14th

ANNUAL REPORT

1997-98

TITAN INDUSTRIES LIMITED

DIRECTORS

A. L. Mudaliar
Chairman
Xerxes Desai
Vice Chairman & Managing Director
J. J. Bhabha
R. Gopalan
Farrokh Kavarana
Ishaat Hussain
T. K. Balaji
A. C. Mukherji
K. Ganesan

SENIOR VICE PRESIDENTS

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

VICE PRESIDENTS

V. Rajaram
B. G. Dwarkanath
M. S. Shantharam
V. I. Nangia
Bijou Kurien
Jacob Kurian

SENIOR GENERAL MANAGER

H. K. Azeez Khan

GENERAL MANAGERS

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

BANKERS

Canara Bank
ANZ Grindlays Bank
Bank of Baroda
Bank of America
Hongkong Bank
Standard Chartered 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 Fourteenth 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 Friday, 25th September 1998, 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 1998 and the Balance Sheet as at that date.

2. To declare a dividend on Equity Shares.

3. To approve the declaration and payment of interim dividend as final dividend on 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 R Gopalan who was appointed a Director of the Company pursuant to Article 118 of the Company to fill the casual vacancy on the Board caused by Mr M S Srinivasan and 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 is eligible 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 appoint a Director in place of Mr K Ganesan who was appointed a Director of the Company pursuant to Article 118 of the Company to fill the casual vacancy on the Board caused by Mr K Rajaraman and 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 is eligible 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.

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

   "RESOLVED that in accordance with the provisions of Sections 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves, in modification of Resolution No.12 passed at the Annual General Meeting of the Company held on 14th August 1996 of the change in salary scale applicable to Mr Xerxes S Desai, with authority to the Board of Directors to fix his salary within that scale, increasing thereby, proportionately, all benefits related to the quantum of salary, with effect from 1st April 1998 upto 30th September 1998 as set out in the draft Supplemental Agreement signed by the Chairman and also hereby approves of the re-appointment and terms of remuneration of Mr X S Desai, as Vice Chairman & Managing Director, with effect from 1st October 1998 to 31st March 2002 upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the aforesaid period) set out in the draft Agreement submitted to this Meeting and signed by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said re-appointment and/or Agreement, as may be agreed to between the Directors and Mr X S Desai."

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

"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered as follows:

DEMATERIALISATION OF SECURITIES

22A (i) For the purpose of this Article:

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities & Exchange Board of India;

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate to act as a depository under the Securities & Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

(ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Options for Investors

(iii) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in depositories to be in fungible form

(iv) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to the depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of depositories and beneficial owners

(v) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of documents

(vi) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

(vii) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with in a depository

(viii) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a depository

(ix) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and index of beneficial owners

(x) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

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

"RESOLVED that in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue, allocate or allot, in one or more tranches, to such persons in the sole discretion of the Board who are in the permanent employment of the Company and to the Managing/Whole-time Directors of the Company, such number of Ordinary Shares of the Company of the face value of Rs. 10 each not exceeding such percentage of the Capital of the Company as may be permitted by the law, as the Board may deem fit, for subscription for cash or allocated as an option to subscribe, on such terms and at such price as may be fixed and determined by the Board prior to the issue and offer thereof in accordance with the applicable guidelines and provisions of law and otherwise ranking *pari passu* with the Ordinary Shares of the Company as then issued and in existence and on such other terms and conditions and at such time or times as the Board may, in its absolute discretion and in the best interest of the Company deem fit; Provided that the aforesaid issue of Ordinary Shares may instead be in the form of fully or partly Convertible Debentures, Bonds, Warrants or other securities as may be permitted by the law, from time to time.

RESOLVED FURTHER that the Board be and is hereby authorised to issue, allocate and allot such number of Ordinary Shares as may be required in pursuance of the above issue, and that the Ordinary Shares so issued, allocated or allotted shall rank in all respects *pari passu* with the existing Ordinary Shares of the Company save and except that such Ordinary Shares which may be with or without voting rights, if permitted by the law, shall carry the right to receive either the full dividend or pro rata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the Shares shall become effective.

RESOLVED FURTHER that the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the above mentioned securities to be issued, by the creation of mortgages and/or changes on all or any of the Company's immovable and/or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the issue, the issue price and all other terms and matters connected therewith including the creation of mortgages and/or charges and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the issue."

10. 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 is 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 1998-99 on a remuneration of Rs.10,00,000/- plus out of pocket, travelling and living expenses."

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, 11th August 1998 to Saturday, 29th August 1998, both days inclusive.

(d) The dividend on the shares as recommended by the Directors for the year ended 31st March 1998, if declared at the Meeting, will be payable on or after 1st October 1998, 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 29th August 1998.

(e) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, before 11th August 1998 the changes, if any, in their registered addresses alongwith the pin code number.

(f) Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March 1994, 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.

(g) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 2.00 p.m. from Queen's Statue (Cubbon Park main entrance), Bangalore, and will bring the Members back to Bangalore after the Meeting.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

31 July 1998

BY ORDER OF THE BOARD OF DIRECTORS,

Xerxes S Desai
Vice Chairman & Managing Director

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 31st July 1998.

2. **Item No. 5 :** Mr R Gopalan was appointed a Director of the Company on 14th November 1997 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr M S Srinivasan. In terms of section 262 of the Companies Act,1956, read with Article 118 of the Articles of Association of the Company, Mr R Gopalan holds office upto the date of the forthcoming Annual General Meeting being the date upto which Mr M S Srinivasan would have held office had he not resigned. Notices in writing have been received from some Shareholders of the Company signifying their intention of proposing Mr R Gopalan as a candidate for the office of Director.

   Mr R Gopalan is the Chairman and Managing Director of Tamilnadu Industrial Development Corporation Ltd. (TIDCO) which is the co-promoter of the Company.

   The Directors commend the appointment of Mr R Gopalan as a Director of the Company.

3. **Item No. 6 :** Mr K Ganesan was appointed a Director of the Company on 26th September 1997 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr K Rajaraman. In terms of section 262 of the Companies Act,1956, read with Article 118 of the Articles of Association of the Company, Mr K Ganesan holds office upto the date of the forthcoming Annual General Meeting being the date upto which Mr K Rajaraman would have held office had he not resigned. Notices in writing have been received from some Shareholders of the Company signifying their intention of proposing Mr K Ganesan as a candidate for the office of Director.

   Mr K Ganesan is the Executive Director of Tamilnadu Industrial Development Corporation Ltd. (TIDCO) which is the co-promoter of the Company.

   The Directors commend the appointment of Mr K Ganesan as a Director of the Company.

4. **Item No. 7 :** At the Annual General Meeting of the Company held on 19th July 1993, the Members had approved of the re-appointment of Mr Xerxes S Desai, Vice Chairman & Managing Director. Subsequently, at the Annual General Meeting held on 26th July 1994, the Extraordinary General Meeting held on 24th March 1995 and the Annual General Meetings held on 18th August 1995 and 14th August 1996, the Members had approved revisions in the terms of remuneration to the Vice Chairman & Managing Director. As the said appointment is due to end on 30th September 1998, it is proposed to re-appoint Mr Desai as the Vice Chairman & Managing Director as set out in this Resolution. The re-appointment has been approved by the Board of Directors.

   The draft Agreement between the Company and Mr Desai (the appointee) contains the following terms and conditions:

(i) Mr Xerxes S Desai, the Vice Chairman & Managing Director shall, subject to the supervision and control of the Board of Directors, be entrusted with substantial powers of management and shall also perform such other duties as may from time to time be entrusted to him.

(ii) Tenure of the Agreement: From 1st October 1998 to 31st March 2002.

(iii) Remuneration :- a salary scale of Rs. 30,000 - Rs. 1,25,000 per month with authority to the Board to fix his salary within this scale from time to time. The annual increments will be merit-based and take into account the Company's performance.

(iv) Commission: Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The Commission payable to the appointee will be limited to three years of his annual salary to be determined by the Board at the end of each financial year. The specific amount payable to the appointee will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Members.

(v) Perquisites and allowances:

(a) In addition to the salary and commission payable, the appointee shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for himself and his family; club fees and such other perquisites and allowances; in accordance with the Rules of the Company or as may be agreed to by the Board of Directors and the appointee; such perquisites and allowances will be subject to a maximum of 125% of his annual salary.

(b) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisite and allowances shall be evaluated at actual cost.

(c) Provision for use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.

(d) Company's contribution to Provident Fund and Superannuation Fund, to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(vi) Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above.

(vii) The terms and conditions of the said re-appointment and Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to the appointee in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

(viii) The Agreement may be terminated by either party giving the other party six months' notice, or the Company paying six months' salary in lieu of the notice.

(ix) If at any time the appointee ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Vice Chairman & Managing Director.

(x) The appointee is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(e) of the Companies Act, 1956.

(xi) If at any time the appointee ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company.

(xii) The appointee shall not be entitled to supplement his earnings under this Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

(xiii) The appointee shall not have the following powers:

(a) The power to make calls on members in respect of moneys unpaid on shares in the Company:

(b) The power to issue debentures; and

(c) The power to invest the funds of the Company in shares, stocks and securities.

Members are aware that the present salary scale applicable to Mr X S Desai is Rs. 30,000 - Rs. 75,000 per month. It is proposed to enhance the salary scale for the Vice Chairman and Managing Director, as set out above, for the period 1st April 1998 to 30th September 1998 with authority to the Board to fix his salary within the scale in accordance with what is set out in the draft Supplemental Agreement to his present contract.

In compliance with the provisions of Sections 269 and 309 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in General Meeting for their approval.

The draft Supplemental Agreement and the Agreement between the Company and Mr X S Desai is available for inspection by the Members of the Company at its

Registered Office between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

Mr X S Desai is concerned or interested in item 7 of the Notice.

This may be treated as an abstract of the draft Supplemental Agreement and of the draft Agreement between the Company and Mr X S Desai pursuant to Section 302 of the Companies Act, 1956.

5. **Item No. 8 :** With the introduction of the Depositories Act, 1996, and the introduction of the Depository System, some of the provisions of the Companies Act, 1956 (the Act) relating to the issue, holding, transfer, transmission of shares and other Securities have been amended to facilitate the implementation of the new system. The Depository System of holding Securities in an electronic form is a far safer and more convenient method for holding and trading in the Securities of a company. Your Company also proposes to join a Depository so that its Securities can be dematerialised and it is, therefore, proposed that the Company's Articles of Association be suitably altered, as set out in Resolution No. 8 to enable it to dematerialise its Securities and to spell out the rights of the beneficial owner of the Securities in such a system.

   The Board commends the Resolution for acceptance by the members.

   A copy of the Articles of Association of your Company together with the proposed alterations is available for inspection by the members of the Company at its Registered Office between the hours of 11 a.m. and 1 p.m. on any working day of the Company.

6. **Item No. 9:** In the present competitive environment in the country and in the long term interest of the Company and its Shareholders, it is necessary that the Company adopts measures for attracting and retaining qualified, talented and competent personnel. Stock Option Schemes, designated to foster a sense of ownership and belonging amongst personnel, are a well-accepted approach to this end. It is, therefore, appropriate to consider introducing a Stock Option Scheme for such persons in the sole discretion of the Board, who are in the permanent employment of the Company and for its Managing Director. The shares may be allotted directly to employees or allocated in accordance with a Stock Option Scheme framed in that behalf, in accordance with the provisions of the prevailing law and will not exceed an issue/allocation of shares/options representing such percentage of the capital of the Company as may be permitted by the law.

   Section 81 of the Companies Act, 1956, provides, *inter alia*, that whenever it is proposed to increase the Subscribed Capital of a Company by the allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in the said Section unless the shareholders in General Meeting decide otherwise. The consent of the Shareholders is, therefore, sought to authorise the Board of Directors to issue the shares in the manner set out in the Resolution at Item No. 9.

   The Board commends the Resolution for acceptance.

   Mr X S Desai, Vice Chairman and Managing Director may be deemed to be concerned or interested in the Resolution at Item No. 9 to the extent of the shares/securities, which may be offered/ issued/allocated to him.

7. **Item No. 10 :** 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. Accordingly it is proposed to reappoint A F Ferguson & Co. on the remuneration set out in the Resolution as auditors of the Company for the financial year 1998-99.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

31 July 1998

BY ORDER OF THE BOARD OF DIRECTORS,

Xerxes S Desai
Vice Chairman & Managing Director

DIRECTORS' REPORT

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

The Directors are pleased to present the Fourteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 1998.

FINANCIAL RESULTS

	Rs. in lakhs	
	1997-98	1996-97
Income	**44,522.06**	41,132.56
Expenditure	**35,720.94**	32,073.27
Gross profit	**8,801.12**	9,059.29
Interest	**5,295.50**	5,639.83
Cash operating profit	**3,505.62**	3,419.46
Depreciation	**1,881.65**	1,651.63
Operating Profit	**1,623.97**	1,767.83
Profit on sale of investments	**-**	1,012.50
Profit before taxes	**1,623.97**	2,780.33
Provision for taxes	**160.13**	358.66
Profit after taxes	**1,463.84**	2,421.67
Add : Transfer from investment allowance reserve	**41.75**	–
Add : Profit brought forward	**3,071.22**	2,770.63
Amount available for appropriation	**4,576.81**	5,192.30
Appropriations :		
Debenture redemption reserve	**29.00**	28.00
Dividend paid on preference shares	**411.71**	308.45
Tax paid on preference dividend	**40.96**	–
Proposed dividend on equity shares	**1,056.91**	1,395.12
Tax on proposed equity dividend	**105.69**	139.51
Transfer to general reserve	**151.00**	250.00
Balance carried forward	**2,781.54**	3,071.22

While operating profit is marginally lower than in the previous year, it is noteworthy that no benefit was sought to be derived from an increase in inventories of finished goods as happened in 1996-97. On the contrary, finished goods inventories declined by Rs. 31.54 crores as against an increase of Rs. 48.48 crores in the previous year.

Despite the sluggish domestic market for consumer durables and a fall in export earnings, turnover grew by 8%. Volume growth for watches in the domestic market was about 15% resulting in increased market share. Jewellery sales were encouraging and climbed dramatically after the launch of 22 karat gold jewellery.

Exports were impacted adversely by unfavourable currency rates, reductions in export benefits, the economic situation in South East Asia, mass deportations of Asians in the Middle East countries and the need for tactical changes in Europe.

However, imports were also curtailed and the Company became a net foreign exchange earner on the revenue account for the first time.

Material consumption was lower by almost Rs. 50 crores, mainly as a result of the running down of finished goods inventories, greater indigenisation and aggressive buying. Overheads were brought down across the board. Advertising and publicity expenditure was cut by Rs. 16 crores. Employee costs were maintained at virtually the previous year's level despite the statutory increase in Provident Fund payments. Interest costs were lower by Rs. 3.44 crores compared to the previous year and would have been even lower had interest rates not hardened towards the latter part of the financial year.

Dividend

At the Board Meeting held on 23rd March 1998, the Directors declared an interim dividend on preference shares and accordingly, preference dividend amounting to Rs. 4.12 crores has been paid during the financial year. No further dividend is proposed on the preference shares as the interim dividends cover the contractual requirement.

After payment of dividend on preference shares, the distributable profit is Rs. 8.31 crores (Rs.18.35 crores in the previous year). It will be recalled that the previous year's profit included a sizeable element of Rs. 10.13 crores from the sale of 4.50 million Timex shares. In view of the decline in distributable profit, the Directors recommend a lower dividend on equity shares of Rs. 2.50 per share (25%), free of tax, which along with dividend tax results in an outflow of Rs. 11.63 crores. Shareholders will note that this payment has resulted in a drawal of Rs. 1.51 crores from the accumulated surplus of previous years. Such a drawal is recommended in the context of the Management's confidence in improved current year performance and the desirability of imparting a degree of stability to dividend payments from year to year.

Finance

The financials reflect an improvement in operating efficiency which has resulted in a net cash generation from operations of Rs. 22.06 crores as against a cash deficit of Rs. 74.62 crores last year.

Though the Company continues to borrow in the short term market mainly to hedge its interest costs, the process of restructuring borrowings has commenced with the Company having availed of term loans at prime rates.

The proposed Swiss Convertible Bond issue aggregating US$ 20 million has been dropped due to the crisis in South East Asia which has resulted in all Asian paper being regarded as unattractive.

The proposed Rights Issue was put on hold due to depressed primary market conditions.

During the year under review, the Company raised Rs. 21.50 crores by way of private placement of preference shares and redeemed preference shares of Rs. 17 crores. The share capital of your Company as at 31st March 1998 thus stood at Rs. 79.78 crores, inclusive of Rs. 37.50 crores of preference shares. In addition, the Company availed of Rupee term loans aggregating Rs. 97.01 crores from commercial banks, other borrowings of Rs. 22.05 crores and incremental intercorporate deposits of Rs. 4.60 crores. In the aggregate, the Company raised a total of Rs.145.16 crores from various sources during the year under review.

Borrowings totalling Rs. 110 crores were repaid during the year and Rs. 24 crores was incurred as capital expenditure on internalisation and expansion programmes.

As on 31st March 1998, the Company held fixed deposits of Rs. 20.88 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs. 8 lakhs.

During the year under review, the Company made payments aggregating to Rs. 94.88 crores by way of central, state and local taxes and duties as against Rs. 103 crores in the previous year.

Domestic Operations

Watches

The programme for enhancement of capacity to 5 million units per annum is nearing completion. A highlight of the year was the automation of movement assembly.

The PQCD world class manufacturing programme which places renewed emphasis on Productivity, Quality, Cost control and Delivery on time, has resulted in a much greater focus on customer satisfaction and profitability. Your Company is currently implementing a programme for Enterprise Resource Planning (ERP) based on SAP and advised by Coopers & Lybrand. This programme, with its concomitant Business Process Reengineering, is expected to yield significant savings from better resource utilisation and planning, tighter lead time and lower inventories.

Despite continuing recessionary conditions, your Company sold 3.97 million watches in the domestic market as against 3.42 million in the previous year leading to an increase in market share. Watch sales were, however, dogged by sticky prices, a high degree of thrift among consumers and much greater reliance on "schemes" by consumer durables marketers in general. Growth came mainly from improved market penetration and the introduction of the economically priced Sonata brand.

The Company now has 102 exclusive Titan Showrooms and a chain of 83 Timezone outlets in addition to being present in over 5400 dealer outlets in 1300 towns and cities across the country.

A continuing factor in the success of your Company has been the very high level of after-sales service it provides to the owners of nearly 27 million watches sold since inception.

Jewellery

At 112,868 pieces, production of jewellery was up by over two and half times compared to the previous year. Sales in the domestic market were over 82,000 pieces as against under 15,000 in the previous year with total sales value rising to Rs. 52 crores as against Rs. 21 crores in 1996-97.

A major factor in this gratifying development was the introduction of Tanishq's 22 karat gold collection in June 1997. Sales of gemset jewellery also increased significantly. The jewellery plant has made notable progress in its drive for greater productivity, cost control and fast response times. It is now operating close to installed capacity.

The Tanishq retail chain currently numbers 14 exclusive boutiques in 12 cities with a combined floor space of 31,000 square feet making it India's first jewellery store chain. During the current year, the number of outlets is expected to grow further. With the introduction of new designs and a fully refreshed product offering by Diwali, your Company is aggressively targeting higher sales during the current year.

Table Clocks

Sales of table clocks were lacklustre and production was curtailed pending the development of a new product, marketing and distribution strategy. Work is now in full swing on many new designs as well as on a new marketing and distribution thrust, the effects of which will be felt in the current year. Your Company is confident that its collection of beautifully designed and attractively priced table clocks will command an increasing share of the personal and institutional gift market.

International Operations

For the first time in the history of the Company, exports saw a decline over the previous year. While this was more than fully compensated by a reduction in imports, resulting in your Company becoming a net foreign exchange earner on the revenue account for the first time, it was still disappointing given the high hopes with which the year began.

A major part of the targeted increase in exports for 1997-98 was expected to come from the South East Asian markets. However, the economic crisis in this region resulted in our selling less than one-third the number of watches in this region compared to the year before. The Middle East market, too, was a cause for some concern: while we held our position remarkably well, growth was absent due to weak national economic scenarios and the large scale deportation of Indian expatriate workers from several countries of the region during the year.

In Europe, 1997-98 was a year of "wait-and-see" accompanied by a review of our initial tactical moves. This review has led to a far reaching revamp of our operations including modifications to the product offering, changes in the advertising campaign and appointment of several new distributors. We also retained an eminent Swiss designer to develop a new collection which has evoked keen interest and enthusiasm from the trade and which is expected to drive sales and turnover in the current year. While there has been very widespread appreciation at the trade level of product design, engineering quality and prices, country of origin and brand awareness are issues of concern. As a result, the European venture, crucial to the long term global success of the Titan brand, has proved rather more expensive than originally projected, but it is expected that the operation will break even in another three years. The financial position is reflected in the annual accounts of Titan International Holdings BV, a wholly owned subsidiary, appended to the accounts of your Company.

Jewellery exports were encouraging and showed an improvement over the previous year at over 26,000 pieces as against 23,000 pieces in 1996-97. The current year is expected to see good growth.

Professional Recognition

In addition to receiving a large number of prestigious advertising awards, Titan continues to be the most highly rated consumer durables company in the A&M-MARG polls based on the points scored in the 13-parameter rating. It has also been rated one of Asia's 200 leading companies by the Far Eastern Economic Review / Citibank (including one out of five from India) for the fourth time in succession.

Mr Xerxes Desai, Vice Chairman & Managing Director, was also adjudged one of the five best CEOs in the country in an opinion survey conducted by Business World magazine.

Associate Companies

Titan International Holdings B.V. (TIHBV) ended the year with a small profit. The funds employed in TIHBV are being deployed in funding its marketing associates as also incurring brand building and product development costs, chiefly in Europe. These brand-building costs are being amortised by TIHBV over a ten year period in accordance with practice in the Netherlands.

Timex Watches Ltd. was also affected by the difficult market situation with sales falling below expected levels. During the year, following new understandings reached by the Promoters, Timex Watches Ltd. has taken over full responsibility for the sale, marketing and servicing of its products with effect from 1st April 1998. A number of operational issues are still being negotiated as also the valuation of the shares presently held by your Company and its associates, which are expected to be purchased by the residual promoter group or its nominees.

RDI Print & Publishing Pvt Ltd, publisher of the Reader's Digest monthly magazine in India, continues to make excellent progress and paid a dividend of Rs. 100 on each equity share with a face value of Rs. 10. It achieved a Profit after Tax of Rs. 4.28 crores on an income of Rs. 19.48 crores.

Titan TimeProducts Limited sold 4.38 million Electronic Circuit Boards during the year under review and made a profit of Rs. 30.27 lakhs. Titan TimeProducts has paid a dividend of 12%.

Titan Properties Limited is making good progress in the housing project for our employees at Hosur. The first phase of over 300 houses and related infrastructure has been completed and possession of over 200 houses has been handed over to the employees.

Employees

The Company now has 3,814 employees, including 144 trainees, of whom 3,139 are in manufacturing, 453 at various sales offices and 222 at the corporate head office. Their commitment to the Company's image enhancement, volume growth and improved profitability is indeed remarkable. A number of programmes were instituted during the year to measure and improve employee satisfaction.

Community Initiatives

In addition to the Titan Scholarship Scheme of which there have been 281 beneficiaries since the scheme started in 1988, and the employment provided to 197 disabled persons in the Company's manufacturing units, your Company has been providing support to several NGOs by starting a rehabilitation unit at Hosur which provides physiotherapy services for physically handicapped persons in 30 surrounding villages. Your Company also continues to support various projects in and around Hosur including an eye clinic, safe drinking water projects, health centres and an income generating programme for rural youth. Your Company also supports an employee community development volunteer corps formed to participate in the development of the local community.

In Bangalore, Titan continues to play a leading role in the Tata Council for Community Initiatives (TCCI). The waste management programme in Bangalore has been very successful, as has been the vocation training unit for school drop-outs. Groundwork has also been done for the Bangalore Road Safety project.

Government Policy

With the support of the Government of India and our diplomatic representation abroad, your Company's confrontation with the Basel Fair authorities seems to show promise of resolution with the receipt of formal advice that Titan Industries Limited, as also other Indian manufacturers, will be permitted to display products at the 1999 Basel Fair, albeit in a subsidiary building in which leading brands are prominently absent.

Despite continued efforts, your Company has not been successful in persuading the Government to reduce the incidence of Excise duties presently levied on a majority of your Company's products. Your Company has repeatedly pointed out that the smuggler's trade is only made more profitable by high levels of Excise duties.

While there has been some increase in the export benefits granted for quartz analog watches under the provisions of the DEPB scheme, the increases granted do not fully match the benefits previously enjoyed by exporters under the provisions of the erstwhile VABAL scheme. Your Company continues in its efforts to persuade the Government to increase DEPB entitlement benefits.

Your Company has also represented against the high levels of interest upto 12.50% p.a. charged on export bills, in the context of the very low rates ranging from 1% to 4% p.a. available to its Japanese and Swiss competitors. However, the Government continues to be reluctant to restore even the rate of 7.50% p.a. which was applicable on export bills until a few years ago.

Your Company continues to be concerned about import policies which favour assemblers and illegal operators over genuine watch manufacturers. Representations for a reduction in import duties on appearance parts and raw materials have gone unheeded, while import duties on complete watch movements have been reduced.

Prospects

The current year brings many challenges and uncertainties on the economic front for the country as a whole and this will inevitably have an impact on the operations of your Company during 1998-99. However, we have developed significant momentum in the previous year for further improvements in productivity and cost control as also for growth in the sale of all our products - watches, jewellery and table clocks. Exports, too, should see growth in Europe and in the Middle East, if not in South East Asia.

Over the next few years, your Company will focus on making the best possible use of its productive resources, building greater competitive advantage in various spheres and increasing returns to its shareholders and other stakeholders.

Directors

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

During the year, the Tamilnadu Industrial Development Corporation (TIDCO) nominated Mr R Gopalan, their Chairman and Managing Director, and Mr K Ganesan, their Executive Director, as Directors of the Company in place of Mr M S Srinivasan and Mr K Rajaraman. Your

Directors have placed on record their appreciation of the services rendered by Mr Srinivasan and Mr Rajaraman during their tenure on the Board. In terms of the Articles of Association and the Companies Act, 1956, Mr Gopalan and Mr Ganesan hold office upto the forthcoming Annual General Meeting. The Company has received notices from some members signifying their intention to propose Mr Gopalan and Mr Ganesan as Directors of the Company.

The current tenure of Mr Xerxes Desai as Vice Chairman and Managing Director ends on 30th September 1998. The Directors have re-appointed him for a further period ending 31st March 2002 and a resolution to this effect has been proposed for adoption at the forthcoming Annual General Meeting.

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, suppliers and customers, the world press, and most importantly, its employees.

Subsidiary Company

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, together with 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, forms part of this report. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the said statement may write to the Assistant Company Secretary at the Registered Office of the Company.

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, 31 July 1998

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

The Energy Management Cell of the Confederation of Indian Industry conducted an Energy Audit during the year and has suggested 16 projects for improvement. Six projects have been implemented which resulted in savings of Rs. 4 lakhs during the financial year. Of the remaining, four projects are under progress and the remaining six are under evaluation.

B. TECHNOLOGY ABSORPTION

(a) Research & Development

The Research & Development Group has developed a slim movement with date which has been introduced in the market. Two innovative movements, viz ultra slim and dual sided are under development. Prototypes have been tested successfully and it is expected that watches incorporating these movements will be launched during the year. An economy movement is also under development. The Company incurred an expenditure of Rs. 115.94 lakhs during the year towards R&D. In addition, it has a large product design and development organisation.

(b) Technology Absorption, Adaptation and Innovation

The assembly of Calibre 7000 movement has been automated with a sophisticated custom-built line. The automatic line has been successfully stabilised and the project has brought in skills in design and tooling associated with automation.

Selected manual and semi-automatic operations in movement and case manufacturing have been automated to achieve various objectives such as cost reduction and improvements in productivity, quality and safety.

With the commissioning of the fourth ion-plating equipment, the process know-how for ion plating on brass by physical vapour deposition has been acquired and implemented.

C. FOREIGN EXCHANGE EARNED AND USED

The Company has earned Rs. 3631.82 lakhs in foreign exchange and used Rs. 5006.98 lakhs (consisting of Rs. 1629.98 lakhs on capital imports and Rs. 3189.70 lakhs on revenue imports).

BY ORDER OF THE BOARD OF DIRECTORS,

A L Mudaliar
Chairman

Bangalore, 31 July 1998

ANNEXURE TO THE DIRECTORS' REPORT

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

1.	Name of Subsidiary	Titan International Holdings B.V.	Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd.
2.	Financial year of the Subsidiary	31st March 1998	30th June 1998
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 the members of Titan Industries Limited		
	a) Dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1997	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1998	NLG 27,203	(SGD 114,060)
5.	Net aggregate amount of Profit/(Loss) for previous financial years of the Subsidiary since it became a Subsidiary so far as they concern the members of Titan Industries Limited		
	a) Dealt with in the accounts of Titan Industries Limited for the year ended 31 March 1998.	Nil	Nil
	b) Not dealt within the accounts of Titan Industries Limited for the year ended 31 March 1998	NLG 60,493	SGD 27,676

* 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, 31 July 1998

AUDITORS' REPORT

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 1998 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, 1998; 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

Date : 25th June, 1998
Bangalore.

H. L. Shah
Partner

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, 1998.

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 material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals. The stocks in possession of third parties have been verified by the management, in most cases, 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(1B) 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 (1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loan given by the Company, where stipulations have been made, 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. 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, 1998 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 an 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

Date: 25th June, 1998
Bangalore.

H. L. Shah
Partner

BALANCE SHEET

as at 31 March 1998

SOURCES OF FUNDS	SCHEDULE		Rupees in lakhs 31-3-98	31-3-97
Shareholders' funds				
Share capital	A		**7977.63**	7527.63
Reserves and surplus	B		**11573.10**	11724.53
Loan funds				
Secured loans	C		**17007.63**	18696.59
Unsecured loans	D		**21172.99**	18117.34
Total			**57731.35**	56066.09
APPLICATION OF FUNDS				
Fixed assets	E			
Gross block, at cost		**33682.65**		30969.91
Less : Depreciation		**10038.64**		8172.74
Net block		**23644.01**		22797.17
Advances on capital account and capital work in progress, at cost		**194.46**		488.47
			23838.47	23285.64
Investments	F		**2699.72**	2699.72
Current assets, loans and advances	G			
Inventories		**17267.16**		22619.03
Sundry debtors		**8324.85**		7810.41
Cash and bank balances		**764.00**		457.74
Loans and advances		**10646.70**		6841.77
		37002.71		37728.95
Less :				
Current liabilities and provisions	H			
Current liabilities		**4451.72**		5894.45
Provisions		**1357.83**		1753.77
		5809.55		7648.22
Net current assets			**31193.16**	30080.73
Total			**57731.35**	56066.09
Notes	K			

PER OUR REPORT ATTACHED
FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 25 June 1998

K. F. Kapadia
Sr. Vice President - Finance

K. C. V. Muralitharan
Asst. Company Secretary

For and on behalf of the Board,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1998

			Rupees in lakhs	
INCOME	**SCHEDULE**		**Current Year**	Previous Year
Sales			**44206.38**	40851.98
Other income	I		**315.68**	1293.08
Total			**44522.06**	42145.06
EXPENDITURE				
Operating and other expenses	J		**32013.31**	28466.45
Excise duty			**3707.63**	3606.82
Depreciation			**1881.65**	1651.63
Interest			**5295.50**	5639.83
Total			**42898.09**	39364.73
PROFIT FOR THE YEAR			**1623.97**	2780.33
TAXES			**160.13**	358.66
PROFIT AFTER TAXES			**1463.84**	2421.67
Transfer from investment allowance reserve			**41.75**	–
Profit brought forward			**3071.22**	2770.63
Amount available for appropriation			**4576.81**	5192.30
Appropriations				
Transfer to debenture redemption reserve		**29.00**		28.00
Dividend paid on preference shares (1997: subject to tax)		**411.71**		308.45
Tax paid on preference dividend		**40.96**		–
Proposed dividend on equity shares		**1056.91**		1395.12
Tax on proposed equity dividend		**105.69**		139.51
Transfer to general reserve		**151.00**		250.00
			1795.27	2121.08
Balance carried to balance sheet			**2781.54**	3071.22
Notes	K			

PER OUR REPORT ATTACHED
FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 25 June 1998

For and on behalf of the Board,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

K. C. V. Muralitharan
Asst. Company Secretary

"A" SHARE CAPITAL

		Rupees in lakhs 31-3-98	31-3-97
Authorised			
8,00,00,000 equity shares of Rs. 10 each		**8000.00**	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each		**4000.00**	4000.00
		12000.00	12000.00
Issued and subscribed			
4,22,76,270 equity shares of Rs. 10 each, fully paid up		**4227.63**	4227.63
5,00,000 (1997 : 7,50,000) 11% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**500.00**	750.00
Nil (1997 : 12,50,000) 13% redeemable cumulative preference shares of Rs. 100 each, fully paid up		–	1250.00
3,00,000 13.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**300.00**	300.00
10,00,000 14% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**1000.00**	1000.00
2,50,000 (1997 : Nil) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**250.00**	–
2,50,000 (1997 : Nil) 9.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**250.00**	–
5,00,000 (1997 : Nil) 10% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**500.00**	–
2,00,000 (1997 : Nil) 10.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**200.00**	–
7,00,000 (1997 : Nil) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**700.00**	–
50,000 (1997 : Nil) 12% redeemable cumulative preference shares of Rs. 100 each, fully paid up		**50.00**	–
		7977.63	7527.63

"B" RESERVES AND SURPLUS

		Rupees in lakhs 31-3-98	31-3-97
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	**213.58**		185.58
Transfer from profit and loss account	**29.00**		28.00
		242.58	213.58
Investment allowance reserve account			
As per last balance sheet	**1038.81**		1038.81
Transfer to profit and loss account	**41.75**		–
		997.06	1038.81
General reserve			
As per last balance sheet	**1215.00**		965.00
Transfer from profit and loss account	**151.00**		250.00
		1366.00	1215.00
Balance in profit and loss account		**2781.54**	3071.22
		11573.10	11724.53

"C" SECURED LOANS	Rupees in lakhs 31-3-98	31-3-97
13.5% debentures, fully paid up	–	1312.50
12.5% debentures, fully paid up	**568.91**	568.91
Foreign currency term loans from the International Finance Corporation, Washington	**499.14**	1066.39
Term loans from financial institutions	**2911.79**	3376.59
Term loans from banks	**8775.00**	6673.75
Interest free sales tax loan	**99.96**	99.96
Other term loans	**792.38**	1172.13
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**3360.45**	4426.36
	17007.63	18696.59

"D" UNSECURED LOANS		Rupees in lakhs 31-3-98	31-3-97
Fixed deposits		**2087.99**	262.34
Short term loans and advances			
Loans from banks	**4875.00**		1000.00
Loans from others	**700.00**		2980.00
Deposits from companies	**9510.00**		9050.00
		15085.00	13030.00
Other loans and advances			
Term loans from banks	**4000.00**		3625.00
Others	–		1200.00
		4000.00	4825.00
		21172.99	18117.34

"E" FIXED ASSETS

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-1997	**Additions**	**Deductions**	**Cost as at 31-3-1998**	**For the year**	**As at 31-3-1998**	**As at 31-3-1998**	As at 31-3-1997
Land - freehold	98.38	–	**12.87**	**85.51**	–	–	**85.51**	98.38
Land - leasehold	42.24	–	–	**42.24**	–	–	**42.24**	42.24
Buildings	3271.59	**108.85**	–	**3380.44**	**97.05**	**488.47**	**2891.97**	2880.17
Plant, machinery and equipment	25351.55	**2375.72**	**6.20**	**27721.07**	**1631.60**	**8799.95**	**18921.12**	18181.48
Furniture, fixtures and equipment	1973.19	**241.73**	**29.58**	**2185.34**	**128.55**	**677.03**	**1508.31**	1414.31
Vehicles	232.96	**47.73**	**12.64**	**268.05**	**24.45**	**73.19**	**194.86**	180.59
TOTAL	30969.91	**2774.03**	**61.29**	**33682.65**	**1881.65**	**10038.64**	**23644.01**	
As at 31-3-1997	28513.32	2575.73	119.14	30969.91	1651.63	8172.74		22797.17
Advances on capital account and capital work in progress, at cost							**194.46**	488.47
							23838.47	23285.64

		Rupees in lakhs	
"F" INVESTMENTS — LONG TERM		**31-3-98**	31-3-97
Trade investments			
Quoted			
50,00,000 (1997 : 50,00,000) fully paid equity shares of Rs. 10 each in Timex Watches Limited		**500.00**	500.00
Unquoted			
1,00,000 (1997 : 1,00,000) fully paid equity shares of Rs. 100 each in Tata Industries Limited	**100.00**		100.00
5,00,000 (1997 : 5,00,000) fully paid equity shares of Rs. 10 each in Titan Time Products Limited	**50.00**		50.00
1,00,000 (1997: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited	**10.00**		10.00
501 (1997: 501) fully paid equity shares of Rs. 100 each in Titan Mechatronics Limited	**0.50**		0.50
251 (1997 : 251) fully paid equity shares of Rs. 100 each in Titan Holdings Limited	**0.25**		0.25
60,000 (1997 : 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited	**18.00**		18.00
85,000 (1997 : 85,000) fully paid equity shares of Rs. 10 each in RDI Print & Publishing Pvt. Ltd...	**266.72**		266.72
15,000 (1997 : 15,000) fully paid equity shares of Rs. 10 each in Tanishq India Ltd.	**1.50**		1.50
		446.97	446.97
Investment in subsidiary company - unquoted			
8,108 (1997 : 8,108) fully paid equity shares of NLG 1,000 each in Titan International Holdings BV		**1638.03**	1638.03
Others - unquoted			
7,46,328 (1997 : 7,46,328) units of Rs. 10 each of the Unit Trust of India including Nil (1997 : 67,848) bonus units received during the year (Repurchase price Rs. 110.46 lakhs; 1997 : Rs. 109.34 lakhs)....		**114.72**	114.72
		2699.72	2699.72
Aggregate amount of quoted investments		**500.00**	500.00
Aggregate amount of unquoted investments		**2199.72**	2199.72
Market value of quoted investments		**1050.00**	1600.00

"G" CURRENT ASSETS, LOANS AND ADVANCES

		Rupees in lakhs 31-3-98	31-3-97
Inventories			
Consumable stores		**524.53**	602.25
Loose tools		**176.16**	162.99
Stock-in-trade			
Raw materials and bought-out components	**4531.12**		5858.69
Work in progress	**4433.28**		5239.28
Finished goods	**7602.07**		10755.82
		16566.47	21853.79
		17267.16	22619.03
Sundry debtors (unsecured and considered good)			
Over six months	**2728.86**		3749.53
Others	**5595.99**		4060.88
		8324.85	7810.41
Cash and bank balances			
Cash and cheques on hand	**57.09**		76.33
With scheduled banks — in current accounts	**16.19**		66.45
— on deposit	**660.38**		304.24
— in transit	**30.34**		10.72
		764.00	457.74
Loans and advances (unsecured and considered good)			
Advances recoverable in cash or in kind or for value to be received	**8444.55**		5759.88
Due from subsidiaries	**2106.94**		1064.93
Tax payments, net of provision	**48.44**		–
Balances with customs and excise authorities	**46.77**		16.96
		10646.70	6841.77
		37002.71	37728.95

"H" CURRENT LIABILITIES AND PROVISIONS

		Rupees in lakhs 31-3-98	31-3-97
Current liabilities			
Sundry creditors	3657.32		5031.44
Unclaimed dividends	40.69		31.13
Interest accrued but not due on loans	753.71		831.88
		4451.72	5894.45
Provisions			
Provision for taxation, net of payment	–		131.33
Proposed dividend	1056.91		1395.12
Retiring gratuities	284.17		208.66
Others	16.75		18.66
		1357.83	1753.77
		5809.55	7648.22

"I" OTHER INCOME

	Rupees in lakhs Current Year	Previous Year
Interest from dealers, staff loans and bank deposits — gross (tax deducted at source on interest received Rs. 5.73 lakhs; 1997 : Rs. 0.29 lakhs)	120.38	59.88
Income from trade investments — gross (tax deducted at source Nil; 1997 : Rs. 31.91 lakhs)	95.26	135.31
Dividend from units of Unit Trust of India (tax deducted at source Rs. 2.99 lakhs; 1997 : Rs. 3.12 lakhs)	14.93	13.57
Profit on sale of investments	–	1012.50
Miscellaneous income	85.11	71.82
	315.68	1293.08

" J " OPERATING AND OTHER EXPENSES			Rupees in lakhs **Current Year**	Previous Year
Raw materials and components consumed			**15370.42**	19521.29
Loose tools, stores and spare parts consumed ..			**912.63**	1582.54
Purchase of finished goods			**259.37**	389.11
Payments to and provisions for employees				
Salaries and wages		**3813.85**		3850.21
Company's contribution to provident and other funds		**303.87**		216.36
Welfare expenses		**678.96**		640.91
Gratuity		**94.81**		105.28
			4891.49	4812.76
Other expenses				
Power and fuel		**686.70**		527.93
Repairs to buildings		**37.91**		54.48
Repairs to plant and machinery........................		**113.98**		111.85
Advertising		**2003.94**		3601.48
Selling and distribution expenses		**731.17**		658.10
Insurance..		**254.63**		266.03
Rent		**452.96**		390.55
Rates and taxes		**709.53**		730.28
Travel		**418.22**		520.52
General expenses		**1242.79**		1598.40
			6651.83	8459.62
Auditors' remuneration				
Audit fees		**8.00**		8.00
Fees for taxation matters		**3.00**		2.00
Fees for other services		**1.46**		0.52
Reimbursement of expenses		**0.36**		0.78
			12.82	11.30
Directors' fees			**0.42**	0.40
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	**4433.28**			5239.28
Finished goods	**7602.07**			10755.82
		12035.35		15995.10
Opening stocks				
Work in progress	**5239.28**			3937.41
Finished goods	**10755.82**			5908.14
		15995.10		9845.55
			3959.75	(6149.55)
			32058.73	28627.47
Less : Expenses capitalised			**45.42**	161.02
			32013.31	28466.45

"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 and leave encashment benefit 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. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 72.73 lakhs (1997 : Rs. 1514.65 lakhs).

3. Contingent liabilities not provided for :

   i) Guarantees given by the Company Rs. 1977 lakhs (1997 : Rs. 1100 lakhs).

   ii) Letter of comfort given to a bank - Rs. 5142 lakhs (1997 : Rs. 1175 lakhs).

   iii) Bills discounted by trade - Rs. 2891 lakhs (1997 : Rs. 2797 lakhs).

   iv) Claims against the Company not acknowledged as debts :

   Sales tax, Customs and Excise matters Rs. 3715 lakhs (1997 : Rs. 3424 lakhs).

4. a) The 11% redeemable cumulative preference shares aggregating Rs. 500 lakhs 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 13.5% redeemable cumulative preference shares aggregating Rs. 300 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 1st March 1997). 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, they may be redeemed at the option of the holder.

c) The 14% redeemable cumulative preference shares aggregating Rs. 1000 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 1st October 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 will redeem the preference shares.

d) The 9.5% redeemable cumulative preference shares aggregating Rs. 250 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 15th September 1997). 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, they may be redeemed at the option of the holder.

e) The 9.75% redeemable cumulative preference shares aggregating Rs. 250 Lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 17th September 1997). 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, they may be redeemed at the option of the holder.

f) The 10% redeemable cumulative preference shares aggregating Rs. 500 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 30th July 1997). 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, they may be redeemed at the option of the holder.

g) The 10.25% redeemable cumulative preference shares aggregating Rs. 200 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 1st October 1997). However, they may be redeemed either at the option of the Company or by the Holder(s) on expiry of 18 months from the date of allotment. Yearly call and put option is exercisable thereafter on the 1st working day of April every year. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

h) The 10.5% redeemable cumulative preference shares aggregating Rs. 500 lakhs are redeemable at par at the end of 13 months from the date of allotment (i.e., 24th July 1997). In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

i) The 10.5% redeemable cumulative preference shares aggregating Rs. 200 lakhs are redeemable at par at the end of 13 months from the date of allotment (i.e., 30th July 1997). In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

j) The 12% redeemable preference shares aggregating Rs. 50 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 30th April 1997). However, they may be redeemed by the company at any time.

5. 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 8(b) and 11(a) below.

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

7. The foreign currency term loans from the International Finance Corporation, Washington, are secured :

   a) by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant situated at Hosur; and

   b) by hypothecation of its movable assets (save and except book debts) both present and future, subject to a prior charge on inventories in favour of banks for providing working capital and specific charge on assets covered under note 8(b) and 11(a) below.

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

   a) Loan of Rs. Nil (1997 : Rs. 69 lakhs) secured by the securities stated in 7 above.

   b) Loan of Rs. 21.16 lakhs (1997: Rs. 71.19 lakhs) which is secured by a first charge on certain specified assets.

   c) Loan of Rs. 2890.63 lakhs (1997 : Rs. 3236.40 lakhs) which is secured / to be secured by the securities stated below :

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

      (ii) secured by 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 8(b) above and 11(a) below.

9. The term loan from banks shown under secured loans include :

   a) loan of Rs. 625 lakhs (1997 : Rs. 875 lakhs) 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) loan of Rs. 4400 lakhs (1997 : Rs. 4798.75 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

   c) loan of Rs. 750 lakhs (1997 : Rs. 1000 lakhs) secured by a first charge on the movable assets and to be secured by an equitable mortgage of immovable properties of the Company, both present and future.

   d) loan of Rs. 3000 lakhs (1997 : Rs. Nil) to be secured by a first charge on the movable and immovable properties of the Company, both present and future.

10. 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.

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

   a) loans of Rs. 234.38 lakhs (1997 : Rs. 428.13 lakhs) secured by a first charge on assets purchased out of these amounts.

   b) loan of Rs. 558 lakhs (1997 : Rs. 744 lakhs) 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.

12. The security covered under notes 5(b) & (c), 7, 8(a) & (c), 9 and 11(b) above rank *pari passu.*

13. Loans and advances include Rs. 72.52 lakhs (1997: Rs. Nil) advanced to a Company which is proposed to be adjusted against issue of equity shares by that Company.

14. Sundry creditors include Rs. 158.71 lakhs (1997 : Rs. 209.47 lakhs) payable to small scale and ancillary industries.

15. Exchange fluctuation on foreign currency loans taken for acquisition of fixed assets capitalised is Rs. 315.74 lakhs (1997 : Rs. 18.09 lakhs).

Exchange gain (net), included in profit and loss account is Rs. 412.06 lakhs (1997 : Rs. 140.44 lakhs).

16. Sales includes sale of scrap Rs. 155.51 lakhs (1997 : Rs. 146.35 lakhs), sale of accessories Rs. 1657.30 lakhs (1997 : Rs. 1383.15 lakhs), income from services provided Rs. 496.26 lakhs (1997 : Rs. 446.25 lakhs) and is net of all discounts including cash discount of Rs. 131.80 lakhs (1997 : Rs. 113.78 lakhs).

17. Interest expense disclosed in the profit and loss account is net of Rs. 1.74 lakhs (1997 : Rs. 29.56 lakhs), being the amount capitalised and Rs. 458.92 lakhs (1997 : Rs. 265.89 lakhs) being interest received on advances.

18. Interest on fixed loans and debentures amounts to Rs. 5100.91 lakhs (1997 : Rs. 5208.61 lakhs).

19. Maximum amount due by the Company's Officers at any time during the year was Rs. 0.18 lakhs (1997 : Rs. 0.10 lakhs). Balance as on 31st March, 1998 Rs. 0.09 lakhs (1997 : Rs. Nil).

20. The Managing Director's remuneration of Rs. 20.60 lakhs (1997 : Rs. 23.75 lakhs) is inclusive of contribution to provident and other funds Rs. 1.56 lakhs (1997: Rs. 1.50 lakhs), perquisites Rs. 4.04 lakhs (1997 : Rs. 4.25 lakhs) and commission Rs. 9.00 lakhs (1997 : Rs. 12.00 lakhs).

Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under :

		Rupees in lakhs	
		1998	1997
Profit before taxes as per Profit and Loss Account		**1623.97**	2780.33
Add:	Managing Director's remuneration	**20.60**	23.75
	Director's fees	**0.42**	0.40
	Depreciation provided in the accounts for the current year	**1881.65**	1651.63
	Loss on sale of fixed assets as per books (net)	**-**	1.09
	Profit on sale of fixed assets as per Section 349 of the Companies Act, 1956	**16.86**	23.45
		3543.50	4480.65
Less :	Depreciation as per Section 350 of the Companies Act, 1956 for the current year	**2711.22**	2599.13
	Profit on sale of fixed assets as per books (net) ...	**6.15**	–
	Profit on sale of investments	**-**	1012.50
	Net profit	**826.13**	869.02

21. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 4.43 million watches per annum (1997 : 4.18 million watches), 0.12 million jewellery pieces per annum (1997 : 0.06 million jewellery pieces) and 0.65 million table clocks (1997 : 0.65 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

22. The Company produced 41,61,706 watches (1997 : 42,42,320 watches) sold 43,08,393 watches- Rs. 34,681.49 lakhs (1997 : 39,03,661 watches - Rs. 33,916.69 lakhs) and had a Closing Stock of 5,88,055 watches - Rs. 5,236.70 lakhs (1997 : 7,34,742 watches - Rs. 6,410.27 lakhs; 1996 : 3,96,083 watches - Rs. 3,460.81 lakhs).

The Company produced 1,12,868 jewellery pieces (1997 : 44,040 jewellery pieces), purchased Nil jewellery pieces (1997 : 355 jewellery pieces) sold 1,19,567 jewellery pieces - Rs. 5,999.19

lakhs (1997 : 37,326 jewellery pieces - Rs. 3,153.49 lakhs) and had a closing stock of 24,875 jewellery pieces - Rs. 1,566.42 lakhs (1997 : 31,574 jewellery pieces - Rs. 3,261.14 lakhs; 1996 : 24,505 jewellery pieces - Rs. 2,221.83 lakhs).

The Company produced 1,83,369 Table Clocks (1997 : 5,56,542 Table Clocks) sold 2,88,458 Table Clocks - Rs. 852.46 lakhs (1997 : 3,63,562 Table Clocks - Rs. 1,409.04 lakhs) and had a closing stock of 1,13,605 Table Clocks - Rs. 605.25 lakhs (1997 : 2,18,694 Table Clocks - Rs. 843.26 lakhs; 1996 : 25,714 Table Clocks - Rs. 41.74 lakhs).

23. The Company purchased 40,535 watches (1997 : 47,743 watches), sold 44,518 watches - Rs. 317.10 lakhs (1997 : 40,897 watches - Rs. 305.99 lakhs) and had a closing stock of 32,886 watches - Rs. 172.43 lakhs (1997 : 36,869 watches - Rs. 203.91 lakhs; 1996 : 30,023 watches - Rs. 183.76 lakhs).

24. The Company purchased 9,630 clocks (1997 : 46,370 clocks), sold 16,555 clocks Rs. 47.07 lakhs (1997 : 29,818 clocks - Rs. 91.02 lakhs) and had a closing stock of 9,627 clocks Rs. 21.27 lakhs (1997 : 16,552 clocks - Rs. 37.24 lakhs; 1996 : Nil).

25. Analysis of raw materials and components consumed :

	Rupees in lakhs	
	1998	1997
Precious metals (1998 : 826 Kgs.) (1997 : 524 Kgs.)	**3476.51**	2312.41
Components	**9369.95**	12971.09
Other materials	**2375.90**	3868.48
Sundry charges	**148.06**	369.31
	15370.42	19521.29

26. Value of imports on CIF basis :

	Rupees in lakhs	
	1998	1997
Raw materials and components	**2942.23**	6212.23
Stores and spares	**247.47**	471.20
Capital goods	**1629.98**	1118.40
	4819.68	7801.83

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

	Rupees in lakhs	
	1998	1997
Royalty & Technical Fees	**11.73**	15.35
Interest	**57.27**	142.59
Others	**114.65**	884.76

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

		31.3.98	31.3.97
(i)	Number of Shareholders	**14**	17
(ii)	Number of Equity Shares on which dividend was paid	**1,10,670**	1,16,675
(iii)	Year to which the dividend related	**1996-97**	1995-96
(iv)	Amount remitted (net of tax) (Rs. in lakhs)	**3.65***	3.14

*Remitted subsequent to 31st March 1998

29. Earnings in foreign exchange :

	Rupees in lakhs	
	1998	1997
Export of goods on FOB basis	**3581.23**	5566.03
Interest	**50.59**	5.11

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

	1998		1997	
	Rupees in lakhs	**%**	Rupees in lakhs	%
Imported				
CIF Value	**3256.02**	**21**	5910.00	30
Customs duties	**331.47**	**2**	1467.10	8
	3587.49	**23**	7377.10	38
Indigenous	**11782.93**	**77**	12144.19	62
	15370.42	**100**	19521.29	100

31. Expenditure directly attributable to research and development [including capital expenditure of Rs. 24.54 lakhs; (1997 : Rs. 6.91 lakhs)] is estimated at Rs. 115.94 lakhs (1997 : Rs. 76.26 lakhs).

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

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

I. REGISTRATION DETAILS

REGISTRATION NO. 11041

STATE CODE 18

BALANCE SHEET DATE

DATE	MONTH	YEAR
31	03	98

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

PUBLIC ISSUE	NIL
RIGHTS ISSUE	NIL
BONUS ISSUE	NIL
PREFERENTIAL ALLOTMENT	45000*

* Net of redemption of preference share capital of Rs. 170000 (in thousands).

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

TOTAL LIABILITIES	6354090
TOTAL ASSETS	6354090

SOURCE OF FUNDS

PAID-UP CAPITAL	797763
RESERVES & SURPLUS	1157310
SECURED LOANS	1700763
UNSECURED LOANS	2117299

APPLICATION OF FUNDS

NET FIXED ASSETS	2383847
INVESTMENTS	269972
NET CURRENT ASSETS	3119316
MISC. EXPENDITURE	NIL
ACCUMULATED LOSSES	NIL

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

TURNOVER: 4 4 5 2 2 0 6	TOTAL EXPENDITURE: 4 2 8 9 8 0 9
+ ✓ - PROFIT/LOSS BEFORE TAX: 1 6 2 3 9 7	+ ✓ - PROFIT/LOSS AFTER TAX: 1 4 6 3 8 4
EARNING PER SHARE IN Rs.: 2 . 3 9	DIVIDEND RATE %: 2 5

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,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman &
Managing Director

K. F. Kapadia
Sr. Vice President-Finance

K. C. V. Muralitharan
Asst. Company Secretary

Bangalore, 25 June 1998

CASH FLOW STATEMENT

for the year ended 31 March 1998

	Current Year	Previous Year
	Rupees in lakhs	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**1,623.97**	2,780.33
Adjustments for :		
Depreciation	**1,881.65**	1,651.63
Exchange difference	**(412.06)**	(140.44)
Financial lease payments	**3.16**	3.68
(Profit)/loss on sale of fixed assets (net)	**(6.15)**	1.09
Profit on sale of investments (net)	**—**	(1,012.50)
Interest received	**(120.38)**	(59.88)
Dividend received	**(110.19)**	(148.88)
Interest paid	**5,295.50**	5,639.83
Operating profit before working capital changes	**8,155.50**	8,714.86
Adjustments for :		
(Increase)/Decrease in sundry debtors	**(514.44)**	(25.78)
(Increase)/Decrease in inventories	**5,351.87**	(7,365.35)
(Increase)/Decrease in loans and advances	**(3,756.49)**	(2,520.55)
Increase/(Decrease) in current liabilities	**(1,369.13)**	(386.90)
Cash generated from operations	**7,867.31**	(1,583.71)
Interest received	**120.38**	59.88
Interest paid	**(5,295.50)**	(5,639.83)
Direct taxes paid	**(486.55)**	(298.72)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**2,205.64**	(7,462.38)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets (including capital work in progress and advances on capital account)	**(2,480.02)**	(2,054.63)
Proceeds from sale of fixed assets	**51.69**	83.20
Purchase of investments	**—**	(318.22)
Proceeds from sale of investments	**—**	1,462.50
Dividend received	**110.19**	148.88
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(2,318.14)**	(678.27)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of preference share capital	**2,150.00**	2,300.00
Redemption of preference share capital	**(1,700.00)**	—
Proceeds from new borrowings	**12,366.60**	11,464.75
Repayment of borrowings	**(10,999.90)**	(4,984.65)
Financial lease payments	**(3.16)**	(3.68)
Dividends paid	**(1,806.83)**	(1,703.57)
Exchange difference	**412.06**	140.44
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**418.76**	7,213.29
NET CASH FLOWS DURING THE YEAR (A+B+C)	**306.26**	(927.36)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	**457.74**	1,385.10
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	**764.00**	457.74

FOR AND ON BEHALF OF THE BOARD,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

K. C. V. Muralitharan
Asst. Company Secretary

Bangalore, 25 June 1998.

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 1998, 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, 25 June 1998

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, 1998.

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 17 million in trademarks and brand building. This expense will be amortized over a period of 10 years and adjusted against royalty income. The Company is expected to incur additional brand-building expenses in the near future.

On April 22, 1997, the Company borrowed US $ 5,000,000 from the Hongkong Bank in Bahrain and, on December 9, 1997 the Company borrowed NLG 3,000,000 (USD 1,500,000) from the parent company. These funds have been used for investment in trademarks/brand-building and in affiliated companies operating in Europe, the Middle East and the Far East.

FUTURE DEVELOPMENTS

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

POST BALANCE SHEET EVENTS

The Company will increase its share capital to NLG 10,000,000 in 1998.

THE MANAGING DIRECTORS

	F. K. Kavarana	X. S. Desai	A. L. Mudaliar
Amsterdam, June 25, 1998.		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, 1998. 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, 1998 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, related brand building expenses and design and development expenses. Realizability of these significant assets depend on the flow of royalty income in the future.

Rotterdam, The Netherlands, June 25, 1998. **ARTHUR ANDERSEN**

BALANCE SHEET

as of March 31, 1998
(after proposed appropriation of results)

ASSETS	NOTES	1998 NLG	1997 NLG
Fixed Assets			
Intangible assets	(4)	**24,661,852**	8,916,994
Investments	(5)	**8,909,807**	5,651,900
		33,571,659	14,568,894
Current Assets			
Royalties receivable	(6)	**1,756,268**	87,408
Receivables on affiliated company	(7)	**204,227**	178,642
Other receivables and prepaid expenses		**101,744**	8,457
Cash at banks		**24,768**	13,540
		2,087,007	288,047
TOTAL ASSETS		**35,658,666**	14,856,941
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity	(8)		
Issued and fully paid in share capital		**8,108,000**	8,108,000
Retained earnings		**87,696**	60,493
		8,195,696	8,168,493
Provision for Deferred Taxes	(12)	**252,740**	57,740
Long-term Liabilities	(9)	**21,272,110**	5,067,866
Current Liabilities			
Loans	(10)	**0**	516,695
Due to affiliated company	(11)	**5,846,723**	682,267
Due to third parties	(9)	**0**	318,721
Interest payable on loans	(10)	**27,843**	9,907
Accounts payable and accrued expenses		**63,554**	35,252
		5,938,120	1,562,842
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**35,658,666**	14,856,941

The accompanying notes form part of these accounts

PROFIT AND LOSS ACCOUNT

for the year ended March 31, 1998

OPERATING INCOME (EXPENSES)	NOTES	1998 NLG	1997 NLG
Royalty income		**3,703,842**	1,707,978
Dividend income		**0**	17,962
General and administrative expenses		**(112,086)**	(73,836)
Amortization expense		**(1,749,970)**	(759,519)
Net operating income (expenses)		**1,841,786**	892,585
FINANCIAL INCOME (EXPENSES)			
Interest expenses, net		**(898,475)**	(139,050)
Other Income		**0**	21,801
Currency exchange differences		**(721,108)**	(722,076)
Net financial income (expenses)		**(1,619,583)**	(839,325)
Result before provision for income taxes		**222,203**	53,260
Provision for income taxes	(12)	**(195,000)**	(35,000)
NET RESULT FOR THE YEAR		**27,203**	12,260

The accompanying notes form part of these accounts

1. (a) **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. The Company is a wholly-owned subsidiary of Titan Industries Limited, India ("the parent company"), to whose accounts the annual accounts of the Company are appended.

(b) **Related Party Transactions**

Royalty income and interest income are generated and incurred primarily through affiliated companies.

Costs associated with brand-building, trademarks and design and development are charged to the Company by affiliated companies.

During the fiscal year, the company charged certain incurred exchange losses (amounting to NLG 84,000) to its parent company.

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 1997 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 capitalized 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, and design and development, at cost. These costs are amortized on a straight line basis over a period of ten years. Amortization commences when the costs are charged and when operation of the trade mark has commenced.

(c) **Investments**

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 1998	NLG 1997
Exchange rates used at year-end are :	**CHF**	**1**	**1.367**	1.301
	FRF	**100**	**33.638**	33.391
	GBP	**1**	**3.491**	3.083
	USD	**1**	**2.084**	1.879
	SGD	**1**	**1.290**	1.300
	INR	**1**	**18.960**	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 Expenses**

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 design and development expenses and expenses associated with trademarks (see note 3b) and is specified as follows :

	1998	1997
Incorporation expenses	**33,099**	33,099
Accumulated depreciation	**(28,834)**	(22,214)
Book value of incorporation expenses	**4,265**	10,885
Design and Development expenses	**6,560,761**	0
Total cost of trademarks at the beginning of the year	**9,828,157**	7,528,987
Additions during the year, net	**10,934,067**	2,299,170
Total cost of trademarks before accumulated amortization	**20,762,224**	9,828,157
Amortization accumulated	**(2,665,398)**	(922,048)
Trademarks at the end of the year	**18,096,826**	8,906,109
Total intangible assets	**24,661,852**	8,916,994

Capitalized expenses associated with trademarks and design and development expenses 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.

The Company is expected to incur additional brand building and related expenses in the near future. The additions during the year were partly charged out by the parent and an affiliated company at March 31, 1998.

5. **Investments**

Titan International Marketing Ltd., UK	**% held**	**1998**	1997
Representing all of the 6% redeemable non-cumulative preference shares	**86**	**8,335,645**	5,077,738
Titan International Investments B.V., The Netherlands, 45,276 shares at NLG10 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**	121,402
Total investments stated at cost		**8,909,807**	5,651,900

Titan International Marketing Ltd., UK :

The Shareholders' equity as at March 31, 1998 consisted of 3,000,000, 6% redeemable non-cumulative preferred shares and 480,000 ordinary shares with a par value of GBP 1 each.

Additional information of Titan International Marketing Ltd., England, is based on audited financial statements as of June 30, 1997 (15 months);

	GBP	NLG
Net loss for the period	**(1,038,049)**	(3,623,829)
Shareholders' equity as of June 30, 1997	**809,982**	2,827,647

Management is of the opinion that the value of its shares in this subsidiary is not permanently impaired.

Titan International Investments B. V., The Netherlands :

The shareholders' equity of Titan International Investments B. V. as of March 31, 1998 and the results for the year then ended are NLG 679,385 and NLG (33,918) 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 unaudited financial statements as of March 31, 1998.

	SGD	NLG
Shareholders' equity	**127,676**	164,718
Net income for the year	**1,415**	1,826

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

6. **Royalties Receivable**

			NLG 1998	NLG 1997
TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE. LTD., Singapore (1997 : SGD 67,222)	**USD**	**331,127**	**689,920**	87,408
TITAN INTERNATIONAL (MIDDLE EAST) FZE, UAE ...	**USD**	**511,794**	**1,066,348**	0
			1,756,268	87,408

During the year under review, the royalties of SGD 67,222 were settled against the USD 75,000 loan borrowed last year from the subsidiary company (see note 10).

At the end of the year, the royalties receivable were USD 362,724, of which USD 31,597 was settled against the remaining loan and the interest payable.

7. **Receivable on Affiliated Company**

	NLG 1998	NLG 1997
TITAN INTERNATIONAL INVESTMENTS B. V., inclusive interest	**204,227**	178,642

8. **Shareholder's Equity**

The authorised share capital of the Company is NLG 10,000,000 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 1998	NLG 1997
Share Capital		
Authorized share capital	**10,000,000**	10,000,000
Not issued	**(1,892,000)**	(1,892,000)
Issued and paid-in share capital	**8,108,000**	8,108,000
Retained earnings		
Retained earnings carried forward	**60,493**	42,233
Result for the year	**27,203**	18,260
Retained earnings	**87,696**	60,493
Total shareholder's equity	**8,195,696**	8,168,493

9. Long Term Liabilities

	NLG 1998	NLG 1997
Third Party :		
Paid CHF 245,000 on December 23, 1997	**0**	318,721
Parent Company :		
NLG account	**7,501,083**	2,299,170
USD account in 1997 (USD 1,473,580)	**0**	2,768,696
INR account	**2,224**	0
NLG loan bearing interest at 4% p.a. and payable in three equal annual installments of NLG 1,000,000 each starting on December 15, 2001, inclusive interest	**3,037,150**	0
	10,540,457	5,386,587
Other Loans:		
The Hongkong & Shanghai Banking Corporation, Bahrain, guaranteed by the parent company, bearing interest rates, varying from 6.4% to 6.8%, and payable in three equal installments commencing in 2000	**10,731,653**	0
	21,272,110	5,386,587

No redemption of long-term liabilities is expected during 1998/1999.

An arrangement fee of USD 50,000 paid to the above Bank, has been capitalized under "other receivables and prepaid expenses" and will be amortized in 5 years (the maturity of the loan).

10. Current Loans

During the fiscal year, the existing loans (amounting to USD 275,000) were either redeemed or offset against the receivable balances.

11. Due to Affiliated Company

	NLG 1998	NLG 1997
Titan International Marketing Ltd., UK., inclusive interest GBP 1,560,482	**5,447,623**	681,657
Others	**0**	610
Titan Industries Limited	**399,100**	0
	5,846,723	682,267

12. Income Taxes

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

The effective tax rate differs from the statutory rate because of certain non-deductible expenses.

13. Directors and Employees

The Company has no employee at the end of the year (1996-97 : one).

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 year ended 30 June 1998.

1. DIRECTORS

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

XERXES DESAI — Chairman
PATRICK R. McGOLDRICK
K. F. KAPADIA
C. R. MENON (Resigned on 25.7.1998)
BHASKAR BHAT (Appointed on 31.7.1998)

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 year.

3. SUBSIDIARIES

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

4. ACCOUNTS

Net (loss) for the year after taxation : S$ (114,060)

5. RESERVES OR PROVISIONS

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

6. ISSUE OF SHARES

There were no shares or debentures issued during the year.

7. ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS

Neither at the end of the financial year, nor at any time during that year, 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 year 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 or proposed since the end of the Company's last financial period.

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 year to secure the liabilities of any other person.

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

13. CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END

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 year 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 year 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 year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

17. DIRECTORS' BENEFITS

Since the end of the previous financial period, 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 year to take up unissued shares of the Company.

19. SHARE OPTIONS EXERCISED

During the year, 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 year.

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

Xerxes Desai Chairman

Patrick R McGoldrick
K. F. Kapadia } Directors
Bhaskar Bhat

31 July 1998

STATEMENT BY DIRECTORS

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 30 June 1998 and of the results of the business of the Company for the year 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

Xerxes Desai Chairman

Patrick R McGoldrick
K. F. Kapadia } Directors
Bhaskar Bhat

31 July 1998

BALANCE SHEET

as at June 30, 1998

	Note	1998	1997
SHARE CAPITAL		**S$**	S$
Authorised			
1,000,000 ordinary shares of S$ 1 each ..		**1,000,000**	1,000,000
Issued and fully paid up			
100,000 ordinary shares of S$ 1 each		**100,000**	100,000
Accumulated (losses)/ Retained Earnings		**(86,384)**	27,676
		13,616	127,676
Represented by:-			
FIXED ASSETS	3	**2,785**	4,059
DEFERRED EXPENDITURE	4	**22,419**	44,839
PRELIMINARY EXPENSES	5	**—**	1,749
CURRENT ASSETS			
Stocks		**791,375**	760,793
Trade debtors		**192,858**	835,638
Other debtors	6	**51,724**	64,980
Fixed deposits		**15,000**	15,000
Cash at bank		**108,189**	86,966
		1,159,146	1,763,377
Less: CURRENT LIABILITIES			
Trade creditors and accruals	7	**1,170,634**	1,681,748
Provisions for taxation		**100**	4,600
		1,170,734	1,686,348
NET CURRENT (LIABILITIES)/ ASSETS		**(11,588)**	77,029
		13,616	127,676

The attached notes to the accounts form an integral part of the accounts.

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1998

	Note	PERIOD FROM 1-7-97 to 30-6-98	1-4-96 to 30-6-97
		S$	S$
Turnover	2	**1,544,308**	4,408,605
NET (LOSS)/PROFIT FOR THE YEAR/PERIOD		**(114,081)**	8,456
After charging:-			
Auditors' remuneration		**3,000**	3,000
Depreciation	3	**1,512**	239
Loss on exchange		**107,612**	16,100
Preliminary expenses written off		**1,748**	1,748
TAXATION	8	**21**	(2,300)
NET (LOSS)/PROFIT FOR THE year / period after TAXATION		**(114,060)**	6,156
RETAINED EARNINGS brought forward		**27,676**	21,520
Accumulated (losses)/ RETAINED EARNINGS carried forward		**(86,384)**	27,676

1. 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 hardware	$33^{1/3}$%
Computer software	100%
Furniture and fittings (< $ 2,000)	100%
Telephone	$33^{1/3}$%

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. DEFERRED EXPENDITURE

These were travelling expenses incurred in exploring new markets to establish the brand of products and are being amortised over a three-year period in which income would be derived.

G. FOREIGN CURRENCIES TRANSACTIONS

Transactions in foreign currencies are measured and recorded in Singapore dollars using the exchange rate in effect at the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date. All exchange adjustments are taken to the profit and loss account.

2. GENERAL

The principal activities of the Company are that of importers and exporters, traders in watches and jewellery items.

Turnover represents invoiced trading sales.

3. FIXED ASSETS

	As @ 1-7-97	Additions	Disposal	As @ 30-6-98	Depreciation 1997
Cost	S$	S$	S$	S$	S$
Computer Hardware	**4,298**	**—**	**—**	**4,298**	
Computer Software	990	—	—	990	
Furniture & fittings	1,050	—	—	1,050	
Telephone	—	238	—	238	
	6,338	238	—	6,576	
Accumulated Depreciation					
Computer Hardware	**239**	**1,433**	**—**	**1,672**	239
Computer Software	990	—	—	990	—
Furniture & fittings	1,050	—	—	1,050	—
Telephone	—	79	—	79	—
	2,279	1,512	—	3,791	239
Net Book Value	4,059	—	—	2,785	—

4. DEFERRED EXPENDITURE

	1998	1997
	S$	S$
Cost	**67,259**	67,259
Amount Amortised	**(44,840)**	(22,420)
	22,419	44,839

5. PRELIMINARY EXPENSES

	1998	1997
	S$	S$
Cost	**5,245**	5,245
Amount written off	**(5,245)**	(3,496)
Balance carried forward	**—**	1,749

6. OTHER DEBTORS

	1998	1997
	S$	S$
Amount due from immediate holding company	**441**	27,795
Staff advance	**1,800**	1,500
Prepayments	**49,483**	35,685
	51,724	64,980

7. TRADE CREDITORS AND ACCRUALS

These include amounts due to the following :

	1998	1997
	S$	S$
Amount due to ultimate holding company	**1,135,110**	1,631,507
Amount due to related party	**5,664**	5,664

8. TAXATION

	1998	1997
	S$	S$
Current period's provision	—	100
Previous year's/period's (over)/ under provision	**(21)**	2,200
	(21)	2,300

The Company has estimated tax losses of S$ 123,000 available for offsetting against future taxable income subject to agreement by the tax authorities and there being no substantial change in shareholders as required by provisions of the Income Tax Act.

9. HOLDING COMPANIES

The Company is a subsidiary of TITAN INTERNATIONAL HOLDINGS B.V., a Company incorporated in The Netherlands. Its ultimate holding company is Titan Industries Ltd., a company incorporated in India.

10. RELATED PARTIES TRANSACTIONS

Significant transactions with related parties during the financial year/period are as follows :—

	1998	1997
	S$	S$
Purchases	**1,127,010**	3,380,037
Trademark royalty expense	**31,743**	80,091
Design royalty expense	**4,240**	—

AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Titan Watches & Jewellery International (Asia Pacific) PTE Ltd. as at 30 June 1998, and the profit and loss account for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures, in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act 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 30 June 1998 and of the results of the Company for the year then 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,
Singapore

31 July 1998