NLG
Shareholders' equity	121,520	142,543
Net income for the year	36,320	42,603

NLG equivalents are stated at year end exchange rate for presentation purposes.

6. ROYALTIES RECEIVABLE

			NLG 1996	NLG 1995
TITAN WATCHES & JEWELLERY INTERNATIONAL (Asia Pacific) Pte Ltd., Singapore	**USD**	**10,499**	**17,277**	-

7. RECEIVABLE ON AFFILIATED COMPANY

	NLG 1996	NLG 1995
TITAN INTERNATIONAL INVESTMENTS B.V.,	**141,361**	103,063

8. SHAREHOLDER'S EQUITY

The authorised share capital of the Company is NLG 10,000,000 (1995 : NLG 5,000,000) divided into 10,000 shares of NLG 1,000 each. At the balance sheet date a total of 8,108 shares were issued and fully paid-in.

Movements in the shareholder's equity accounts are as follows:

	NLG 1996	NLG 1995
Share Capital		
Authorized share capital	**10,000,000**	5,000,000
Not issued	**(1,892,000)**	(1,400,000)
Issued shares	**8,108,000**	3,600,000
Less : amount not paid-in on issued shares	-	(1,039,290)
Paid-in share capital	**8,108,000**	2,560,710
Retained earnings		
Retained earnings carried forward	**3,002**	(10,556)
Result for the year	**39,231**	13,558
Retained earnings	**42,233**	3,002
Total shareholder's equity	**8,150,233**	2,563,712

9. LONG - TERM LIABILITIES

Amounts are related to the acquisition of several Trademarks and Brand names, related fees and brand building expenses;

			NLG 1996	NLG 1995
Third Party				
Due on December 21, 1996	CHF	280,000	388,545	381,187
Due on December 21, 1997	CHF	245,000	339,977	333,539
Parent Company	USD	1,473,581	2,436,419	-
			3,164,941	714,726

The amount payable of CHF 280,000 on December 21, 1996 is recorded under "Current Liabilities" on the Balance Sheet as of March 31, 1996.

In addition to the amounts recorded above under "Third Party", the Company has a contingent liability amounting to CHF 220,000 with respect to the acquisition of a trademark.

No redemption term has been agreed with the parent company; no redemption is expected within the next year.

10. DUE TO AFFILIATED COMPANY

	NLG 1996	NLG 1995
Titan International Marketing Ltd; UK	1,816,584	27,419
Others	610	-
	1,817,194	27,419

11. INCOME TAXES

The provision for deferred taxes has been stated net of company's tax loss carry forward position.

12. DIRECTORS AND EMPLOYEES

The Company has one employee.

The Company had five unremunerated directors during the year. No loans or advances have been given to or received from the Directors.

The Company has no supervisory Directors.

OTHER INFORMATION

1. PROPOSED 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 Annual General Meeting of Shareholders in accordance with Article 27 of the Company's Articles of Incorporation.

The Management proposes not to declare a dividend and to add the net result for the year to the retained earnings.

TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD

(Incorporated in the Republic of Singapore)

DIRECTORS' REPORT

The Directors submit their report together with the audited accounts of the Company for the period from 19 May 1995 (date of incorporation) to 31 March 1996.

1. **DIRECTORS**

   The names of the Directors in office at the date of this report are :-

   C. R. MENON
   PATRICK R. McGOLDRICK
   X. S. DESAI
   K. F. KAPADIA

2. **PRINCIPAL ACTIVITIES**

   The principal activities of the Company are that of importers and exporters, traders in watches and jewellery items.
   There have been no significant changes in the nature of these activities during the period.

3. **SUBSIDIARIES**

   During the financial period, the Company did not acquire or dispose of any subsidiary companies.

4. **ACCOUNTS**

   Net profit for the period after taxation : S$ 36,320

5. **RESERVES OR PROVISIONS**

   There were no material transfers to or from provisions and reserves during the period.

6. **ISSUE OF SHARES**

   During the financial period, 100,000 ordinary shares of S$1 each were issued for cash at par to provide working capital.

7. **ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS**

   Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

8. **DIRECTORS' INTEREST IN SHARES**

   None of the Directors of the Company who held office at the end of the financial period had, according to this register required to be kept under Section 164 of the Companies Act, Cap. 50, any interest in shares of the Company.

9. **DIVIDENDS**

   No dividend has been paid for the financial period under review.
   A final dividend of 20% less tax at 26% amounting to $14,800 has been proposed for the period under review.

10. **BAD AND DOUBTFUL DEBTS**

    Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary. At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off any debts or make a provision for doubtful debts in respect of these accounts.

11. CURRENT ASSETS

Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise in the ordinary course of business their book values have been written down to their estimated realisable values. At the date of this report,the Directors are not aware of any circumstances which would render the values attributable to current assets in these accounts misleading.

12. CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at the date of this report:-

(i) there are no charges on the assets of the Company which have arisen since the end of the financial period to secure the liabilities of any other person.

(ii) there are no contingent liabilities which have arisen since the end of the financial period.

13. CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER END OF FINANCIAL PERIOD

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

14. OTHER CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in the report or accounts which would render any amount stated in the accounts misleading.

15. UNUSUAL ITEMS

In the opinion of the Directors, the results of the operations during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

16. SUBSEQUENT EVENTS

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

17. DIRECTORS' BENEFITS

Since the date of incorporation, no Director has received or has become entitled to receive a benefit by reason of a contract made by the Company with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

18. SHARE OPTIONS GRANTED

No options were granted during the period to take up unissued shares of the Company.

19. SHARE OPTIONS EXERCISED

During the period, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company.

20. UNISSUED SHARES UNDER OPTION

There were no unissued shares under option as at the end of the financial period.

21. AUDITORS

The auditors, Messrs H.WEE & CO., Certified Public Accountants, Singapore, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

16 May, 1996

Patrick R. McGoldrick
Director

C. R. Menon
Director

STATEMENT BY DIRECTORS

We, C. R. MENON and PATRICK R. McGOLDRICK, being two of the Directors of TITAN WATCHES & JEWELLERY (ASIA PACIFIC) PTE LTD, do hereby state that, in the opinion of the Directors, the accompanying Balance Sheet, Profit and Loss Account together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 1996 and of the results of the business of the Company for the period then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

Patrick R. McGoldrick
Director

C. R. Menon
Director

16 May, 1996

AUDITORS' REPORT

TO THE MEMBERS OF TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA-PACIFIC) PTE LTD

We have audited the accounts set out on pages 8 to 13 in accordance with Statements of Auditing Guideline and Statements of Auditing Practice and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered appropriate in the circumstances.

In our opinion:-

(a) the accounts are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Statements of Accounting Standard and so as to give a true and fair view of:-
   - (i) the state of affairs of the Company as at 31 March 1996 and of the results of the Company for the period ended on that date; and
   - (ii) the other matters required by Section 201 of the Act to be dealt with in the accounts.

(b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

H. WEE & CO.
Certified Public Accountants,

16 May, 1996

Singapore

BALANCE SHEET

as at March 31, 1996

	Note		1996 S$
SHARE CAPITAL			
Authorised			
1,000,000 ordinary shares of s$ 1 each			1,000,000
Issued and fully paid up			
1,00,000 ordinary shares of S$ 1 each			100,000
PROFIT AND LOSS ACCOUNT			21,250
			121,520
Represented by :-			
FIXED ASSETS	3		-
CURRENT ASSETS			
Stocks		603,608	
Trade debtors		246,978	
Fixed deposits		15,000	
Cash at bank		62,573	
Cash in hand		300	
			928,459
Less: CURRENT LIABILITIES			
Trade creditors and accruals	4	781,636	
Provision for taxation		14,000	
Proposed dividend		14,800	
			810,436
NET CURRENT ASSETS			118,023
PRELIMINARY EXPENSES	2		3,497
			121,520

The attached significant accounting policies and notes to the accounts form an integral part of the accounts.

PROFIT AND LOSS ACCOUNT

for the Period from 19 May 1995 (Date of Incorporation) to 31 March 1996

	Note		19.5.95 To 31.3.96 S$
NET PROFIT FOR THE PERIOD			50,320
After charging:-			
Auditors' remuneration		2,300	
Depreciation	3	2,040	
Loss of exchange		6,119	
Preliminary expenses written off	2	1,748	
TAXATION - PROVISION FOR THE PERIOD			14,000
NET PROFIT FOR THE PERIOD AFTER TAXATION			36,320
DIVIDENDS PROPOSED:			
20% NET OF TAX OF 26%			14,800
RETAINED EARNINGS CARRIED FORWARD			21,520

The attached significant accounting policies and notes to the accounts form an integral part of the accounts.

SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The accounts expressed in Singapore dollars are prepared in accordance with the historical cost convention.

B. DEPRECIATION

Depreciation is calculated on the straight line method to write off the cost of the assets over their estimated useful lives. The rates used are :-

	Per Annum
Computer software	100%
Furniture and fittings (< $ 2,000)	100%

C. PRELIMINARY EXPENSES

Preliminary expenses which consist of the incorporation expenses of the Company will be written off over 3 years.

D. STOCKS

Stocks are stated at the lower of cost (cost being determined on a first-in-first-out basis) and net realisable value.

E. INCOME TAX

The tax expense is determined on the basis of tax effect accounting, using the liability method and is applied to all significant timing differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

F. FOREIGN CURRENCIES CONVERSION

Assets and liabilities in foreign currencies are converted into Singapore dollars at rates of exchange closely approximate to those ruling at the end of the period and profit and loss account items are converted at rates ruling on transactions dates.

The difference arising on conversion is reflected in the profit and loss account.

NOTES TO THE ACCOUNTS - 31 MARCH 1996

1. GENERAL

The prinicipal activities of the Company are that of importers and exporters in watches and jewellery items.

2. PRELIMINARY EXPENSES

	S$ 1996
Cost	5,245
Amount written off	(1,748)
Balance carried forward	3,497

3. FIXED ASSETS

	S$ Cost	S$ Accumulated Depreciation	S$ Balance @ 31.3.96
Computer Software	990	990	-
Furniture & Fittings	1,050	1,050	-
	2,040	2,040	-

As this is the first set of accounts, cost and accumulated depreciation comprise of additions and depreciation charge for the period.

4. TRADE CREDITORS

These include amounts due to related parties of S$ 760,132.

5. HOLDING COMPANY

The Company is a wholly owned subsidiary of TITAN INTERNATIONAL HOLDINGS B.V. , a Company incorporated in the Netherlands.

6. RELATED PARTIES TRANSACTIONS

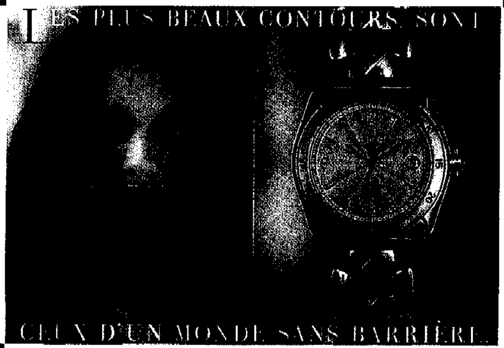
Significant transactions with related parties during the financial period are as follows:-

	S$ 1996
Purchases	1,261,807
Royalty expense	14,707

7. COMPARATIVES

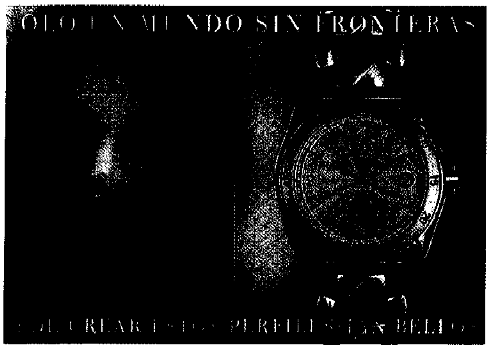
As this is the first set of accounts, no comparatives are available.

INTERNATIONAL ADVERTISING



TITAN
THE NEW WORLD WATCH

itan launched in Europe with an innovative, nultimedia and multimillion dollar advertising ampaign that highlighted the unique ombination of the best of international echnology and talent behind the brand and he product range. The campaign received ery favourable reviews across Europe.



Persian English *French Swiss Indian Japanese*

No one country can take the credit for a Titan watch. Our design, for instance, comes from both France and Switzerland. Our advanced technology is jointly provided by India and Japan. Whilst our standards of precision are courtesy of the Swiss and Germans.

As a result of this remarkable global co-operation, Titan is fast becoming acknowledged as the world's new benchmark for watchmaking excellence. (It is no coincidence that we offer a two year guarantee rather than the usual 12 months.)

Each of our all-metal jewelled movements offers quartz-controlled accuracy, yet some are as slim as 1.7 millimetres. Our cases and bracelets are precisely machined from ultra tough stainless steel, with water resistance guaranteed to a depth of 30 metres.

Our dial glass is cut from sapphire crystal, one of the most scratch-resistant materials known to man. Whilst our gold-plating is of extreme durability, thanks to the latest vapour deposition techniques.

With the very best of the world's technological resources at our disposal, Titan has created the kind of watch you've never seen before, at the kind of price you've never known before.

Perhaps that's why they're calling us the new world watch.

TITAN
The new world watch.


LANCEL
Roneo