

TITAN INDUSTRIES



21st Annual Report

2004 - 2005

To be Innovative, World class, Contemporary and build India's
most desirable brands

π
TANISHQ

To be the most desirable jewellery brand for Indian women

Board of Directors

Rameshram Mishra (Chairman)
Bhaskar Bhat (Managing Director)
Ishaat Hussain
N N Tata
Farrokh Kavarana
T K Balaji
A C Mukherji
C G Krishnadas Nair
Rama Bijapurkar (upto 25 May 2005)
Md. Nasimuddin (upto 4 Jan 2005)
Pradeep Yadav (upto 8 June 2005)
S Susai

Company Secretary

Usha Iyengar

Auditors

A F Ferguson & Co.
 (Chartered Accountants)

Bankers

Canara Bank
 Bank of Baroda
 Hongkong Bank
 Standard Chartered Bank
 Oriental Bank of Commerce
 Union Bank of India

Registered Office

3, SIPCOT Industrial Complex
 Hosur 635 126

Share Department

Tata Share Registry Limited
 Unit: Titan Industries Limited
 Army & Navy Building
 148, Mahatma Gandhi Road
 Mumbai 400 001

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Titan Industries is a **TATA** Enterprise
 in association with the Tamil Nadu Industrial Development Corporation

Titan Industries Limited

Notice

The Twenty-first Annual General Meeting of Titan Industries Limited will be held at the Registered Office of the Company, at 3 SIPCOT Industrial Complex, Hosur 635 126, on Wednesday, 31st August 2005 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 2005 and the Balance Sheet as at that date together with the report of the Auditors thereon.
- 2) To declare dividend on Equity Shares.
- 3) To approve the declaration and payment of interim dividend as final dividend on preference shares.
- 4) To appoint a Director in place of Mr. Ishaat Hussain who retires by rotation and is eligible for re-appointment.
- 5) To appoint a Director in place of Mr. F K Kavarana who retires by rotation and is eligible for re-appointment.
- 6) To appoint a Director in place of Mr. N N Tata who retires by rotation and is eligible for re-appointment.
- 7) To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to 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, for the time being in force), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and Listing Agreement(s) entered into by the Company with the Stock Exchange(s) and subject to the applicable guidelines and approvals of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other appropriate authorities as may be required and such other approvals, permissions and sanctions as may be necessary and subject to such terms and conditions, alterations/deletions and modification(s) as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board), the consent of the Company be and is hereby accorded to the Board to create, issue/offer and allot, at its sole discretion, Equity Shares of Rs.10/- each and/or any other Financial Instruments including Debentures, whether fully, partly or non-convertible with or without detachable or non-detachable warrants, (hereinafter collectively referred to as "Securities") at par or at such premium, at such time and on such terms and conditions, including price as the Board may determine for an aggregate value not exceeding Rs. 165 crores (including premium) either to members, employees, promoters and persons deemed to be acting in concert, Non Resident Indians, Domestic / Foreign Financial Institutions, Foreign Institutional Investors, Banks, Mutual Funds, Insurance companies, Bodies Corporate, other entities and /or other persons, whether shareholders of the Company or not through or by public issue, rights issue, private placement or by any one or a combination of the above, whether subscribed in Indian or foreign currency and in one or more series whether on the same terms and conditions or with varying terms and conditions and whether at one time or from time to time as may be deemed appropriate by the Board.

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 Act and subject to all necessary approvals to the Board to secure, if necessary, all or any of the abovementioned Securities to be issued by the creation of a mortgage and / or charge 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(s) of Securities, the class of investors to whom the Securities are to be allotted, number of Securities to be offered and allotted in each tranche, issue price, face value, premium on issue/ conversion / redemption of Securities / exercise of warrants, rate of interest, redemption period of Securities and listing thereof on one or more Stock Exchanges in India and / or abroad as the Board may, in its absolute discretion deem fit and to make and accept any modification in the proposal as may be required by the statutory / other authorities involved in issue of Securities in India and / or abroad and to settle any question or difficulty which may arise in this regard.

RESOLVED FURTHER that , for the purpose of giving effect to this Resolution, the Board of Directors or Committee of Directors duly constituted by the Board, be and is hereby authorized to do all such acts, deeds, matters and things as they may, in their absolute discretion deem necessary, appropriate and desirable."

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

"RESOLVED that in furtherance to and in partial modification of the Resolution No.10 passed at the Twentieth Annual General Meeting of the Company held on 31st August 2004, relating to the appointment and terms of remuneration of Mr.Bhaskar Bhat, Managing Director of the Company, the Company do and hereby approve the upward revision in the scale of salary of Mr. Bhaskar Bhat from Rs.50,000 – Rs. 1,50,000 per month to Rs.1,00,000 – Rs.2,50,000 per month subject to the provisions of Sections 269,309,310 and 311 and other applicable provisions, if any, of the Companies Act, 1956."

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

"RESOLVED that pursuant to Section 309 of the Companies Act, 1956 and Article 125 (a) of the Articles of Association of the Company and subject to the limits stipulated in Section 309(4) of the Companies Act, 1956, the Company be and is hereby authorised to pay remuneration by way of commission, to Directors who are neither in the whole time employment of the Company nor Managing Director(s) of the Company.

RESOLVED FURTHER that the gross amounts to be disbursed as remuneration to all such Directors shall, in no case exceed one per cent of the net profits of the Company, computed in the manner referred to in Section 198(1) of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors may, at its discretion, decide the exact amount to be disbursed by way of commission within the limits stipulated above and its allocation amongst the eligible Directors."

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

"RESOLVED that pursuant to the provisions of Sections 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and Article 125 of the Articles of Association of the Company, the approval of the Members be and is hereby accorded to the payment of Sitting Fees to each Director, other than the Managing Director or any other Director who is in the whole time employment of the Company for each meeting of the Board of Directors of the Company or specified Committees of the Board, attended by such Director as may be approved by the Board from time to time, so as not to exceed limits specified in the Act and/ or the Rules made thereunder or any amendments thereto.

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Titan Industries Limited

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual, proper or expedient to give effect to the aforesaid resolution."

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

"RESOLVED that M/s. A. F. Ferguson & Co. be and are hereby re-appointed 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 2005-06, including audit of Cash Flow Statements, on a remuneration of Rs. 35,00,000/- plus service tax, 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 7, 8, 9, 10 & 11 above is 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. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING. A PROXY MAY NOT VOTE EXCEPT ON A POLL.
- c) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, Mumbai, regarding changes, if any, in their registered addresses along with the PIN code number.
- d) The Register of Members and the Transfer Books of the Company will be closed from Wednesday, 17th August 2005 up to Wednesday, 31st August 2005, both days inclusive.
- e) Members may please note that in view of the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company will be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims.

Members may please note that pursuant to Section 205C of the Companies Act, 1956 all unclaimed or unpaid dividends upto the financial year ended 31st March 1997, have been transferred to the Investor Education and Protection Fund, as per the said statutory requirements.

- f) The dividend on equity shares as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period of 30 days to those members whose name appear on the Register of Members of the Company as on 31st August 2005. In respect of shares held in electronic form, dividend will be paid to the beneficial owners of shares as at the end of business hours on 16th August 2005, as per details furnished by the Depositories for this purpose.
- g) As per the provisions of the amended Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz. Tata Share Registry Limited.

- h) The equity shares of the Company are listed at the following Stock Exchanges in India:

National Stock Exchange of India Ltd
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East)
Mumbai 400 051

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

The Madras Stock Exchange Ltd.
(Regional Stock Exchange)
Exchange Building
11 Second Line Beach
P.O. Box No. 183,
Chennai 600 001

- i) The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2005-06.
- j) Members are requested to intimate to the Company, queries if any, regarding the accounts / notices at least 10 days before the Annual General Meeting to enable the management to keep the information ready at the meeting. The queries may be addressed to: The Company Secretary, Titan Industries Limited, Golden Enclave, Tower- A, Airport Road, Bangalore 560 017.
- k) Members / Proxies attending the meeting are requested to bring their copies of Annual Reports. Members / Proxies are required to bring with them the attendance slip attached to the Annual Report duly filed in and signed and hand over the same at the entrance of the meeting hall.
- l) 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 p.m. from Golden Palm Station (Old BRV Theatre), Cubbon Road, Bangalore, and will bring the Members back to Bangalore after the Meeting.

By Order of the Board of Directors,

Usha Iyengar
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
20 July 2005

Titan Industries Limited**ANNEXURE TO NOTICE**

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. 7, 8, 9, 10 & 11 of the accompanying Notice dated 20 July 2005.

Item No. 7:

The Company has set for itself ambitious targets in its five-year business plan. To finance the Company's foray into new businesses; to fund substantial expansion of facilities in the existing businesses, viz., Watches, Jewellery & Precision Engineering Business; to fund correspondingly increased working capital requirements due to higher scale of operations in the existing businesses and to fund the working capital requirements of the new businesses; have a judicious mix of equity & debt and to redeem the redeemable cumulative preference shares of the Company, it is proposed to have a long term fund infusion through Equity and / or other debt instruments, whether fully or partly convertible with or without detachable or non-detachable warrants, at par or at such premium, at such time and on such terms and conditions, including price as the Board or a constituted Committee thereof may determine, for an aggregate value not exceeding Rs. 165 crores, including premium.

Section 81 of the Act provides inter alia that whenever it is proposed to increase the issued capital of a company by allotment of further shares, such further shares shall be offered to the existing members of the company in the manner laid down in the said section unless the Members in a General Meeting decide otherwise. Accordingly, the consent of the Members is being sought for the proposed issue of Equity Shares and/ or Debentures whether convertible or not, with or without warrants to the existing Shareholders and/or to others.

While no specific instrument has been identified at this stage, in the event the Company issues any equity-linked instrument, the issue will be structured in a manner such that the additional equity share capital that may be issued would not be more than 20% of the existing paid up share capital of the Company.

The said Securities may be secured by way of first mortgage/hypothecation of the Company's assets in favour of the Security holders / Trustees for the holders of the said Securities. As the documents to be executed between the Security holders / Trustees for the holders of the said Securities and the Company may contain the power to take over the management of the Company in certain events, it is necessary for the Company to pass a resolution under Section 293(1)(a) of the Act, before creation of the said mortgage or charge.

The Directors recommend the resolution for approval by the shareholders.

None of the Directors are concerned or interested in this resolution except to the extent of any offer being made to them by virtue of their shareholding in the Company or the shareholding of companies / institutions of which they are directors or members.

Item No. 8:

Mr. Bhaskar Bhat was appointed the Managing Director of the Company for a period of 5 years commencing 1st April 2002 to 31st March 2007.

Mr. Bhaskar Bhat is entitled to salary in the scale of Rs. 50,000 – Rs. 1,50,000/- per month with authority to the Board to fix his salary within the scale from time to time. The annual increments shall be merit-based and take into account the performance of Mr. Bhat, the size of operations, the Company's profitability and other relevant factors.

Mr. Bhaskar Bhat's present salary is Rs. 1,30,000/- per month. Considering the review of salary and annual increments every year, it is recommended to revise the salary scale of Mr. Bhaskar Bhat from the existing scale of Rs. 50,000 – Rs. 1,50,000/- per month to Rs. 1,00,000 – Rs. 2,50,000 per month with all other terms of appointment remaining unchanged.

The Board of Directors at its Meeting held on 8th June 2005, based on the recommendations of the Remuneration Committee, had approved the increase in the scale of pay to Mr. Bhaskar Bhat, subject to approval by the Shareholders at the Annual General Meeting. The Directors at that Meeting had also approved increase in the salary of Mr. Bhaskar Bhat by Rs. 30,000/- per month effective 1st April 2005. Since the revised salary exceeds his current scale of pay it has become necessary that the scale of pay of Mr. Bhaskar Bhat be revised.

The draft agreement entered into with the Managing Director is available for inspection at the Registered Office of the Company on all working days of the Company between 11 a.m. and 1 p.m. upto the date of the Annual General Meeting.

Pursuant to Sec 302 of the Companies Act, 1956 the abstract of the terms of the contract entered into by the Company with the Managing Director, Mr. Bhaskar Bhat is enclosed alongwith.

In view of the vast responsibilities, rich experience and contribution to the Company by Mr. Bhaskar Bhat, the Directors therefore commend for approval the resolution as per Item No. 8 of the Notice.

Mr. Bhaskar Bhat is concerned or interested in this resolution as the same relates to his remuneration. Other than Mr. Bhaskar Bhat, none of the Directors are, in any way, concerned or interested in this resolution.

Item No. 9:

Section 309 of the Companies Act, 1956 permits payment of remuneration to the Non-Executive Directors of a Company by way of commission, if the shareholders of the Company authorises such payment by a special resolution.

Considering the rich experience, wide expertise and contribution brought to the Board by the Non-Executive Directors, it is proposed that commencing from Financial Year 2005-06, remuneration not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of Section 198(1) and other applicable provisions, if any, of the Companies Act, 1956 and subject to further appropriate ceiling(s) be paid and distributed amongst the Non-Executive Directors of the Company in accordance with the directions of the Board. Such payment will be in addition to the Sitting Fees for attending Board meetings or Committee of Board meetings.

The Shareholders are requested to approve the resolution as per Item No. 9 of the Notice.

The Non-Executive Directors may be deemed to be concerned or interested in this resolution as the same relates to their remuneration.

Item No. 10:

The Company has been paying, over the years, Sitting Fees to its Directors for attending the Meetings of the Board and various Committee Meetings, as provided in Article 125 of the Articles of Association of the Company.

Pursuant to the requirements of the revised Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges where the Securities of the Company are listed, all fees or compensation, if any, paid to the Non-Executive Directors, including Independent Directors, shall be fixed by the Board of Directors and shall require approval of shareholders in general meeting.

In view of this, the shareholders' approval is being sought for payment of Sitting Fees to Non-Executive Directors.

The Non-Executive Directors may be deemed to be interested in this resolution as the same relates to their fees.

Item No. 11:

Since the shareholding pattern of the Company is such that the provisions of Section 224A of the Companies Act, 1956, are applicable, the re-appointment of M/s. A. F. Ferguson & Co as Auditors of the Company is required to be made by a special resolution.

Accordingly it is proposed to re-appoint M/s. A. F. Ferguson & Co. as auditors of the Company for the financial year 2005-06 on the remuneration as set out in the resolution.

A copy of the Memorandum and Articles of Association of the Company is available for inspection of member on any working day between 11 a.m. and 1 p.m. at the Registered Office of the Company from the date of this notice upto the date of the Annual General Meeting.

By Order of the Board of Directors,

Usha Iyengar
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
20 July 2005

Details of the Directors seeking appointment/re-appointment in forthcoming Annual General Meeting

(In pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr. Ishaat Hussain	Mr. F K Kavarana	Mr. N. N Tata
Date of Birth	2.09.1947	17.03.1944	12.11.1956
Date of appointment	17.07.1989	27.01.1993	7.08.2003
Expertise in specific functional areas	Rich experience in business management and international finance	Rich experience in business management and international finance	Wide knowledge and experience in sales and marketing and possesses the expertise in retailing business.
Qualifications	FCA (England & Wales)	B.Com. (Hons.), MBA (Wharton), FCA (England & Wales)	B.A (Economics) from University of Sussex and IEP, INSEAD, France
List of Public Companies in which outside Directorships held on 31st March 2005	Titan Industries Ltd. Tata Sons Ltd. The Tata Iron & Steel Co. Ltd. Voltas Ltd. Tata Teleservices Ltd. Idea Cellular Ltd. Tata Industries Ltd. Tata AIG General Insurance Co. Ltd. Tata AIG Life Insurance Co. Ltd. CMC Ltd. Tata Finance Ltd. Videsh Sanchar Nigam Ltd. Tata Teleservices (Maharashtra) Ltd. Tata Refractories Ltd. Space TV Ltd.	Titan Industries Ltd. Trent Ltd. Tata Sons Ltd. Tata Industries Ltd. Tata Tea Ltd. Tata Projects Ltd. Tata Infotech Ltd. Tata AIG Life Insurance Co. Ltd. Tata AIG General Insurance Co. Ltd Sitel India Ltd.	Titan Industries Ltd. Voltas Ltd. Trent Ltd. Tata Investment Corp Ltd.
Chairman/Member of the Committee of the Board of Public Companies on which he/she is a Director as on 31st March 2005	Audit Committee Titan Industries Ltd The Tata Iron & Steel Co. Ltd Tata Teleservices Ltd – Chairman Tata Industries Ltd – Chairman Tata Finance Ltd. Videsh Sanchar Nigam Ltd Investor Grievance Committee The Tata Iron & Steel Co. Ltd – Chairman Remuneration Committee Tata Finance Ltd. Tata Teleservices (Maharashtra) Ltd	Audit Committee Tata Sons Ltd. Tata Industries Ltd Tata AIG General Insurance Co. Ltd – Chairman Tata AIG Life Insurance Co. Ltd. – Chairman Investor Grievance Committee Titan Industries Ltd. –Chairman Tata Infotech Ltd. Remuneration Committee Tata Industries Ltd	

Directors' Report

To the Members of Titan Industries Limited

The Directors are pleased to present the Twenty first Annual Report and the Audited Statement of Accounts for the year ended 31st March 2005 :

Financial Results

	2004-2005	Rs. in crores 2003-2004
Net Income	1082.68	896.97
Expenditure	964.79	798.85
Gross profit	117.89	98.12
Interest	30.92	37.62
Cash operating profit	86.97	60.50
Depreciation	19.61	21.47
Operating profit before exceptional items	67.36	39.03
Exceptional items :		
Provision for diminution in value of investments	2.44	10.00
Provision for doubtful loans and advances	32.56	15.00
Profit before taxes	32.36	14.03
Income taxes – Current	10.83	8.96
– Deferred	(5.82)	(6.44)
Profit after taxes for the year	27.35	11.51
Less : Income tax of earlier years	2.40	0.33
Net Profit	24.95	11.18
Profit brought forward	19.56	17.18
Amount available for appropriation	44.51	28.36
Appropriations :		
Dividend paid on preference shares	2.81	3.32
Proposed dividend on equity shares	8.46	4.23
Tax on dividends	1.56	0.96
Transfer to general reserve	2.05	0.29
	14.88	8.80
Balance carried forward	29.63	19.56

The financial year 2004-05 saw the Company consolidating on the gains of the previous year and taking a number of initiatives to secure its economic future. Income rose by 18% over the previous year with profit before tax registering an increase of over 130% and net profit more than doubling.

Though the Company has three operating divisions – Time Products, Jewellery and International Business - the results for the year have been consolidated under two major business groups, Time Products and Jewellery. Both divisions have recorded significant increases in their sales and profits.

The Time Products Division's sales income grew by 13%, going up from Rs.534.49 crores to Rs.601.59 crores. The Jewellery Division's sales went up by 26% from Rs.425.68 crores last year to Rs.535.01 crores this year. Notably, growth in both divisions has been achieved on the back of lower capital employed as compared to the previous year. The Time Products Division reduced its capital employed from Rs.449.89 crores in the previous year to Rs.379.88 crores and the Jewellery Division, similarly reduced its capital employed from a level of Rs.112.11 crores in the previous year to Rs.98.50 crores.

Titan Industries Limited

While the Company had provided for its accumulated losses in Europe, further provisioning to the extent of Rs.35 crores has been considered towards diminution in the value of its investment in, and loans and advances to, its European associate company. This provisioning has been shown as an exceptional item in the Company's accounts.

The Company's financial health continued to improve with borrowings once again reducing substantially from Rs.407 crores to Rs.318 crores. This has resulted in an improvement in many financial ratios, most notably, the debt : equity ratio which is now below 2.

During the year, a watch assembly unit was established at Baddi in Himachal Pradesh with an assembly capacity of 2 million watches per annum. This unit along with the existing unit in Dehradun has given the Company significant excise and tax benefits.

Dividend

The Company has issued cumulative preference shares of a total value of Rs.40 crores at various rates of dividend from 6% to 8%. The terms and conditions for payment of preference dividend also vary. During the year ended 31 March 2005, interim dividend on preference shares amounting to Rs.2.81 crores was paid. No further dividend is proposed on the preference shares.

After payment of dividend on preference shares, and dividend tax thereon, the distributable profit is Rs.21.76 crores (Rs.7.86 crores in the previous year). The Directors recommend that dividend on equity shares be doubled from last year's rate of Rs.1.00 per share (10%) to Rs.2.00 per share (20%), which results in an outflow of Rs.8.46 crores and a consequent accretion to reserves of Rs.12.12 crores (previous year accretion: Rs. 2.66 crores).

Finance

During the year under review, the Company redeemed preference shares aggregating Rs.20 crores which carried an average dividend rate of 7.86% and raised an equivalent amount of Rs.20 crores by way of private placement of preference shares at an average dividend rate of 6.93%.

The Company raised a total of Rs.362.89 crores from borrowings, of which Rs.180 crores were from commercial banks (including term loans aggregating Rs.105 crores) and the balance of Rs.182.89 crores from other sources. Borrowings of Rs.451.87 crores were repaid during the year. Rs.24.45 crores was incurred as capital expenditure on computer hardware, internalisation and expansion programmes.

The average cost of borrowings for the year was 9.14% as against 10.47% in the previous year. At present, the average cost of borrowings is 8.15%

As on 31st March 2005, the Company held fixed deposits of Rs.10.42 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs.0.65 crore.

During the year under review, the Company made payments aggregating to Rs.184.17 crores by way of central, state and local taxes and duties as against Rs.170.17 crores in the previous year.

Subsidiaries

During the year, Titan TimeProducts Ltd (TTPL) which was a joint venture between the Company and Economic Development Corporation of Goa, Daman & Diu (EDC) became a wholly-owned subsidiary, following the disinvestment by EDC and a share buy-back by TTPL. Titan TimeProducts Ltd sold 70.60 lakh Electronic Circuit Boards during the year and made a net profit of Rs 26.15 lakhs. Almost its entire output is sold to your Company. Its products continue to be of an exceptionally high quality and are produced at reasonable costs, comparable with international prices.

The Company now has four subsidiaries, viz. two direct wholly-owned subsidiaries, Titan TimeProducts Ltd and Titan International Holdings BV, Amsterdam (TIHBV) and two deemed subsidiaries, viz. Titan Brand Holdings NV, Curacao (TBHNV) and Titan Watch Company Ltd, Hongkong.

As per Sec 212(1) of the Companies Act, 1956, the Company is required to attach to its Accounts the Directors' Report, Balance Sheet and Profit and Loss Account of each of these subsidiaries. As the consolidated accounts present a complete picture of the financial results of the Company and its subsidiaries, the Company had applied to

the Central Government seeking exemption from attaching the documents referred to in Sec 212 (1). Approval for the same has been granted. Accordingly, the Annual Report of the Company does not contain the individual financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The Annual Accounts of these subsidiary companies, along with the related information, is available for inspection at the Company's registered office and copies shall be provided on request. The statement under section 212 (1)(e) of the Companies Act, 1956, is annexed together with the Annual Accounts of the Company.

International Operations

Exports during the year climbed by 11% as a result of the efforts of the two overseas associate companies in the Middle East and Singapore.

Titan International (Middle East) FZE (TIME), the associate company which looks after sales and marketing of our products in the Middle East and Africa, achieved a turnover of US\$ 16.51 million in 2004-05 and a profit of US\$ 0.13 million. TIME is a market leader in watch sales, having built the TITAN brand to a leadership position in most of the territories where it operates, and has also made a beginning with the sale of jewellery under the TANISHQ name.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd (TAPL), the associate company in Singapore, looks after sales and marketing in the Asia-Pacific and SAARC countries. The year 2004-05 saw sales at SGD 8.58 million, with a profit of SGD 0.27 million. TAPL has now established a very sound base in the markets where it operates and is poised for further growth.

The third associate company, Titan International Marketing Ltd (TIML) in London, has restricted its operations to a few key markets with a view to contain costs. As a result, it made a loss of GBP 287,681 for the year 2004, and the Company has made a corresponding provision of Rs 2.44 crores towards diminution in the value of its investment. As a part of the European restructuring process, your Board of Directors reviewed the advertising credits held by TIML and decided that the Company should make a provision of Rs 32.56 crores, corresponding to GBP 4 million, in respect of this item. A provision has accordingly been made against loans and advances. With this, the Company has provided for all slow-moving assets in Europe.

Titan International Holdings BV (TIHBV) the Company's wholly-owned subsidiary in the Netherlands, ended the year with a small profit of EUR 0.10 million in 2004-05, but Titan Brand Holdings NV (TBHNV) ended the year with a loss of EUR 0.14 million. The "name-saver" company in Hongkong, Titan Watch Company Ltd, is inactive and had no income or expenses.

Associate Companies

Titan Properties Ltd has been actively working on a proposal to dispose of its properties in Bangalore and at Mathigiri, adjacent to the Titan Township. Subsequent to the year-end, it entered into an Agreement for Sale of its Bangalore property and final conveyance is expected to take place in the near future. As a result, Titan Properties has repaid Rs 15 crores out of the advance provided by the Company.

Samrat Holdings Ltd (the erstwhile RDI Print & Publishing Ltd) made a profit of Rs 2.31 crores for the year, and paid a dividend of 200% in March 2005.

Consolidated financial statements

The Consolidated Financial Statements of the Company prepared as per Accounting Standards AS 21 and AS 23, with its subsidiaries and associates, has also been included as part of this Annual Report.

Outlook for 2005-06

The Company's initiatives to improve its operations and reduce costs have started paying rich dividends. The restructuring of the Time Products Division has lent further focus to its two brands, Titan and Sonata as well as to its Licensing, Precision Engineering and After Sales Service businesses. The Jewellery Division has made certain strategic corrections which will further improve the profitability of the Division. Your Company expects to increase turnover and market shares in both its businesses through innovative and aggressive marketing policies. It will also intensify its focus on cost reduction and superior management of its asset base, be it fixed assets, working capital or human resources.

Titan Industries Limited

The Company has laid a strong foundation for securing its economic future. The challenge will now be to use this base to accelerate growth and achieve levels of turnover and profitability hitherto not seen.

Social Responsibility

Titan Industries believes that Social Responsibility is a process of balancing and integrating the economic, environmental and social imperatives, while addressing stakeholder expectations. A successful Company cannot be an island of prosperity in a sea of deprivation. 'Inclusive' development holds the key to sustained progress.

Your Company has a clearly articulated CSR (including Environment) policy and aims at going beyond compliance. The interaction with the community is at 3 levels.

At the Group level it works closely with the Tata Council for Community Initiatives (TCCI) and the other Group Companies in Bangalore on 'adopting a project' basis.

At the Company level, under the guidelines of TCCI, it has holistically integrated the CSR process with the following major initiatives:

- Enabling the physically challenged
- Expansion of the Meadow Women's empowerment project in Hosur
- Education – through involvement in the Titan School and the Titan Scholarships programmes
- Building a sustainable community with all the necessary infrastructure at the Titan Township
- Encouraging Social Entrepreneurship through the Tanishq Karigar Parks
- Participating in the Tsunami Relief operations through the Tata Relief Committee.
- Partnership with several NGOs like CRY, SOS Children's' Village, Him-Jyoti Foundation, Kesava Trust, Salaam Balak Trust etc.

The spirit of volunteering is encouraged at the individual level at Titan Industries, which has an army of over 200 volunteers, across Hosur, Dehradun and the Regions. The activities encompass working with Schools – Ashraya, Bangalore and Prayas, Delhi, Eye camps, village adoption, road repairs, education counseling.

The cascading of the CSR process is evident in several departments. The Marketing department organised the 'Great Titan Run' with proceeds earmarked for NGOs. The specially developed CRY watch celebrated 25 years of CRY with distribution through the World of Titan showrooms.

On the Environmental front, the objective is to go beyond compliance

The Company's products and services have very little or marginal impact on the environment. Titan adheres to all related legal and statutory requirements. The Company is also extremely conscious of environmental issues and has been recognized in this regard by the Hosur Industrial Association. The Company's environment control results are continuously monitored with respect to both TNPCB and International Finance Corporation (World Bank) norms. Both the Watches and Jewellery Divisions are certified under ISO 9001:2000 Quality Management systems standards as well as 14001 Environment System standards.

Your Company is a signatory to the Global Compact and is committed to the implementation of the 10 principles of the Global Compact. Titan Industries is also guided by the principles of the Global Reporting Initiative.

There is a process of continuous dialogue and feedback with employees, respective department and business partners, to ensure adherence e.g. labour standards are complied with as per the laws of the land and there is no evidence of any employment of child labour.

Awards and Recognitions

Awards have also come in to corroborate market perceptions.

- Titan was adjudged Best Employer of the Disabled at National Awards for the Welfare of Persons with Disabilities given by the President of India.

- The Titan Design Team received 7 accreditations in different categories at the NID-Business World Awards – 2004.
- Titan retained its ranking as No.1 brand in the Brand Equity Survey 2004 in the consumer durables category ahead of Philips, Videocon, LG, Samsung & Sony.
- Friends of BIL' Award from the Bajaj Institute of Learning (Institute for the handicapped) was received by Titan Industries, Dehradun.
- Tanishq received the award for Brand Excellence in the 4th Marketing Excellence Awards.
- Both Titan and Tanishq have been awarded the most admired brands for the last 3 years. The best retailer of the year too, for both brands.
- July 2005 – Titan was adjudged the most preferred brand by CNBC/Awaaz
- July 2005-Michael Foley was acknowledged as the Young Super Performer – Ideator of the year by Business Today
- Our Flip display got the award of Merit by VM +SD magazine in Cincinnati USA this year

Government Policy

The present high levels of excise duty combined with state level taxes render Indian made watches uncompetitive against rampant smuggling.

Your Company has for long been seeking a reduction in the presently prevailing rate of 16% excise duty on watches and for an upward revision of permitted abatements for reckoning the assessable value.

Your Company has greatly benefited from the increased competitiveness provided by the DEPB (Duty Entitlement Pass Book) scheme in export markets for its watches. Such competitiveness has however been negatively impacted by the reduction in DEPB rates continuously over the last few years from 20% to 13% and by an imposition of a value cap of Rs.450 for purposes of calculating DEPB benefits regardless of whether or not the watches were branded. The company continues to represent against this.

Excise duty imposed only on branded jewellery has led to the creation of an unequal playing field, leaving a scope for other players to avoid payment of duty. The levy should be made applicable to cover the entire jewellery industry.

Service tax and the newly imposed Fringe Benefit Tax will impact the Company's profitability.

Your Company continues to seek the framing of stricter rules governing country of origin claims made by imported watches.

Corporate Governance

A separate report on Corporate Governance forms part of the Annual Report along with the Auditor's certificate on compliance.

Directors

Mr. Ishaat Hussain, Mr. F K Kavarana and Mr. N N Tata retire by rotation and are eligible for re-appointment.

Mr. Arun Ramanathan, nominee of TIDCO had resigned as Chairman and Director with effect from 28th June 2004 and Mr. Rameshram Mishra, nominee of TIDCO, was appointed as Chairman in his place with effect from 26th July 2004. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. Arun Ramanathan during his tenure as Chairman of the Company.

Mr. Md. Nasimuddin, a Director of the Company, nominated by TIDCO, resigned on 4th January 2005. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. Md. Nasimuddin during his tenure as Director of the Company.

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Mrs. Rama Bijapurkar, a Director of the Company resigned on 25th May 2005. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mrs. Rama Bijapurkar during her tenure as Director of the Company.

Mr. Pradeep Yadav, a nominee of TIDCO, was appointed as Additional Director of the Company with effect from 4th January 2005. Mr Pradeep Yadav resigned on 8th June 2005. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. Pradeep Yadav during his tenure as Director of the Company.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors' based on the representations received from the operating management confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
3. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

Acknowledgements

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

Annexures

Required information as per section 217(1)(e) and 217(2A) of the Companies Act, 1956, are annexed.

Auditors

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

On behalf of the Board of Directors,

Bangalore, 20 July 2005

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Annexure to the Directors' Report

(Additional information given in terms of Notification 1029 of 31-12-1988 issued by the Department of Company Affairs)

CONSERVATION OF ENERGY

The Company has successfully replaced old, air cooled, power intensive air conditioning units with a state-of-the art air-conditioning system at its watch manufacturing facility, resulting in energy savings of around Rs.0.50 crore per annum. During the year, the Company has further conducted a detailed audit on the energy consumption pattern of its production equipment and processes with the help of a reputed external agency. Consequent to this, a number of projects have been identified which are under various stages of implementation.

TECHNOLOGY ABSORPTION

Research and Development

The Company has successfully developed an eco-friendly watch that operates on solar energy and needs no battery replacement. The product testing is underway, and is scheduled for launch during the year 2005-06.

Technology absorption, adaptation and innovation

The Company is in the process of setting up a reliability testing lab for the Fastrack eye-wear products. A state-of-the art testing equipment for UV resistance checking and lens measurement has been added during the year. A few more inspection and testing equipments are being added in the coming year.

In the Precision Engineering Division, the Company has added some special equipment such as CNC simultaneous five axis machining centre with state-of-the art CAM software, and high-precision CNC turn-mill centres which shall provide a competitive edge in the B2B business.

The Company is in the final stages of implementing micro-precision injection moulding technique for small watch parts.

The new surface coating techniques implemented on press tools have helped to enhance tool life by more than 30%.

The following automation and productivity improvement projects were developed for the Watch Manufacturing Facility during the year:

- In-house design and development of a semi-automatic conveyerised plating equipment, resulting in a substantial reduction in cost of the asset.
- Automatic casing conveyor line with integrated water resistance testing equipment, that helps reduction in process time
- In house development of rotary transfer assembly machines for watch pinion parts.
- Automatic data up-linking of select production machines to a central server thus ensuring continuous monitoring and upkeep of machine. In the process, the team has successfully developed a low cost programmable controller that has many uses in a manufacturing environment.

The Precision Engineering Division has developed a one-of-its-kind hydraulic brake testing system for an external customer which has been the culmination of state-of-the art jig designing, hydraulics, and fastest data capturing techniques.

Foreign Exchange earnings and outgo

During the year under review, the Company earned Rs.96.49 crores in foreign exchange and spent Rs.147.91 crores (consisting of Rs.2.89 crores on capital imports and Rs.145.02 crores on the revenue account).

On behalf of the Board of Directors,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 20 July 2005

Titan Industries Limited

Annexure to the Director's Report

Information as per section 217(2A) read with the Companies (Particulars of Employees) Rules,1975 and forming part of the Directors' Report for the year ended 31st March 2005

Name	Designation	Age	Gross Rs.	Net Rs.	Qualification	Experience (years)	Last employment held	Commencement of employment
Bhat B	Managing Director	51	6,060,743	3,732,697	B.Tech.,PGDM	27	Tata Press Ltd.	Jan-86
Bhat H *	Chief Operating Officer - Jewellery & Vice President	42	2,847,990	1,794,644	B.E (Hons),MBA	18	Tata Tea Ltd	Aug-01
Dwarkanath B G	Chief Technology Officer & Vice President	56	2,851,364	1,741,835	B.E.	34	HMT Ltd.	Oct-85
Kailasanathan N	Chief Information Officer & Vice President	53	2,767,840	1,692,568	B.Sc.,PGDSM, MFM,PGDSE	32	ABB Ltd	Jul-99
Kapadia K F	Senior Vice President - Finance	55	3,731,114	2,256,314	B.A.,PGDM	30	Tata Press Ltd.	Mar-92
Kurien B	Chief Operating Officer - Watches & Sr.Vice President	46	3,908,181	2,415,519	B.Sc.,PGDBM	22	Hindustan Lever Ltd.	Aug-87
Shantharam M S	Chief Manufacturing Officer - Operations & Vice President	56	2,938,422	1,800,159	B.E.(Mech.)	34	HMT Ltd.	Oct-85

NOTES

1. The gross remuneration shown above is subject to tax and comprises salary,allowances,monetary value of perquisites as per income tax rules and Company's contribution to provident and superannuation funds.
2. Net remuneration is arrived at by deducting from the gross remuneration, income tax, Company's contribution to provident and superannuation funds, and the monetary value of non-cash perquisites wherever applicable.
3. All employees have adequate experience to discharge their responsibilities.
4. The nature of employment in all cases is contractual.
5. None of the above employee is related to any Director of the Company.
6. * Indicates employed for part of the year.

On behalf of the Board of Directors,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore , 20 July 2005

Management Discussion and Analysis

An Overview of the Economy

India is the world's largest democracy with over a billion people, speaking a plethora of languages; the Indian economy is not only the fourth largest in the world in terms of purchasing power parity but also the world's second fastest growing one.

The Economic Survey 2004-05 portrays a bright future for the Indian economy. It points out that while the economy grew by 8.5% in 2003-04, the highest ever in two decades, the projections will be between 6.2% to 7.4%, which have since been maintained. The growth of 6.9% achieved by the Indian economy should be viewed in the context of a deficient monsoon, hardening of world oil and steel prices and extensive damage caused by the Tsunami in several southern states. The year also saw the strengthening of the rupee against the dollar and the trend getting reversed from October 2004 against the major non-dollar currencies. India's foreign exchange reserves continued to rise, though the rate of accretion was 16 million dollars, compared to the 31 million dollars in the corresponding period in 2003-04. The external debt position also improved and as a proportion of GDP went down from 20.2 to 17.8%, between March 2003 and March 2004.

As regards the fiscal scenario, the deficit of the Central Government as a proportion of GDP at 4.6% was lower than the budget estimate of 5.6%. The decision to introduce VAT from April 2005 is indicative of reforming domestic trade taxes. The industrial sector too registered an impressive growth of 8.4% in the first three quarters of the year. The agricultural sector however remains an area of concern because of its continuing dependence on the monsoon, which is an unpredictable will-o'-the-wisp.

The general mood along the economy is upbeat and confident, reflecting a greater role for foreign investment for both FDI and FII, ensuring accelerated economic growth in the coming years.

Business Overview

Though Titan Industries has 3 operating divisions namely the Time Products Division (Watches and Precision Engineering), the Jewellery Division (Tanishq) and the International Business Division (formed this year) with different SBUs for different product groups, the results for the year ending March 2005 have been consolidated only under the two major businesses viz., Time Products and Jewellery. Both these businesses have fared exceedingly well when compared to the previous year.

Division	Sales Revenue (Rs.Crore)	Growth over previous year
Time Products	601.59	13%
Jewellery	535.01	26%
Total	1136.60	18%
PBT(before exceptional items)	67.36	73%

The growth figures compare very favourably with the global trends analysed below.

TIME PRODUCTS DIVISION

Global Trends

The global watch market is currently valued at US \$ 26.5 billion dollars and is expected to touch US \$ 33 billion within the next 5 years. After a period of stagnant growth, the Swiss watch industry enjoyed a significant jump of 9% in their exports and exceeded the 11 billion CHF mark. Watch exports from Hong Kong increased by 9% in terms of value, while China clocked in with a growth of 7%. However, in terms of volume, the biggest exporter of watches is China with over a billion timepieces, reflecting a growth of 5%. Hong Kong followed with an export of 700 million timepieces – a growth of 7% and 25 million pieces left Switzerland, representing an increase of 2%.

This performance reflected a strong upsurge of the Swatch group which grew by over 9% in 2005 and this augurs well in the years to follow, with substantial investments in Europe, America as well as in the Asia Pacific. The other leading luxury products group LVMH also reported a sales growth of 18% in watches and jewellery (at constant

Titan Industries Limited

exchange rates). In comparison, the Japanese majors did not fare well, with Seiko experiencing a flat growth in its time products business. Citizen sales too, fell by 4.5% with no increase targeted for the next year.

Brand Titan

The year has been very significant for Brand Titan wherein a number of initiatives were taken up with long-term profitability of the brand in mind. The exchange scheme that was launched during the year was a runaway success and has pointed to the potential among watch owners to replace their existing watch. Another significant initiative was the tie-up with Aamir Khan, the famous actor who is our Brand Ambassador. This has given the brand wider appeal as well as added to the imagery. The strategy has already shown results with retail and advertising recall scoring much better than in the earlier year.

Several products and collections were launched during the year. Raga 9 to 5 targeted the modern Indian woman, while Titan Flip targeted the tech-savvy young professionals. Nebula, our range of 18 kt gold watches, introduced the Utsav and the Rohit Bal collections for the sophisticated high end customer. The additions to the Regalia range and a range of Bi-metal watches named "Gold & Steel" have built a platform for the coming years.

With an eye firmly on the future, Brand Titan has embarked on a visioning exercise, which will be the key to further improving the iconic status of the brand in the watch industry. Various new initiatives will emerge from this process impacting all the key stakeholders for the brand.

Retailing

World of Titan, the exclusive chain grew to 172 stores in 101 locations. The chain crossed Rs.200 crores and closed the year at Rs.212.96 crores. Last year the chain focused on upgrading competence of its sales staff and introduced many promotions, incentives and audits to upgrade the overall customer experience at the store. This focus will be carried forward next year too with the introduction of new promotions to help enhance customer experience.

The organization is on a very aggressive expansion drive into the new format retailing environment. The year 2004-2005 saw the World of Titan showrooms entering malls, the new age shopping destination. Over the next 2 years, the number of stores in malls will go up to 30. Besides this, the presence of all the Titan brands in department stores is expected to go up from the current 29 locations to 65 in 2005-2006 and to 110 by 2006-2007.

Sonata

During the year 2004-05, Sonata sold over 4 million watches, a growth of 16% over 03-04. Sonata addresses the economy end of the market. As of now, this market price band is between Rs.250 to Rs.1250. Competitors in this market are Maxima, Timex, HMT, Lamex, Classic, TimeWell and many other unbranded players. Sonata is currently being sold through a network of over 10000 dealers in 2500 towns. Sonata is promoted as "Paanch Ghadi Ki Barabar" - 5 attributes in one watch. To reach rural consumers, there is a tie-up with ITC to sell Sonata in their e-choupals. There is also a plan to set up exclusive Sonata stores and enhance its presence in chain stores like Big Bazaar.

The future is bright and challenging. Your Company is working towards making Sonata the most dominant brand in this segment. The plan includes creating a market by getting people who do not own a watch, to owning a Sonata.

Accessories & Licensing Products:

The year 2004-05 was the first full year of operations for this nascent SBU. It witnessed the launch of two brands on a national level - Fastrack sunglasses, a house brand targeting the youth with exciting "eye gear" and Tommy Hilfiger watches - a licensed, designer brand that appeals to the growing tribe of yuppies fulfilling their fashion needs. After the high profile launches of these brands in the nation's capital, these were rolled out to the top towns across the country. Both brands are now well represented across the World of Titan showrooms, Department stores, key multi brand watch outlets, select optical outlets. Fastrack sunglasses are now available at 600 outlets in 35+ towns, while Tommy Hilfiger watches have a distribution of 150 outlets in the top 15 towns.

Fastrack sunglasses have signed up with youth icon and Bollywood celebrity John Abraham for promoting sunglasses amongst a young audience, starting with a high profile TV campaign in the summer of 2005.

Both brands - Fastrack and Tommy Hilfiger being in the fashion space would introduce new products rapidly - a new collection every 3- 6 months to sustain excitement, besides using design innovation to create visible differentiation vis - a - vis competition.

Precision Engineering

The precision engineering division achieved a revenue of Rs.20 crores during 2004-05 and is budgeted to touch Rs.40 crores during 2005-06, supported by a strong order coverage. The division has laid a strong foundation as a reliable and competitive supplier of components and automation solutions for global majors such as Ford, Delphi, UTC, Moog, Tyco, Knorr, and Bhremse etc. A long term strategy and plan was developed with the help of Tata Strategic Management Group, which envisages growth in two phases. In the first phase the division will focus on supplying discreet components and in the second phase it will tie up with technology providers to move up higher in the value chain. Currently the division is present in the automotive and aerospace industries and is beginning its foray into the medical implants/instruments industry. Most of the orders are in terms of long-term contracts spread over 5 to 7 years.

Competition is mainly from a few small and medium enterprises who have limited exposure to export markets and to some extent from established manufacturing giants like L&T and Godrej. The larger companies by design are focusing on large parts and systems whereas Titan will focus on high precision (medium to small) parts and systems.

The challenge is to scale up rapidly and earn a bigger share of the opportunity in the manufacturing – outsourcing boom. The division is exploiting every possible source including the resources from customers in order to enhance its capabilities and achieve the projected 70% + CAGR over the next four to five years.

Customer Service

The Customer Service Business Unit had its finest performance during the year 2004-05 with reference to its financial objectives. The SBU overachieved its topline and bottom line for the year and delivered profits before apportioning the guarantee costs to the factory for the first time.

During 2004-05, it achieved revenues of Rs.68 crores.

The Service Network was expanded to 614 Service Centres in 316 towns covering a population of 86% of watches sold. The Watch Care Centre chain expanded by adding 19 centres to reach a figure of 90%. The authorized service network received close to 2.4 million watches for servicing.

The SBU is very IT driven and special initiatives to link the service network through a web based application saw 140 service centres being computerized and transferring valuable data on a daily basis to the Company on product performance and service deliverables.

The future of the SBU is very encouraging and it has set some very challenging service deliverables in the area of post product servicing in India creating a platform to extend this high quality service delivery to other product categories, like mobile phones, high end Swiss watches, cameras etc., to provide a 'one stop shop' for servicing of such lifestyle and personal products of reputed brands.

Watch Manufacturing

A Watch Assembly Unit was established at Baddi, Himachal Pradesh. The new facility with assembly capacity of 2.0M watches p.a. was planned and implemented in a short span of 100 days, and is in line with your Company's growth strategies. The unit is also availing the benefits of exemption in excise duty and income tax as announced under the new industrial policy for states of Himachal Pradesh and Uttaranchal.

The Company has implemented the ERP product SAP R/3 in the year 1999, and since then has seen major improvements in material planning and in the overall efficiency of business transactions. In a step to further strengthen the supply chain, also to improve forecasting efficiency, manufacturing efficiency, procurement efficiency and distribution efficiency, your Company is in the process of implementing an Advanced Planning and Optimiser software. The project was kicked off in the month of April '04, and already two major modules viz. Demand Planning and Supply Network Planning have gone live. The third module - Production Planning and Detailed Scheduling is planned to go-live during July '05.

JEWELLERY DIVISION

The Market and Competitive Scenario

India is the largest market for gold jewellery. Besides, with the size of the jewellery market currently estimated at Rs.55,000 crores per annum, jewellery is amongst the largest and most broad-based consumer markets in the country.

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The cultural and societal associations of jewellery ensure that no wedding or festival is complete without this precious metal. It is estimated that in India, more jewellery is bought for weddings than for all other reasons – and that is a tradition that has stood the test of time. This consistency in demand ensures that the industry is fairly recession-proof.

Branded jewellery is a fairly recent phenomenon in this industry.

The inadequacy of statutory controls has enabled many jewellers to get away with providing jewellery of low purity (under-karatage). This has brought the category into disrepute. Efforts initiated by the Bureau of Indian Standards (BIS) have met with limited success.

In this fiercely competitive scenario, Tanishq has continued to forge ahead, with retail sales growing to Rs.570 crores during the year under review (from Rs.416 crores the previous year), a growth of 37%. Importantly, sales in existing stores grew by over 31%.

New Entrants

The market for diamond jewellery also saw the entry of a slew of new players. Many of them had hitherto been engaged in the cutting and polishing of diamonds for supply to jewellery manufacturers. The shrinking margins in that business forced them towards forward integration. Encouraged by the success of Tanishq, they have launched various brands of diamond jewellery and provided us with some competition. Some of these players are now attempting to create national networks.

The branded jewellery market is therefore seeing unprecedented action and is expected to grow. Only the strongest of these however, will survive and thrive. Your Company's first mover advantage and robust strategy will stand in good stead in the years to come.

With industry bodies like the World Gold Council (WGC), Diamond Trading Company (DTC) and Platinum Guild International (PGI) continuing to invest in marketing gold, diamonds and platinum respectively, jewellery remained a significant item on the Indian consumer's shopping list.

Marketing and Retailing Initiatives

Tanishq's strategy has been to address consumer needs by focusing on product and merchandise, shopping experience and imagery. Over the years, this strategy has yielded great success. With a network of 70 stores spread across 54 cities in the country, Tanishq is one of the largest jewellery retailers in the country and one of the most aspirational jewellery brands. Tanishq is also looked upon as a market leader and trendsetter for the category.

More than one million customers shopped at Tanishq stores during the year. The jewellery division's stated mission – "to be the most desirable jewellery brand for Indian women" – is clearly being achieved.

Besides having established itself in a position of leadership in the branded jewellery industry, Tanishq has been consistently improving its profitability with every passing year. With its feet firmly planted in the stores, the objective is to strengthen Tanishq's consumer franchise through activities that will have an impact at the retail level.

During the year, Tanishq undertook many marketing initiatives that helped the business grow tremendously, launching four branded collections and conducting sales promotion schemes to activate the market and entice customers. Tanishq designed the 'Miss India crowns', affiliated with a designer of international repute to design a collection of stunning jewellery, and took its jewellery to the Milan Fashion Week.

Despite the significant progress that has already been achieved, the opportunities presented by the jewellery market are immense. Capitalizing on these opportunities in the years ahead will ensure that Tanishq will be a key driver of growth of your Company's sales and profits.

The institutional business continued to be robust, with the addition of several new corporates to the growing list of satisfied clients. This channel generated sales of Rs.41 crores during the year.

Manufacturing and Supply Chain Initiatives

Manufacturing exhibited a high degree of flexibility in coping with the increased demand. One notable achievement during the year was delivery alignment, which increased to over 95%. Productivity improved significantly - from

56% to 70% - during the year. The development of an enterprise wide resource-planning software package that is being implemented is expected to yield even more operating benefits.

An initiative to bring down the cost of outsourced products, the *Karigar Park* (which was established during 2001-02) reached the milestone of producing over 1,000 Kilograms of jewellery during the year.

Made-to-replenishment (MTR), made-to-order (MTO) and prototypes have contributed to keeping the supply chain 'asset-light', and now constitute about 20% of retail sales.

Quality

The jewellery division received ISO 9001:2000 accreditation during August 2004. This brought in significant improvements in process quality, and also brought about a culture of service level agreements between internal customer departments.

Financial Performance

The division's income has more than doubled, from Rs.243 crores to Rs.493 crores, in the short span of three years.

Efforts to optimize capital deployed in the business, yielded results, with net capital declining marginally to an average of Rs.95 crores during the year in review - from Rs.99 crores in the previous year. The efficiency is evident, considering that significantly higher sales were generated with lower capital.

The enhanced desirability of brand Tanishq enabled us to improve our retail margins. This, along with reduced costs consequent to greater economies of scale, worked in tandem to enhance our operating margins.

A cross functional team driving towards cost rationalisation and cost consciousness in various areas of the business helped bring about savings in the areas of plant maintenance, logistics, power, travel, and consumables and a host of others. The unit has now become an internal benchmark for cost-effective manufacturing.

All these combined to deliver a PBT of Rs.19.88 crores, a 41% increase over the previous year. ROCE was extremely healthy at 29.4%, significantly ahead of the Company's cost of capital. The restructuring initiative that commenced in 2003-04 was concluded during the year under review, and these have enabled Tanishq to emerge stronger than ever before.

Gold Prices

Gold price volatility could impact the demand for jewellery in the short run but with the Indian economy being as strong and resilient as it currently is, we do not expect your Company's growth to be significantly hampered. Gold prices continued to be volatile during the year, and your Company set in place advanced risk management techniques to mitigate risks on that front. Therefore, any such volatility will have minimal impact on your Company.

The gold price has increased due to demand being higher than supply. The price of gold bullion in India is determined primarily by the international price, where supply-side constraints are the most significant determinants of price currently. With demand being ahead of supply (and the gap widening), Tanishq's expectation is that gold prices will continue their upward climb in the foreseeable future.

Levies and Controls

The recent imposition of excise duty on branded jewellery is a retrograde step, considering that it penalizes those who are bringing professionalism to an industry that was noted for the lack thereof. Your Company has been at the forefront of good practices - for example, by providing consumers with a reliable alternative, by installing karat meters to check the purity, by not using toxic substances like cadmium in our jewellery, and by improving the stature of the jewellery industry in a plethora of ways.

Your Company would welcome levies and statutory controls that create a level playing field. We would recommend that:

1. The Excise Duty net be widened to cover the entire jewellery industry
2. Hallmarking be made mandatory for all precious jewellery that is sold within the country, and
3. Cadmium as an alloy is banned in the manufacture of jewellery.

Titan Industries Limited

INTERNATIONAL BUSINESS DIVISION

To consolidate the operations in overseas markets and provide a unified thrust across countries, a new division, the International Business Division was formed in the financial year 2004-05 for watches, jewellery and other products of Titan. This division will drive the globalisation efforts of the Company over the next few years with a sharp focus on country prioritisation, market positioning and identification of profitable business opportunities across the globe. The year 2004-05 also marked the entry of Titan into a new product category- perfumes, launched initially in the Middle East region.

Watches

Titan International (Middle East) FZE (TIME) which looks after sales and marketing of our products in the Middle East and Africa, achieved a growth of 14% in sales volume of Titan watches. The Titan brand was introduced in 2 new countries in the region – Kazakhstan and Yemen. In addition, the second brand Sonata was launched in Kuwait. TIME achieved a marginally higher profit (before Royalty), as compared to the previous year and made investments in brand building to expand its consumer base. The prospects for the financial year 05-06 look good with the economies of UAE and Qatar doing well although there is uncertainty in Iraq and Iran.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. (TAPL), the associate Company in Singapore, which looks after sales and marketing in South Asia, South East Asia and South Pacific, achieved a growth of 19% in sales volume of watches. TAPL consolidated its position in developed markets like Singapore, Malaysia and expanded distribution in Thailand. Market entry surveys were conducted in Pakistan and Indonesia and TAPL will be entering these two countries in the financial year 2005-2006. Operations were revamped in Sri Lanka with the appointment of a new distributor.

Titan International Marketing Limited (TIML), the associate Company in London, restricted its operations to a few key markets with a view to contain costs. The loss at TIML, London for the financial year 2004 was contained at GBP 0.28m.

Jewellery

The jewellery thrust in the Middle East continued with the expansion of retail business and entry into Kuwait. TIME achieved a sale of US \$ 10.02m in financial year 2004-05 on the strength of new designs and collections introduced exclusively for overseas markets. The year 2005-2006 will see realignment of this business with a focus on profitability, launch of diamond studded jewellery and exit from the business of low margin, unbranded plain gold jewellery. TAPL sells jewellery through a single store in Singapore and plans to expand its jewellery operations in the financial year 2005-2006.

Perfumes

Titan entered the fragrance business in 2004-05 through the launch of Evolve, a fragrance exclusively created for Titan by a leading house in France. The initial consumer response to this brand is positive. Currently, the brand is available in UAE, Oman and Bahrain and the year 2005-2006 will see the launch of Evolve in some other overseas markets. As per current plans, this business will be confined to international markets.

HUMAN RESOURCES

The Company believes that human capital is the main contributor to sustained success and human potential is an asset and the focus of your Company has been on recruitment and retention strategies.

While the recruitment of future leaders were made through campuses (Management Trainees and Graduate Engineer Trainees), care has also been taken to retain good talent through various development initiatives and compensation correction for staff members. Your Company has developed detailed processes for talent identification and development.

To facilitate leadership development, several initiatives like 360 degree leadership feedback, continues to be followed in the Company.

Your Company has also introduced innovative recognition programmes for motivating the employees and strengthened the communication process through various initiatives like in- house magazines, open houses, family visits, employee communication meets etc. These initiatives helped your Company to create a "great place to work

ethos". More attention is paid to capability building of the employees, especially front end retail staff. Innovation is promoted through various 'employee participation' initiatives like, small group activities, cross functional teams and suggestion schemes.

To attain the above, HR is guided by the following four operating principles –

1. To create a culture that enables high performance and fosters teamwork. It should provide for career advancements and opportunities
2. To be responsive and add value to business expectations by being innovative and continuously improving processes and systems
3. To be consistent, fair and firm in all our approaches and actions
4. To ensure enhancement of individual capabilities in order to maximize organizational performance.)

All the above four principles are on the basis of "To respect, care and show concern for individuals in all our actions."

The overall industrial relations scenario has been conducive, except one or two incidents. However, there was no loss of production or man-days due to such incidents.

As on 31st March 2005, the Company had 3010 employees on its rolls of which 2411 were in the factories, 203 in the corporate office and 396 based at the regions.

HOW YOUR COMPANY FARED

Thanks to initiatives undertaken, the Company achieved an 18% growth in the top line, and a 130% increase in the bottom line, after exceptional items. Net profit after taxes more than doubled over the previous year. The Company continued its efforts to bring down interest costs through judicious borrowing and improved working capital management. The impact on the Company's key indicators are recorded below:

	2004-05	2003-04	2002-03
Sales to Net fixed assets (No. of times)	6.49	5.40	4.16
Sales to Debtors (No. of times)	14.72	6.47	4.28
Sales to Inventory (No. of times)	4.18	5.84	5.62
Retained Earnings - Rupees in Crores	12.12	2.66	(2.23)
- % of Net Profit for the year	44.3%	23.1%	(28.2%)
Operating Return on Capital employed *	16.8%	12.4%	9.2%
Return on Capital Employed (EBIT)	10.8%	8.3%	7.8%
Return on Net Worth	16.6%	6.0%	2.1%

* excluding extraordinary items

SOME RISKS & CONCERNS

Watch as a product category is facing the threat of losing sheen in its functional value and could be stagnating in the long term with increasing penetration of mobile phone and hi-tech products. Consumers are increasingly opting for technology rich options. Remaining cost competitive is a business imperative in the lower end, as the grey market/Chinese invasion of this segment is a challenge. In the mid segment in which the company has a dominant market share, promoting multiple ownerships and positioning in the fashion and personal accessory category is key for growth in the segment. Increasing brand spends hence becomes inevitable.

The volatility in gold prices is a risk to the jewellery business limited to the quantity of purchase of the metal on an outright basis as most of the gold requirement is procured by a metal loan or lease which insulates the business from gold price risks. Front end retailing has undergone a sea change and imbibing the best retailing practices, enhancing the customer experience in the store, adopting the best practices in store and category management,

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including supply chain management of the merchandise and catering to the wide variety and product range requirements of the customer are continuous challenges.

The Precision Engineering business is subject to stringent covenants for ensuring uninterrupted supply of components/sub assemblies, which may entail payment of liquidated damages in case of an outage at the plant or business interruptions that could arise for any reason.

The margins in the International watch market are getting squeezed due to competition from global players in each market-segment. In the Middle East and the Asia Pacific region, TITAN continues to be a major brand to contend with in its segment i.e. the middle range price points though competition from Japan, China and Hong Kong could pose a threat if the brand is not aggressively pushed in these markets.

INTERNAL CONTROL SYSTEMS

The Company in its constant endeavour to improve the internal controls in its transaction processing has upgraded the IT Systems incorporating improved security features. The monitoring of the warehousing agencies and distribution channels for due compliance with corporate directives and policies is done diligently through a 100% desktop audits, so as to have high risk assurance levels in compliance at the various locations. The Transaction Processing and Reporting Systems in Jewellery have migrated from legacy systems to an Integrated Oracle based ERP System.

The Board Audit Committee met six times during the financial year 2004-05. The Board Audit Committee, in the course of its observations, recommended on key controls and enhanced assurance levels in deployment of SOP's across various sales locations both in the Watches and Jewellery divisions. The implementation, of recommended improvements in Processes and Reporting is tracked through 'Action Taken Reports' submitted by the operating divisions to the Board Audit Committee.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important factors that could affect the Company's operations in future include, economic conditions affecting demand / supply, price conditions in the domestic and overseas markets, changes in Government regulations, tax laws, other statutes, and other incidental factors.

Corporate Governance

CORPORATE GOVERNANCE PHILOSOPHY

The Company believes that it must so govern its affairs as to optimise satisfaction among all its stakeholders, which includes its loyal customers, providers of capital, employees, those from whom we buy and through whom we sell, the communities in which our primary activities take place and society at large. The Company attaches equal importance to both ends and means - the results sought to be secured and the methods used to achieve them. The Company believes that, in whatever it does, it must contribute to the economic and social development of India, a basic tenet of the Tata Group to which your Company belongs. The Company sees the governance norms originating in the institutions of the stock market as an integral part of its corporate governance philosophy to be respected not just in the letter but, more importantly, in spirit. The Company realizes that it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations. The Company aims at attainment of the highest levels of transparency, accountability and equity in its operations.

BOARD OF DIRECTORS

Titan Industries Limited was promoted by the Tamil Nadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on March 31, 2005, the Company had 11 Directors, comprising 10 non-executive Directors and 1 Executive Director.

The Composition and category of directors as of March 31, 2005 is as follows:

Category	Name of the Director	No. of Directors
Nominee Directors of TIDCO (Promoters, Non-Executive, Not-Independent)	Mr. Rameshram Mishra ¹ Mr. Pradeep Yadav ² Mr. S.Susai	3
Nominee Directors of Tata Group (Promoters, Non-Executive, Not-Independent)	Mr. Ishaat Hussain Mr. F.K.Kavarana Mr. N.N.Tata	3
Promoter, Executive, Not-Independent	Mr. Bhaskar Bhat	1
Other Directors (Non-Executive, Independent)	Mr. A.C. Mukherji Mr. T.K. Balaji Mrs. Rama Bijapurkar ³ Dr. C.G. Krishnadas Nair	4
Total		11

¹ Mr. Rameshram Mishra was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 26.7.2004 in place of Mr. Arun Ramanathan who resigned on 28.6.2004.

Dr R Vijaykumar who was a Director of the Company, nominee of TIDCO, resigned on 26.7.2004.

Mr. Md. Nasimuddin was appointed as Additional Director, nominee of TIDCO, with effect from 26.7.2004 in place of Dr. R Vijaykumar. Mr. Md. Nasimuddin resigned with effect from 4.1.2005.

² Mr. Pradeep Yadav was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 4.1.2005 in place of Mr. Md. Nasimuddin. Mr. Pradeep Yadav resigned as Director with effect from 8.6.2005.

Mr. P Baskaradoss who was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 26.3.2004 resigned on 28.6.2004.

³ Mrs. Rama Bijapurkar resigned as Director with effect from 25.5.2005.

As on 31 March 2005, the Company had a Non-executive Chairman and one-third of the Directors were independent. The Company has not had any pecuniary relationship or transaction with any of the Non-Executive Directors during the year under review.

The Board of Directors met six times during the financial year 2004-05. The interval between any two successive

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Meetings did not exceed four months. Board Meetings were held on June 11, July 26, August 31, October 25 in 2004 and on January 24 and March 16, in 2005.

The information as required under Annexure 1 to Clause 49 of the listing agreement is being regularly placed before the Board.

Attendance of each Director at the Board of Directors meetings during the year and the last Annual General meeting, the number of Directorships and Committee Directorships held by them in domestic public companies as at March 31, 2005 are as indicated below:

Name of Director	No. of Board meetings attended out of 6 meetings of the Board of Directors	Whether attended last Annual General Meeting	No. of Directorships in domestic public companies (including this Company)		No. of Committee memberships in domestic public companies (including this Company)	
			As Chairman	As Director	As Chairman	As Member
Mr. Rameshram Mishra ¹	3	Yes	7	7	—	3
Mr. Bhaskar Bhat	6	Yes	—	6	—	1
Mr. N N Tata	3	No	—	3	—	—
Mr. F.K.Kavarana	3	No	5	5	3	4
Mr. Ishaat Hussain	4	No	2	13	3	6
Mr. T.K.Balaji	4	Yes	1	10	3	4
Mr. A.C.Mukherji	6	Yes	—	8	3	7
Mrs. Rama Bijapurkar ²	4	Yes	—	6	2	4
Dr. C.G.Krishnadas Nair	3	Yes	—	3	—	2
Mr. Arun Ramanathan ³	-	NA	—	—	—	—
Mr. P Baskaradoss ⁴	1	NA	—	—	—	—
Dr. R Vijaykumar ⁵	1	NA	—	—	—	—
Mr. Md. Nasimuddin ⁶	3	Yes	—	—	—	—
Mr. Pradeep Yadav ⁷	2	NA	3	8	—	1
Mr. S.Susai	6	Yes	—	6	—	4

[NA – Not Applicable]

¹ Mr. Rameshram Mishra was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 26.7.2004 in place of Mr. Arun Ramanathan who resigned on 28.6.2004.

² Mrs. Rama Bijapurkar resigned as Director with effect from 25.5.2005.

³ Mr. Arun Ramanathan who was Chairman & Director of the Company, nominee of TIDCO, resigned on 28.6.2004.

⁴ Mr. P Baskaradoss who was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 26.3.2004 resigned on 28.6.2004.

⁵ Dr R Vijaykumar who was a Director of the Company, nominee of TIDCO, resigned on 26.7.2004.

⁶ Mr. Md. Nasimuddin was appointed as Additional Director, nominee of TIDCO, with effect from 26.7.2004 in place of Dr. R Vijay Kumar. Mr. Md. Nasimuddin resigned with effect from 4.1.2005.

⁷ Mr. Pradeep Yadav was appointed as Additional Director of the Company, nominee of TIDCO, with effect from 4.1.2005 in place of Mr. Md. Nasimuddin. Mr. Pradeep Yadav resigned as Director with effect from 8.6.2005.

AUDIT COMMITTEE

The Audit Committee of the Board was constituted in 1999. The Company has complied with the requirements of Clause 49(II)(A) of the Listing Agreements relating to the composition of Audit Committee.

The Audit Committee is responsible for effective supervision of the financial reporting process, ensuring financial and accounting controls and ensuring compliance with financial policies of the Company. The Committee reviews the Reports of the Internal Auditor with the Statutory Auditors periodically and discusses their findings. The Committee provides the overall direction on the risk management policies, including focus on operational systems & compliance audits. The Committee reviews the annual and quarterly financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before they are submitted to the board. The Committee further recommends on changes in accounting policies having serious accounting implications of major transactions. The Committee also reviews the Accounts of Subsidiary and Associate companies.

Mr A. C. Mukherji, Chairman of the Audit Committee, was present at the last Annual General Meeting of the Company. The Audit Committee comprises five members, out of which three are independent.

The name of the Directors who are members of the Audit Committee and their attendance at Audit Committee Meetings are given below:

Name of Director	No. of Meetings attended out of six meetings
Mr. A. C. Mukherji (Chairman) (Non Executive) (Independent)	6
Mr. Ishaat Hussain (Chartered Accountant) (Non Executive) (Not Independent)	5
Mr. T. K. Balaji (Non Executive) (Independent)	4
Dr. C. G. Krishnadas Nair (Non Executive) (Independent)	3
Dr. R. Vijaykumar ¹ (Non Executive) (Not Independent)	1
Mr. Rameshram Mishra ² (Non Executive) (Not Independent)	—
Mr. Md. Nasimuddin ³ (Non Executive) (Not Independent)	—
Mr. Pradeep Yadav ⁴ (Non Executive) (Not Independent)	1

¹ Resigned on 26.7.2004

² Member from 26.7.2004 (on reconstitution of the Audit Committee) and resigned on 14.12.2004

³ Member from 14.12.2004 and resigned on 4.1.2005

⁴ Member from 4.1.2005 & resigned on 8.6.2005

The Managing Director, the Senior Vice President - Finance, the Chief Operating Officers of the Watches and Jewellery Divisions are present at Meetings of the Audit Committee. Representatives of the Statutory Auditors and the Internal Auditors are invited to the Meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee met six times during the financial year 2004-05 on June 11, July 22, October 25, December 22 in 2004 and January 24 and March 17 in 2005.

OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

a. Remuneration Committee

The broad terms of reference of the Remuneration Committee are to recommend to the Board the remuneration including Commission payable to the Managing Director, revision in salary to be paid from the succeeding financial year, based on periodic evaluation of his performance.

The following Directors are the members of the Remuneration Committee:

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Mr. T. K. Balaji (Chairman) (Non Executive) (Independent)
Mr. Ishaat Hussain (Non Executive) (Not Independent)
Mr. Arun Ramanathan ¹ (Non Executive) (Not Independent)
Mr. Rameshram Mishra ² (Non Executive) (Not Independent)

¹ Resigned with effect from 28.6.2004

² Member from 26.7.2004 (on reconstitution of the Remuneration Committee)

To the extent stated above, the Company has complied with the non-mandatory requirement of Clause 49 relating to the Remuneration Committee. During the financial year 2004-05, a Meeting of the Remuneration Committee was held on June 11, 2004. Mr. T K Balaji and Mr. Ishaat Hussain were present at the Meeting.

b. Shareholders' Grievance Committee

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, the non-receipt of Annual Reports and the non-receipt of dividends declared by the Company, etc. During the financial year 2004-05, a meeting of the Shareholders' Grievance Committee was held on March 16, 2005. Mr. F K Kavarana and Mr Bhaskar Bhat were present at the Meeting.

The members of the Shareholders' Grievance Committee are as follows:

Mr. F K Kavarana (Chairman) (Non Executive) (Not Independent)
Mr. Arun Ramanathan ¹ (Non Executive) (Not Independent)
Mr. Rameshram Mishra ² (Non Executive) (Not Independent)
Mr. Bhaskar Bhat (Executive) (Not Independent)
Dr. C G Krishnadas Nair ² (Non Executive) (Independent)

¹ Resigned with effect from 28.6.2004

² Member from 26.7.2004 (on reconstitution of the Shareholders' Grievance Committee)

The Compliance Officer is the Company Secretary, Mrs. Usha Iyengar.

c. Committee of Directors

The Board has constituted the Committee of Directors to approve routine and specific matters delegated by the Board.

The composition of the Committee of Directors is as follows:

Mr. Arun Ramanathan ¹ (Non Executive) (Not Independent)
Mr. Rameshram Mishra ² (Non Executive) (Not Independent)
Mr. Ishaat Hussain (Non Executive) (Not Independent)
Dr. R. Vijaykumar ³ (Non Executive) (Not Independent)
Mr. Md. Nasimuddin ⁴ (Non Executive) (Not Independent)
Mr. Pradeep Yadav ⁵ (Non Executive) (Not Independent)
Mr. Bhaskar Bhat (Executive) (Not Independent)

¹ Resigned with effect from 28.6.2004

² Member from 26.7.2004 (on reconstitution of Committee of Directors)

³ Resigned with effect from 26.7.2004

⁴ Member from 26.7.2004 (on reconstitution of Committee of Directors) and resigned on 4.1.2005

⁵ Member from 4.1.2005 and resigned on 8.6.2005

The business transacted by the Committee is recorded in circular resolutions, which are placed before the Board at the next meeting, for ratification and taking on record.

d. Ethics and Compliance Committee

The Ethics and Compliance Committee reviews the compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992, and the Tata Code of Conduct.

The composition of the Committee is as follows:

Mr. F. K. Kavarana (Chairman) (Non Executive) (Not Independent)

Mr. Arun Ramanathan ¹ (Non Executive) (Not Independent)

Mr. Rameshram Mishra ² (Non Executive) (Not Independent)

Mr. Bhaskar Bhat (Executive) (Not Independent)

Dr. C G Krishnadas Nair ² (Non Executive) (Independent)

¹ Resigned with effect from 28.6.2004

² Member from 26.7.2004 (on reconstitution of Ethics and Compliance Committee)

During the year 2004-05, this Committee held a Meeting on March 16, 2005. Mr. F K Kavarana and Mr Bhaskar Bhat were present at the Meeting. The Compliance Officer designated for this purpose is Mr. K F Kapadia, Senior Vice President, Finance.

REMUNERATION OF DIRECTORS

MANAGING DIRECTOR

The Company has during the year paid remuneration to its Managing Director by way of salary, perquisites and commission within the limits approved by the Shareholders. The Board of Directors on the recommendation of the Remuneration Committee approves the annual increment (effective April each year). Commission is calculated based on the net profits of the Company in a particular financial year and is determined by the Board of Directors on the recommendation of the Remuneration Committee at the end of the financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Managing Director is based on performance criteria laid down by the Board, which broadly takes into account the profits earned by the Company for the related financial year.

Details of the remuneration to the Whole-time Director during 2004-05 are as under:

(in Rs.)

Name	Salary	Perquisites & Allowances	Commission *
Mr. Bhaskar Bhat, Managing Director	15,60,000/-	25,29,403/-	30,00,000/-

* Payable in financial year 2005-06

The perquisites indicated above exclude gratuity and leave encashment benefits, as these are determined on an actuarial basis for the Company as a whole. Commission is the only component of remuneration, which is performance linked. All other components are fixed. The Remuneration Committee also recommends to the Board of Directors increase in salary of the Managing Director based on parameters relating to performance.

Details of agreement of appointment of the Managing Director are as under:

Period of Agreement : 5 years from 1st April 2002.

Notice period : The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.

Severance Fees : Nil

There are no stock options issued to the Managing Director.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors of the Company are remunerated by way of sitting fees, as decided by the Board of Directors of the Company. The Company proposes to pay Commission to Non-Executive Directors from financial

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year 2005-06, as laid out in the Companies Act, 1956 and subject to Shareholders' approval at the forthcoming Annual General Meeting. Sitting fees paid to the Non-Executive Directors during the financial year 2004-05 are as shown below:

(in Rs.)

Name of Director	Commission	Sitting Fees
Mr. Rameshram Mishra	—	30,000
Mr. N N Tata	—	25,000
Mr. F K Kavarana	—	35,000
Mr. Ishaat Hussain	—	85,000
Mr. T K Balaji	—	75,000
Mr. A C Mukherji	—	1,10,000
Mrs. Rama Bijapurkar	—	35,000
Dr. C G Krishnadas Nair	—	60,000
Mr. Pradeep Yadav	—	30,000
Mr. S Susai	—	55,000
Mr. P Baskaradoss	—	5,000
Dr. R Vijaykumar	—	10,000
Mr. Md. Nasimuddin	—	30,000

The Managing Director is not eligible to receive sitting fees as per the terms of appointment and the contract entered into with him.

Sitting fees in respect of Mr. Rameshram Mishra, Mr. P. Basakaradoss, Dr. R. Vijaykumar, Mr. Md. Nasimuddin, Mr. Pradeep Yadav and Mr. S. Susai, who are nominees of the co-promoters viz., Tamil Nadu Industrial Development Corp'n. Ltd. (TIDCO) were paid directly to TIDCO.

DISCLOSURES

- (a) Related Party Transactions: During the year under review, besides the transactions reported elsewhere in the Annual Report, there were no other related party transactions of the Company of material nature, with its promoters, directors or the management or their relatives and subsidiaries that had a potential conflict with the interest of the Company at large.
- (b) Details of Non-compliance: There has been no instance of non-compliance on any matter with the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

MEANS OF COMMUNICATION

- Half-yearly report sent to each household of shareholders : No, the financial results are published in the Newspapers, as required under the Listing Agreements
- Quarterly Results : -do-
- Website, where results are displayed : The results are displayed on www.titanworld.com
- Whether it also displays official news releases : Yes
- Presentations to institutional investors or analysts : Three presentations were made to analysts
- Newspapers in which results are normally published : The New Indian Express, Dina Thanthi and Loksatta
- Whether Management Discussion & Analysis is a part of the Annual Report : Yes.

PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

Location, date and time of Annual General Meetings held during the last 3 years:

Year	Location	Date	Time
2001-2002	At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126	September 24, 2002	3.30 p.m.
2002-2003	as above	September 12, 2003	3.30 p.m.
2003-2004	as above	August 31, 2004	3.30 p.m.

Whether Special Resolutions -

- (a) Were put through postal ballot last year - No
 Details of voting pattern - Not Applicable
 Persons who conducted the postal ballot exercise - Not Applicable
- (b) Are proposed to be conducted through postal ballot - No
 Procedure for postal ballot - Not Applicable

GENERAL SHAREHOLDER INFORMATION

AGM: Date, time and venue	: 31st August, 2005 3.30 p.m. at the Registered Office at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Directors seeking appointment / re-appointment	: As required under Clause 49(VI)(A), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on 31st August 2005.
Book Closure Date	: 17th August 2005 to 31st August 2005 (both days inclusive)
Dividend payment date	: On or after 1st September 2005, however within 30 days from the date of AGM
Financial Calendar Period (tentative)	: Board Meeting to approve quarterly financial results
- Quarter ending Jun 30, 2005	- End July 2005
- Quarter ending Sep 30, 2005	- End October 2005
- Quarter ending Dec 31, 2005	- End January 2006
- Quarter ending Mar 31, 2006	- May / June 2006
Registered Office	: 3, SIPCOT Industrial Complex Hosur 635 126, Tamilnadu
Listing of Equity Shares on Stock Exchanges	: 1) The Stock Exchange, Mumbai 2) Madras Stock Exchange Limited, Chennai 3) National Stock Exchange of India Limited, Mumbai (with effect from 24th September 2004)
Listing fees	: Listing fees as prescribed have been paid to all these stock exchanges up to 31st March 2006.
Share Registrar and Transfer Agents	: M/s Tata Share Registry Limited Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001 Tel : (022) 5656 8484 Fax : (022) 5656 8494 E-mail : csg-unit@tatashare.com Website : www.tatashare.com

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SHARE TRANSFER SYSTEM

Transfer of shares in physical form has been delegated by the Board to certain officials of the Registrars, to facilitate speedy service to the shareholders. Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agents within 20 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed, if found in order and confirmation is given to the respective depositories i.e. National Securities Depository Ltd (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

INVESTOR SERVICES

Number of complaints from shareholders during the year ended March 31, 2005.

Complaints outstanding as on April 1, 2004	24
Complaints received during the year ended March 31, 2005	30
Complaints resolved during the year ended March 31, 2005	51
Complaints pending as on March 31, 2005	3

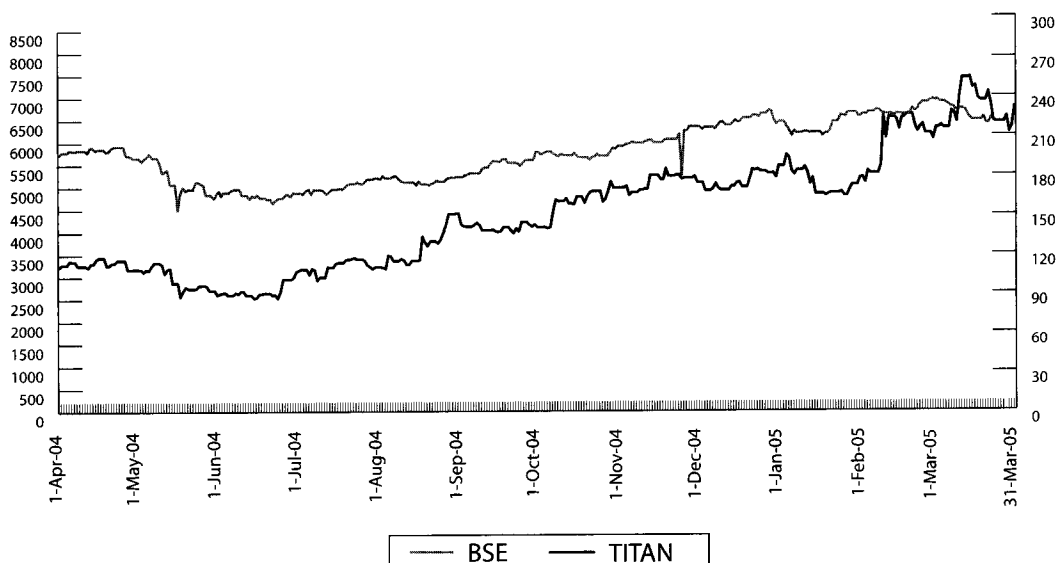
During the financial year, 8946 queries/letters were received from investors and all were replied.

As at 31st March 2005, 7 share transfers and 95 demat requests were pending, however none of these were pending beyond 30 days except for one transfer, which was pending for confirmation from the shareholder. However, the same had been processed subsequently.

STOCK PERFORMANCE

Market Price Data

Month	Bombay Stock Exchange (BSE) (in Rs.)		BSE Sensex
	High	Low	
April 2004	118.45	108.90	5,655.09
May 2004	114.35	88.20	4,759.62
June 2004	107.05	86.80	4,795.46
July 2004	118.00	100.45	5,170.32
August 2004	151.55	109.20	5,192.08
September 2004	145.00	136.30	5,583.61
October 2004	175.35	140.15	5,672.27
November 2004	185.25	164.75	6,234.29
December 2004	186.85	168.00	6,602.69
January 2005	195.35	164.15	6,555.94
February 2005	225.95	174.20	6,713.86
March 2005	254.35	212.25	6,492.82



DISTRIBUTION OF SHARES ACCORDING TO SIZE, CLASS AND CATEGORIES OF SHAREHOLDERS AS ON 31 MARCH 2005

No. of equity Shares held	No. of Shareholders	Percentage	No. of Shares	Percentage
1-500	47,552	94.84	57,45,427	13.59
501-2000	1,984	3.96	18,59,421	4.40
2001-3000	173	0.35	4,51,137	1.07
3001-4000	92	0.18	3,31,134	0.78
4001-5000	77	0.15	3,67,588	0.87
5001-10000	122	0.24	9,44,423	2.23
10001 and above	140	0.28	32,577,140	77.06
Total	50,140	100.00	4,22,76,270	100.00

CATEGORIES OF SHAREHOLDING AS ON 31 MARCH 2005

Category	No. of Shareholders	No. of shares held	% of Shareholding
Tamil Nadu Industrial Development Corporation Ltd.	1	1,17,84,606	27.88
Tata Group Companies	17	1,04,74,346	24.77
FFI / FIIs/ OCBs	22	41,56,183	9.83
Bodies Corporate	1,045	19,61,580	4.64
Unit Trust of India	1	2,456	0.01
Life Insurance Corporation of India	1	1,79,201	0.42
Mutual Funds	19	1,51,950	0.36
Nationalised Banks	8	1,163	0.00
Others	49,026	1,35,64,785	32.09
Total	50,140	4,22,76,270	100.00

TITAN INDUSTRIES

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TOP TEN SHAREHOLDERS:

The Company's top ten shareholders as at 31st March 2005 are as shown below:

Sl. No.	Name of Shareholder	No. of Shares	% to total holding
1	Tamil Nadu Industrial Development Corporation Ltd.	1,17,84,606	27.88
2	Kalimati Investment Co. Ltd.	36,93,135	8.74
3	Tata Sons Ltd.	33,46,481	7.92
4	Mr. Jhunjhunwala Rakesh Radheshyam	19,59,750	4.64
5	Tata Chemicals Ltd.	14,30,580	3.38
6	Oppenheimer Funds Inc A/c Oppenheimer International Small Co Fund.	10,00,000	2.37
7	J P Morgan Fleming Asset Management (Europe) S.A.R.L A/cFlagship India Investments	8,03,926	1.90
8	Ms. Jhunjhunwala Rekha Rakesh	7,96,000	1.88
9	FID Funds (Mauritius) Ltd	6,07,149	1.44
10	Tata Investment Corporation Ltd.	6,00,000	1.42

STOCK CODE

Equity Shares - physical form - Bombay Stock Exchange : 500114
- Madras Stock Exchange : TWT
- National Stock Exchange : TITAN
Equity Shares - demat form - NSDL / CDSL : ISIN No. INE280A01010

The Aggregate Non-promoter shareholding of the Company as at 31st March 2005 is as shown below:

Number of Shares : 2,00,17,318
Percentage to total holding : 47.35%

DEMATERIALISATION OF SHARES AND LIQUIDITY

As on 31 March 2005, 90.19% of the Company's Equity Capital is held in dematerialised form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialised form with effect from 15.02.1999 as per the notification issued by the Securities and Exchange Board of India (SEBI)

Outstanding GDRs / ADRs / Warrants or any Convertible Instruments: None

Stock option scheme: None

PLANT LOCATIONS

Watch Plants : (a) 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
(b) Mohabewala Industrial Area, Dehradun 248 002, Uttaranchal
(c) Plot No.59, EPIP, Jharmajary Phase I, Solen District, Baddi 173 205, Himachal Pradesh
Jewellery and Clock Plants: 27, 28 & 29, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu

ADDRESSES FOR CORRESPONDENCE

Registered Office : 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Corporate Office : Golden Enclave, Tower A, Airport Road, Bangalore 560 017, Karnataka

CERTIFICATE

To the Members of

TITAN INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Titan Industries Limited, for the year ended 31st March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that based on the confirmation given by the Registrars of the Company as on 31st March 2005, there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A F Ferguson & Co.
Chartered Accountants

H L Shah
Partner
(Membership No. 33590)

Place: Bangalore
Date: 20 July 2005

Titan Industries Limited

Auditors' Report

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 2005 and also the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above we report that:

- 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 those books;
- c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors, as on 31st March 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2005;
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

For A. F. Ferguson & Co.
Chartered Accountants

H. L. Shah
Partner

(Membership No. 33590)

Place: Bangalore
Date : 8 June 2005

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT TO THE MEMBERS OF TITAN INDUSTRIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Most of the fixed assets have been physically verified by the management. As explained to us no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
- (c) During the year, the Company has not disposed off a major part of the fixed assets and therefore, paragraph 4 (i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as 'the Order') is not applicable.
- ii) (a) In our opinion the inventory has been physically verified during the year by the management at reasonable intervals. The inventory in possession of the third parties has been verified by the management, in most cases, with reference to certificates obtained from third parties.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, in our opinion, the Company has maintained proper records of inventory. Discrepancies noticed on physical verification of stocks as compared to the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- iii) According to the information and explanations given to us with regard to loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, we report as follows :
 - (a) During the year the Company has not granted any loans, however, there are unsecured loans granted to one subsidiary company during earlier years which are outstanding during the year. The maximum amount involved in such transactions at any time during the year and the year end balance of unsecured loans granted was Rs 8726.90 lakhs and Rs 8650.30 lakhs respectively.
 - (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prima facie prejudicial to the interest of the Company.
 - (c) The parties have repaid the principal amounts as stipulated or as rescheduled and have been generally regular in the payment of interest.
 - (d) As at the end of the financial year, there is no overdue amount of loans granted.
 - (e) The Company has not taken loans except for intercorporate deposits from six companies. The maximum amount involved in such transactions at any time during the year and the year end balance of intercorporate deposits taken from such parties was Rs 4765 lakhs and Rs 3525 lakhs respectively.
 - (f) In our opinion, the rate of interest and other terms and conditions of such intercorporate deposits are not prima facie prejudicial to the interest of the Company.
 - (g) The Company is regular in repaying the principal amounts as stipulated and has been regular in the repayment of interest.
- iv) 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 for which comparable alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses, if any, in internal control system.
- v) In respect of the contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

TITAN INDUSTRIES

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Titan Industries Limited

- (a) The particulars of contracts or arrangements referred to in section 301 that needed to be entered into the register maintained under the said section have been so entered.
- (b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs 5 lakhs in respect of any party and having regard to our comments in paragraph (iv) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 relating to the manufacture of watches and clocks and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. 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 other product.
- ix) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, cess and other material statutory dues, if any, applicable to it with appropriate authorities. As at the last day of the financial year, there are no arrears of such undisputed statutory dues outstanding for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and information and explanations given to us, there are disputed dues of Customs duty, Excise duty and Sales tax which have not been deposited/deposited partially, the details of which are set out below:

Name of the statute	Nature of the dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Customs Act, 1962	Customs duty	936.33	1998-99 and March 2001 to December 2002	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Excise duty	164.67	March 1987 to February 1990, 1993-98 and March 2003 to December 2003	CESTAT
		45.78	1997-99 and September 2002 to November 2002	Commissioner (Appeals)
		11.69	July 1999 to November 1999 and September 2001 to October 2004	Assistant Commissioner
Sales Tax Law	Sales tax	23.51	1988-99 and 2001-03	Commercial Tax Officer Deputy Commissioner, Sales Tax Asst Commissioner, Sales Tax Member Tribunal
		16.36	2000-01 and 2003-04	
		3.40	1997-98	
		0.77	1996-97	

-
- x) The Company has neither accumulated losses at the end of the financial year nor it has incurred cash losses during the financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. There are no borrowings from financial institutions and debenture holders and therefore, reporting on the same does not arise.
- xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures, and other securities and therefore, paragraph 4 (xii) of the Order is not applicable.
- xiii) The provisions of special statute applicable to chit fund and nidhi / mutual benefit fund / society are not applicable to the Company and therefore, paragraph 4(xiii) of the Order is not applicable.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments and therefore, paragraph 4 (xiv) of the Order is not applicable.
- xv) The Company has not given any guarantees during the year for loans taken by others from banks or financial institutions and therefore, paragraph 4(xv) of the Order is not applicable.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans availed by the Company were prima facie, applied for the purposes for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have prima facie, not been used during the year for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4 (xviii) of the Order is not applicable.
- xix) The Company has not issued any debentures during the year and therefore, paragraph 4(xix) of the Order is not applicable.
- xx) The Company has not raised any money by way of public issue during the year and therefore, paragraph 4(xx) of the Order is not applicable.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **A. F. Ferguson & Co.**
Chartered Accountants

H. L. Shah
Partner

(Membership No. 33590)

Place: Bangalore
Date : 8 June 2005

TITAN INDUSTRIES

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Titan Industries Limited

Balance Sheet as at 31 March 2005

SOURCES OF FUNDS	Schedule	Rupees in lakhs	
		31-3-2005	31-3-2004
Shareholders' funds			
Share capital	A	8227.63	8227.63
Reserves and surplus	B	9496.52	8284.93
		17724.15	16512.56
Loan funds			
Secured loans	C	19335.67	20390.76
Unsecured loans	D	12466.81	20310.32
		31802.48	40701.08
Deferred tax liability		2931.98	3514.04
Total		52458.61	60727.68
APPLICATION OF FUNDS			
Fixed assets	E		
Gross block, at cost		40007.44	39341.19
Less : Depreciation		23494.55	22011.51
Net block		16512.89	17329.68
Advances on capital account and capital work in progress, at cost		978.29	406.59
		17491.18	17736.27
Investments	F		2758.33
Current assets, loans and advances	G		
Inventories		27161.82	16411.91
Sundry debtors		7708.96	14816.17
Cash and bank balances		4400.91	2714.69
Loans and advances		17213.55	19457.71
		56485.24	53400.48
Less :			
Current liabilities and provisions	H		
Current liabilities		24567.39	14924.68
Provisions		2092.83	1573.37
		26660.22	16498.05
Net current assets		29825.02	36902.43
Miscellaneous expenditure (To the extent not written off or adjusted) Deferred revenue expenditure		2440.38	3330.65
Total		52458.61	60727.68
Notes	K		

Per our report attached

For and on behalf of the Board of Directors,

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Ishaat Hussain
N. N. Tata
F. K. Kavarana
T. K. Balaji
C. G. Krishnadas Nair
S. Susai

Directors

Bangalore, 8 June 2005

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

Profit and Loss Account for the year ended 31 March 2005

		Rupees in lakhs	
INCOME	Schedule	Current Year	Previous Year
Sales		113466.08	95852.47
Less : Excise Duty		5470.90	6363.76
Net Sales Income		107995.18	89488.71
Other income	I	272.63	208.68
Total		<u>108267.81</u>	<u>89697.39</u>
EXPENDITURE			
Operating and other expenses	J	96478.47	79885.00
Depreciation		1961.26	2147.38
Interest		3091.74	3762.18
Total		<u>101531.47</u>	<u>85794.56</u>
PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS		6736.34	3902.83
Exceptional items :			
Provision for diminution in value of investments		244.00	1000.00
Provision for doubtful loans and advances		3256.00	1500.00
		<u>3500.00</u>	<u>2500.00</u>
PROFIT BEFORE TAXES		3236.34	1402.83
Income taxes — Current		1083.00	896.00
— Deferred		(582.06)	(644.55)
		<u>500.94</u>	<u>251.45</u>
PROFIT AFTER TAXES FOR THE YEAR		2735.40	1151.38
Less : Income tax of earlier years		240.51	33.33
NET PROFIT		2494.89	1118.05
Profit brought forward		1955.99	1718.37
Amount available for appropriation		4450.88	2836.42
Appropriations			
Dividend paid on preference shares		281.39	332.15
Proposed dividend on equity shares		845.53	422.76
Tax on dividends		156.38	96.73
Transfer to general reserve		205.16	28.79
		<u>1488.46</u>	<u>880.43</u>
Balance carried to balance sheet		<u>2962.42</u>	<u>1955.99</u>
Notes	K		
Earnings per share - Basic and diluted (Rs.)		5.15	1.76

Per our report attached

For and on behalf of the Board of Directors,

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Ishaat Hussain
N. N. Tata
F. K. Kavarana
T. K. Balaji
C. G. Krishnadas Nair
S. Susai

Directors

Bangalore, 8 June 2005

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

Titan Industries Limited

Cash flow statement for the year ended 31 March 2005

	Rupees in lakhs	
	Current Year	Previous Year
A. Cash flow from operating activities		
Net profit before tax	3236.34	1402.83
Adjustments for :		
— Depreciation	1961.26	2147.38
— Unrealised Exchange difference	(270.87)	628.41
— Financial lease payments	29.99	57.94
— Loss/(profit) on sale of fixed assets(net)	461.40	25.50
— Provision for diminution in value of investments (net)	244.00	999.70
— Provision for doubtful debts	9.13	214.00
— Provision for doubtful advances	3256.00	1500.00
— Bad debts written off	39.62	—
— Interest income	(150.35)	(114.59)
— Dividend income	(38.51)	(29.14)
— Interest expense	3091.74	3762.18
Operating profit before working capital changes	11869.75	10594.21
Adjustments for :		
— (Increase)/Decrease in sundry debtors	7370.12	3535.03
— (Increase)/Decrease in inventories	(10749.91)	(2220.17)
— (Increase)/Decrease in loans and advances	(1190.21)	(48.48)
— Increase/(Decrease) in current liabilities and provisions	9364.07	(629.06)
— (Increase)/Decrease in miscellaneous expenditure	890.27	1285.85
Cash generated from operations	17554.09	12517.38
— Direct taxes paid	(1091.86)	(902.61)
Net cash from/(used in) operating activities	16462.23	11614.77
B. Cash flow from investing activities		
Additions to fixed assets(including capital work in progress and advances on capital account)	(2445.12)	(809.77)
Proceeds from sale of fixed assets	267.55	75.90
Purchase of investments - subsidiary company	(187.70)	(48.70)
Dividend received	38.51	29.14
Interest received	843.15	979.15
Net cash from/(used in) investing activities	(1483.61)	225.72
C. Cash flow from financing activities		
Proceeds from issue of preference share capital	2000.00	3670.00
Redemption of preference share capital	(2000.00)	(3670.00)
Proceeds from new borrowings	36524.84	47187.45
Repayment of borrowings	(45250.63)	(53192.98)
Financial lease payments	(29.99)	(57.94)
Dividends paid	(714.69)	(759.80)
Tax on dividends paid	(126.30)	(62.40)
Interest paid	(3788.76)	(4604.93)
Net cash from/(used in) financing activities	(13385.53)	(11490.60)
Net cash flows during the year(A+B+C)	1593.09	349.89
Cash and cash equivalents (opening balance)	2761.78	2411.89
Cash and cash equivalents (closing balance)	4354.87	2761.78

Notes:

1. Cash and Cash equivalents exclude unrealised exchange gain of Rs.46.04 lakhs (2004 : loss Rs.47.09 lakhs)
2. The figures for the previous year have been regrouped/recast, where necessary to conform to the current year classification.

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 8 June 2005

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
N. N. Tata
F. K. Kavarana
T. K. Balaji
C. G. Krishnadas Nair
S. Susai

Directors

Bhaskar Bhat

Managing Director

Schedules forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2005</u>	<u>31-3-2004</u>
"A" Share capital		
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
Nil (2004 : 2,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	250.00
Nil (2004 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	200.00
Nil (2004 : 4,00,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	400.00
2,00,000 (2004 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	200.00
10,00,000 (2004 : Nil) 7.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	1000.00	—
2,00,000 (2004 : 5,50,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	550.00
22,00,000 (2004 : 24,00,000) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	2200.00	2400.00
2,00,000 (2004 : Nil) 6.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	—
2,00,000 (2004 : Nil) 6% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	—
	4000.00	4000.00
	8227.63	8227.63
Rupees in lakhs		
	<u>31-3-2005</u>	<u>31-3-2004</u>
"B" Reserves and surplus		
Capital reserve	13.23	13.23
Share premium account	6172.69	6172.69
General reserve		
As per last balance sheet	143.02	114.23
Add : Transfer from profit and loss account	205.16	28.79
	348.18	143.02
Balance in profit and loss account	2962.42	1955.99
	9496.52	8284.93

TITAN INDUSTRIES

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Titan Industries Limited

Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-2005	31-3-2004
"C" Secured loans		
Term loans from financial institutions	—	1562.50
Term loans from banks	16644.52	11940.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future	2691.15	6888.26
	19335.67	20390.76

	Rupees in lakhs	
	31-3-2005	31-3-2004
"D" Unsecured loans		
Fixed deposits	1041.81	3260.32
Short term loans and advances		
Loans from banks	3500.00	11500.00
Deposits from companies	7925.00	5550.00
	11425.00	17050.00
	12466.81	20310.32

	Rupees in lakhs							
	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-2004	Additions	Deductions	Cost as at 31-3-2005	For the year	As at 31-3-2005	As at 31-3-2005	As at 31-3-2004
Land - freehold	58.30	143.53	6.04	195.79	—	—	195.79	58.30
Land - leasehold	42.24	—	—	42.24	—	—	42.24	42.24
Buildings	5095.20	79.39	178.76	4995.83	128.99	1275.47	3720.36	3940.93
Plant, machinery and equipment	31502.42	1216.71	900.33	31818.80	1629.61	20672.26	11146.54	12044.18
Furniture, fixtures and equipment	2465.01	181.01	72.74	2573.28	150.71	1424.67	1148.61	1156.29
Vehicles	178.02	252.78	49.30	381.50	51.95	122.15	259.35	87.74
TOTAL	39341.19	1873.42	1207.17	40007.44	1961.26	23494.55	16512.89	
As at 31st March 2004	38174.25	1368.85	201.91	39341.19	2147.38	22011.51		17329.68
Advances on capital account and capital work in progress, at cost							978.29	406.59
							17491.18	17736.27

Schedule forming part of the accounts

	Rupees in lakhs	
	31-3-2005	31-3-2004
"F" Investments		
Trade investments (long term) - unquoted		
In non-subsiary companies		
1,00,000 (2004: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited	10.00	10.00
5,010 (2004: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited	0.50	0.50
42,210 (2004: 42,210) fully paid equity shares of Rs. 10 each in Titan Holdings Limited	40.15	40.15
60,000 (2004: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited	18.00	18.00
15,000 (2004: 15,000) fully paid equity shares of Rs. 10 each in Tanishq (India) Ltd.	1.50	1.50
1,42,000 (2004: 1,42,000) fully paid equity shares of Rs. 10 each in Samrat Holdings Ltd.	2269.76	2269.76
	2339.91	2339.91
In subsidiary companies		
19,00,000 (2004: 5,00,000) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited *	237.70	50.00
(14,00,000 equity shares purchased during the year) * In 2004 disclosed under investment in non-subsiary companies		
17,500 (2004: 17,500) fully paid equity shares of Euro 5 each in Titan Brand Holdings NV	48.70	48.70
10,000 (2004: 10,000) fully paid equity shares of Euro 500 each in Titan International Holdings BV	2244.79	2244.79
Less : Provision for diminution in value of investments	2244.00	2000.00
	0.79	244.79
	287.19	343.49
Others - quoted		
74,932 (2004: 74,932) 6.75% tax free bonds of Rs. 100 each of the Unit Trust of India	74.93	74.93
	2702.03	2758.33
Aggregate amount of quoted investments	74.93	74.93
Aggregate amount of unquoted investments	2627.10	2683.40
Market value of quoted investments	78.43	81.30

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Schedule forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2005</u>	<u>31-3-2004</u>
"G" Current assets, loans and advances		
Inventories		
Consumable stores	328.60	306.21
Loose tools	152.40	141.56
Stock-in-trade		
Raw materials and bought-out components	5551.33	3625.62
Work in progress	4813.08	3346.30
Finished goods	16316.41	8992.22
	26680.82	15964.14
	27161.82	16411.91
Sundry debtors (unsecured)		
Over six months		
Considered good	467.53	1478.58
Considered doubtful	388.33	379.20
	855.86	1857.78
Others - considered good	7241.43	13337.59
	8097.29	15195.37
Less: Provision for doubtful debts	388.33	379.20
	7708.96	14816.17
Cash and bank balances		
Cash on hand	3.45	4.67
Cheques on hand	1825.21	476.41
With scheduled banks - in current accounts	341.24	257.19
- on deposit	403.10	1062.44
- in transit	1827.91	913.98
	4400.91	2714.69
Loans and advances (unsecured and considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
— from subsidiaries		
Considered good	10725.35	11591.81
Considered doubtful	1806.00	1500.00
	12531.35	13091.81
— from others		
Considered good	6377.50	7656.04
Considered doubtful	2950.00	—
	9327.50	7656.04
Tax payments, net of provision	—	171.52
Balances with customs and excise authorities	110.70	38.34
	21969.55	20957.71
Less: Provision for doubtful loans and advances	4756.00	1500.00
	17213.55	19457.71
	56485.24	53400.48

Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-2005	31-3-2004
"H" Current liabilities and provisions		
Current liabilities		
Sundry creditors		
Due to small scale industrial undertakings	315.84	275.40
Due to subsidiary	—	0.13
Others	24142.46	14473.31
	24458.30	14748.84
Unclaimed dividends	51.68	62.22
Interest accrued but not due on loans	57.41	113.62
	24567.39	14924.68
Provisions		
Provision for taxation, net of payments	60.13	—
Proposed dividend on equity shares	845.53	422.76
Tax on dividends	118.58	88.50
Retiring gratuities	318.86	423.74
Others	749.73	638.37
	2092.83	1573.37
	26660.22	16498.05

	Rupees in lakhs	
	Current Year	Previous Year
"I" Other income		
Interest from staff loans, vendor advances and bank deposits - gross (tax deducted at source on interest received Rs.17.90 lakhs; 2004: Rs.5.77 lakhs)	145.29	112.06
Income from trade investments		
— Subsidiary	8.82	—
— Others	29.69	29.14
Interest from tax free bonds of Unit Trust of India	5.06	2.53
Miscellaneous income	83.77	64.95
	272.63	208.68

Schedule forming part of the accounts

	Rupees in lakhs	
	<u>Current Year</u>	<u>Previous Year</u>
"J" Operating and other expenses		
Raw materials and components consumed	69925.74	56665.94
Loose tools, stores and spare parts consumed	2115.01	1438.33
Purchase of finished goods	2988.98	1243.42
Payments to and provisions for employees		
Salaries and wages	7702.94	6815.87
Company's contribution to provident and other funds ..	503.95	466.27
Welfare expenses	1046.99	769.81
Gratuity	318.86	445.32
Deferred revenue expenditure written off -VRS	1128.94	960.48
	10701.68	9457.75
Other expenses		
Power and fuel	997.00	889.97
Repairs to buildings	116.70	82.08
Repairs to plant and machinery	350.98	200.91
Advertising	7689.46	5982.21
Selling and distribution expenses	2143.30	1690.12
Insurance	208.04	266.66
Rent	708.19	580.12
Rates and taxes	2384.00	1298.87
Travel	739.47	593.91
Deferred revenue expenditure written off	288.96	395.60
Provision for doubtful debts	9.13	214.00
Bad debts written off	39.62	—
Loss on sale / disposal of assets	461.40	25.50
General expenses	3391.76	2356.04
	19528.01	14575.99
Auditors' remuneration		
Audit fees	27.00	22.00
Fees for taxation matters	10.05	9.14
Fees for consolidation	4.50	4.50
Fees for other services	6.73	7.05
Reimbursement of expenses and levies	5.14	4.02
	53.42	46.71
Directors' fees	5.85	4.25
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress	4813.08	3346.30
Finished goods	16316.41	8992.22
	21129.49	12338.52
Opening stocks		
Work in progress	3346.30	3670.14
Finished goods	8992.22	5201.56
	12338.52	8871.70
	(8790.97)	(3466.82)
	96527.72	79965.57
Less : Expenses capitalised	49.25	80.57
	96478.47	79885.00

Schedule forming part of the accounts

"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. Revenue recognition : Revenue from sale of goods is recognised when the goods are despatched from the stock points to customers.

Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the Company's right to receive the payment is established.

- ii. Fixed Assets : Capitalised at acquisition cost including directly attributable cost.

In line with Accounting standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions entered into on and after 1st April, 2001, have been capitalised.

- iii. Depreciation : Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for computers, which are depreciated @ 25% instead of 16.21% and leased assets are depreciated over the primary lease period.

- iv. 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.

Other outstanding foreign currency monetary items (including those relating to integral foreign operations) are restated at year end rates or forward cover rates, as applicable. The net loss or gain arising on restatement / settlement is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change except in case of liabilities incurred for acquiring fixed assets.

- v. Investments : Long term investments are valued at acquisition cost. Necessary provision is made for permanent diminution in value, if any.

- vi. 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 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.

- vii. Product warranty expenses : Product warranty costs are determined based on past experience and provided for in the year of sale.

- viii. Retirement benefits : Contribution to the provident fund and pension fund is made monthly at a pre-determined rate to the Provident Fund Trust and Regional Provident Fund Commissioner respectively and debited to the profit and loss account on an accrual basis.

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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.

Contribution to the Gratuity fund is made annually on the basis of actuarial valuation done at the end of the year to the Gratuity Fund Trust and debited to the profit and loss account on an accrual basis.

Leave encashment benefit is provided on an actuarial basis.

- ix. Deferred revenue expenditure :
 - a) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is amortised over a period of 60 months.(Refer Note 40)
 - b) Consultancy charges for long-term operating and strategic initiatives are amortised over a period of three years.
- x. Deferred Taxation : Deferred taxation is accounted for in respect of all timing differences on a liability method. Deferred tax asset is recognised to the extent where the management is reasonably certain that the realisation is more likely than not.
- 2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.914.43 lakhs (2004 : Rs. 257.34 lakhs).
- 3. (a) Provision for warranty - Rs.121.98 lakhs (2004 : Rs. 137.59 lakhs).

The Company gives warranty to the products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised/reversed during the year is Rs 88.89 lakhs and Rs 104.50 lakhs respectively.

- (b) Contingent liabilities not provided for - Rs.3069.88 lakhs (2004: Rs.5765.38 lakhs) comprising of the following:

- i. Guarantees given by the Company to banks - Rs.1777 lakhs (2004 : Rs.3741 lakhs).

The Company had given guarantees to banks of Rs 750 lakhs (2004 : Rs 2180 lakhs) in respect of a loan availed by its associate company and in respect of certain loans of Rs 1027 lakhs (2004 : Rs 1561 lakhs) availed by the employees of the Company who had opted for the Voluntary Retirement Scheme (VRS). In case of any default by any of these parties on whose behalf the company has issued these guarantees, the banks would have recourse to the Company. The associate company is making payments to the bank regularly, and no liability is expected. In the case of the loans availed by the VRS Optees, the Company had obtained an irrevocable authorisation from them authorising the Company to repay on their behalf directly to the bank, from the future payments due to these VRS optees under the Voluntary Retirement Scheme.

- ii. Letter of comfort given to a bank – Rs. Nil (2004 : Rs.500 lakhs).
- iii. Bills discounted by trade - Rs. Nil (2004 : Rs.973 lakhs).
- iv. Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.1292.88 lakhs (2004 : Rs.551.38 lakhs).

Sales Tax – Rs.108.90 lakhs (2004 : Rs.113.08 lakhs)

Customs Duty – Rs.936.33 lakhs (2004 : Rs. 332.62 lakhs)

Excise duty – Rs.247.65 lakhs (2004 : Rs.105.68 lakhs)

The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

4. The redeemable cumulative preference shares of Rs.100 each aggregating Rs.4000 lakhs are redeemable at par from the date of allotment as under:

Sr. No.	Dividend Rate	Aggregate value	Allotment Date	Redeemable at the end of	Call/Put Option
1	8.00%	Rs. 200 lakhs	31 March 2003	7 years	18 months
2	6.75%	Rs. 300 lakhs	29 January 2004	7 years	18 months
3	6.75%	Rs. 1500 lakhs	31 March 2004	7 years	12 months
4	7.25%	Rs. 1000 lakhs	6 July 2004	3 years	12 months
5	7.00%	Rs. 200 lakhs	25 August 2004	7 years	12 months
6	6.75%	Rs. 100 lakhs	30 September 2004	7 years	12 months
7	6.75%	Rs. 100 lakhs	6 November 2004	7 years	12 months
8	6.75%	Rs. 200 lakhs	6 November 2004	7 years	18 months
9	6.50%	Rs. 200 lakhs	6 November 2004	7 years	18 months
10	6.00%	Rs. 200 lakhs	1 January 2005	7 years	12 months

The Preference shares may be redeemed, either at the option of the Company or by the Holder(s), at any time after the expiry of 18 months / 12 months , as mentioned above. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder(s).

5. The term loans from banks shown under secured loans include :
- Loan of Rs.10977.84 lakhs (2004 : Rs.11002.50 lakhs, includes Rs.1562.50 lakhs from financial institutions) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - Loan of Rs.4000 lakhs (2004 : Rs.Nil) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and to be secured by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - Loan of Rs.1666.68 lakhs (2004 : Rs.2500 lakhs) secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
6. Non-fund based facilities availed of Rs.9916 lakhs (2004 : Rs.4605 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
7. The security covered under notes 5(a) and 5(b) above rank pari passu. The security covered under notes 5 (c) and 6 above rank pari passu with the security for the cash credit facility.
8. The small scale industrial undertakings to whom the Company owes any sum, outstanding for more than 30 days are :
- | | |
|------------------------------------|--------------------------------------|
| (i) AAA Products Pvt Ltd | (xii) Jayashree Horologicals Pvt Ltd |
| (ii) Arasu Enterprises | (xiii) Mahalasa Plastics |
| (iii) Arihant Technomac Ltd | (xiv) Mangalaa Steel Industries |
| (iv) Bangalore Refinery Pvt Ltd | (xv) Orna Packs |
| (v) Centura Watch Cases Pvt Ltd | (xvi) P & S Galvasols |
| (vi) Chennai Felt Mills Pvt Ltd | (xvii) Peebee Enterprises |
| (vii) Classic Dials Pvt Ltd | (xviii) Plasma Gold Coating Pvt Ltd |
| (viii) Hirsch Watch Straps Pvt Ltd | (xix) Sneha Latex Products |
| (ix) Hitech Times | (xx) Sree Laxmi Enterprises |
| (x) Horological Components Pvt Ltd | (xxi) Star Barrat Enterprises |
| (xi) Indo Plast | (xxii) Super Abrasive Toolings |
9. Exchange gain (net), included in the profit and loss account is Rs.151.73 lakhs (2004 : Exchange gain Rs.67.00 lakhs).

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10. Sales includes sale of scrap Rs.321.63 lakhs (2004 : Rs. 206.47 lakhs), sale of accessories Rs.4305.93 lakhs (2004 : Rs. 3525.67 lakhs), sale of tools and components Rs.258.32 lakhs (2004 : Rs. 190.83 lakhs) income from services provided Rs.411.25 lakhs (2004 : Rs. 81.66 lakhs) and is net of all discounts including cash discount of Rs.269.03 lakhs (2004 : Rs. 260.28 lakhs).
11. (a) Interest expense disclosed in the profit and loss account is net of Rs.640.81 lakhs (2004 : Rs.744.94 lakhs) being interest received on advances (Tax deducted at source Rs. Nil (2004 : Rs. 10.95 lakhs).
- (b) Interest on fixed loans amounts to Rs.2095.52 lakhs (2004 : Rs. 2890.25 lakhs).
12. Exceptional items comprising of provision for diminution in the value of investments and doubtful loans and advances relate to European operations.
13. The Directors' remuneration of Rs.70.89 lakhs, (2004 : Rs. 53.05 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs.4.21 lakhs (2004 : Rs. 3.56 lakhs), perquisites Rs.21.09 lakhs (2004 : Rs. 16.49 lakhs) and commission Rs.30.00 lakhs (2004 : Rs. 19.80 lakhs)

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

	Rupees in lakhs	
	2005	2004
Number of Whole-time Directors	1	1
Profit before taxes as per Profit and Loss Account	3236.34	1402.83
Add: Director's remuneration	70.89	53.05
Director's fees	5.85	4.25
Depreciation provided in the accounts for the current year	1961.26	2147.38
Loss on sale of fixed assets as per books (net)	461.40	25.50
Provision for Doubtful debts	9.13	214.00
Provision for diminution in value of investments (net)	244.00	999.70
Provision for Doubtful loans and advances	3256.00	1500.00
Wealth Tax	0.36	0.36
	9245.23	6347.07
Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year	1860.13	1990.67
Loss on sale of fixed assets as per Section 350 of the Companies Act, 1956 (net)	461.40	25.50
Net profit	6923.70	4330.90

14. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 9 million watches (2004 : 8 million watches), 0.29 million jewellery pieces (2004 : 0.29 million jewellery pieces) and 0.30 million Table Clocks (2004 : 0.30 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.
15. The Company produced 75,37,840 watches (2004 : 67,87,333 watches) sold 72,45,704 watches - Rs. 51205.33 lakhs (2004 : 67,89,187 watches - Rs.47949.86 lakhs) and had a Closing Stock of 5,49,714 watches - Rs. 3521.95 lakhs (2004 : 2,57,578 watches - Rs.1967.07 lakhs; 2003 : 2,59,432 watches - Rs.2354.01 lakhs).
16. The Company produced 2,15,486 Table Clocks (2004 : 2,42,859) sold 2,22,085 Table Clocks - Rs.923.18 lakhs (2004 : 2,38,278 Table Clocks - Rs.858.21 lakhs) and had a closing stock of 27,308 Table Clocks - Rs. 14.42 lakhs (2004 : 33,907 Table Clocks - Rs.37.01 lakhs; 2003 : 29,326 Table Clocks - Rs.60.18 lakhs).
17. The Jewellery Division of the Company produced 4,67,025 jewellery pieces (2004 :8,96,729 jewellery pieces), purchased 19,571 jewellery pieces - Rs. 2045.30 lakhs (2004 : 15,687 jewellery pieces - Rs. 833.20 lakhs), sold 4,32,745 jewellery pieces - Rs. 45834.10 lakhs (2004 : 8,69,640 jewellery pieces - Rs 37208.75 lakhs) and had a closing stock of 1,39,877 jewellery pieces - Rs. 11985.00 lakhs (2004 : 86,026 jewellery pieces - Rs.6617.33 lakhs, 2003 : 43,250 jewellery pieces - Rs 2594.00 lakhs).

18. The Jewellery Division of the Company produced 5,24,434 coins (2004 :4,08,844 coins), sold 5,12,143 coins - Rs. 7313.67 lakhs (2004 : 3,96,416 coins - Rs 5171.41 lakhs) and had a closing stock of 36,897 coins - Rs.443.24 lakhs (2004 : 24,606 coins – Rs. 181.37 lakhs, 2003 : 12,178 coins - Rs 89.89 lakhs).
19. The Company produced 42 machines (2004 : 20 machines) , capitalised 22 machines (2004 : 16 machines), sold 19 machines – Rs. 616.46 lakhs (2004 : 4 machines – Rs.108.48 lakhs), and had a closing stock of 1 machine – Rs. 33.27 lakhs (2004 : Nil – Rs. Nil , 2003 : Nil – Rs. Nil)
20. The Company purchased 84,533 watches – Rs. 483.39 lakhs (2004 : 44,188 watches – Rs.336.79 lakhs), sold 72,962 watches – Rs. 1250.70 lakhs (2004 : 49,067 watches – Rs.449.76 lakhs) and had a closing stock of 25,169 watches – Rs. 217.49 lakhs (2004 : 13,598 watches - Rs.125.33 lakhs; 2003 : 18,477 watches - Rs.80.56 lakhs).
21. The Company purchased Nil clocks – Rs. Nil (2004 : Nil clocks – Rs. Nil), sold 601 clocks – Rs. 0.86 lakhs (2004 : 383 clocks - Rs. 4.14 lakhs) and had a closing stock of 5,290 clocks - Rs. 16.39 lakhs (2004 : 5,891 clocks – Rs.18.53 lakhs; 2003 : 6,274 clocks - Rs.22.15 lakhs).
22. The Company purchased 2,78,433 sunglasses – Rs.460.29 lakhs (2004 : 33,029 sunglasses – Rs.73.43 lakhs), sold 2,61,178 sunglasses – Rs. 1021.13 lakhs (2004 : 11,128 sunglasses - Rs.96.83 lakhs) and had a closing stock of 39,156 sunglasses- Rs. 76.85 lakhs (2004 : 21,901 sunglasses – Rs.45.22 lakhs; 2003 : Nil - Rs. Nil).
23. Analysis of raw materials and components consumed :

Rupees in lakhs

	2005	2004
Precious metals - Gold (2005 : 6789 Kgs.);(2004 : 5786 Kgs.)	40830.71	33439.96
- Others	1687.43	575.80
Brass	550.08	724.54
Steel	669.78	464.94
Components	21788.30	17344.16
Precious and semi-precious stones	3893.83	3896.77
Sundry charges	505.61	219.77
	69925.74	56665.94

Except for gold consumption, quantity details have not been disclosed, as the items consumed under each head are dissimilar in nature / type / size and unit of measurement.

24. Analysis of imports on CIF basis :

Rupees in lakhs

	2005	2004
Raw materials and components	13228.55	12586.50
Stores and spares	243.61	179.82
Capital goods	289.34	118.36
	13761.50	12884.68

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

Rupees in lakhs

	2005	2004
Royalty	36.25	—
Professional and consultancy services	38.44	20.91
Others	955.42	913.35

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

Rupees in lakhs

	2005	2004
(i) Number of Shareholders	6	7
(ii) Number of equity shares on which dividend was paid	28,435	29,200
(iii) Year to which the dividend related	2003-04	2002-03
(iv) Amount remitted (net of tax) (Rupees in lakhs)	0.28	0.29

27. Earnings in foreign exchange :

Rupees in lakhs

	2005	2004
Export of goods on FOB basis	8940.24	8032.24
Interest	640.81	632.63
Others	68.16	65.98

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

	2005		2004	
	Rupees in Lakhs	%	Rupees in Lakhs	%
Imported CIF Value	13190.74	19	13048.28	23
Customs duties	1243.02	2	885.72	2
	14433.76	21	13934.00	25
Indigenous	55491.98	79	42731.94	75
	69925.74	100	56665.94	100

29. Expenditure directly attributable to research and development is estimated at Rs.369.05 lakhs (2004 : Rs. 244.09 lakhs).

30. Fixed assets include vehicles acquired on finance lease, the details of which are as under:

Rupees in lakhs

	2005	2004
(a) Cost of vehicles	347.94	136.40
(b) Vehicles acquired during the year	229.30	23.30
(c) Net carrying amount	242.28	67.41

(d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases entered into on and after 1st April 2001 for each of the following periods are :

Rupees in lakhs

	Minimum Lease Payments outstanding	Present value of Minimum Lease Payments outstanding
Not later than one year	80.02 (2004: 42.60)	69.47 (2004: 28.49)
Later than one year and not later than five years	175.63 (2004: 31.23)	138.64 (2004: 20.53)

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed / variable as the case may be. The lease tenor is of 48 months. There are no escalation clauses. There are termination options / purchase options during the period of lease and in certain cases, there are renewal options at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease shall be reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

31. Obligation in respect of future lease rentals relating to lease finance availed prior to 1st April 2001, net of interest, is Rs. Nil (2004 : Rs. 55.64 lakhs).

32. (a) The total of future minimum lease payments under non-cancellable operating leases are as follows :

Rupees in lakhs

	2005	2004
For a period not later than one year	51.60	51.60
For a period later than one year and not later than five years	47.30	98.90
For a period later than five years	—	—
Total	98.90	150.50

(b) The company has taken the above operating lease for a non-cancellable period of three years. The lease is renewable by mutual consent.

(c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating lease is Rs.53.02 lakhs (2004 : Rs.0.12 lakhs).

33. (a) Sundry creditors include Rs.176.64 lakhs (2004 : Rs 43.09 lakhs) towards liability for lease of vehicles which falls due later than one year and Rs.140.42 lakhs (2004 - Nil) of acceptances.

(b) Current liabilities do not include any amount to be credited to Investor Education and Protection Fund.

34. Deferred revenue expenditure (to the extent not written off or adjusted) comprises of the following :

Rupees in lakhs

	2005	2004
Compensation to employees under VRS	2440.38	3041.69
Consultancy charges for long term operating and strategic initiatives	—	288.96
	2440.38	3330.65

35. The details of deferred tax asset/(liability) are as under :

Rupees in lakhs

	As at 31.03.2004	Tax effect for the year	As at 31.03.2005
Deferred Tax (Liability)			
Fixed Assets	(3804.26)	281.62	(3522.64)
Sub Total	(3804.26)	281.62	(3522.64)
Deferred Tax Asset			
Provision for doubtful debts	136.04	6.06	142.10
Disallowances under section 43B	10.46	0.18	10.64
Provision for leave salary/gratuity	102.91	48.52	151.43
Deferred revenue expenditure	40.81	245.68	286.49
Sub Total	290.22	300.44	590.66
Net Deferred Tax Asset/(Liability)	(3514.04)	582.06	(2931.98)

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36. Transactions with the related parties during the year are set out in the table below :
(Previous year figures are in brackets)

Rupees in lakhs

Sl. No	Nature of transaction	Promoters	Subsidiaries	Associates	Joint Venture Company	Key Management Personnel	Total
1	Purchase of components and raw materials	— (—)	761.64 (—)	3098.39 (4170.36)	— (144.36)	— (—)	3860.03 (4314.72)
2	Sale of components and finished goods	39.42 (97.36)	65.57 (1334.22)	11186.91 (14364.80)	— (4.31)	— (—)	11291.90 (15800.69)
3	Sale of Assets	— (—)	0.26 (—)	0.16 (2.09)	— (—)	— (—)	0.42 (2.09)
4	Reimbursement of expenses	21.80 (27.49)	395.18 (283.73)	91.33 (381.14)	— (—)	— (—)	508.31 (692.36)
5	Interest income	— (—)	640.81 (632.63)	— (112.31)	— (—)	— (—)	640.81 (744.94)
6	Interest expense	— (—)	— (—)	46.14 (19.19)	— (—)	— (—)	46.14 (19.19)
7	Rent paid	30.72 (33.28)	— (—)	— (—)	— (—)	— (—)	30.72 (33.28)
8	Dividend received	— (—)	8.82 (—)	29.69 (29.14)	— (—)	— (—)	38.51 (29.14)
9	Dividend paid	151.31 (149.23)	— (—)	149.51 (180.64)	— (—)	— (—)	300.82 (329.87)
10	Sitting fees paid	1.60 (1.15)	— (—)	— (—)	— (—)	— (—)	1.60 (1.15)
11	Investments made	— (—)	187.70 (48.70)	— (—)	— (—)	— (—)	187.70 (48.70)
12	Guarantees and letter of comfort given to banks	— (—)	— (—)	— (1500.00)	— (—)	— (—)	— (1500.00)
13	Intercorporate deposits taken	— (—)	— (—)	2090.00 (1590.00)	— (—)	— (—)	2090.00 (1590.00)
14	Intercorporate deposits repaid	— (—)	— (—)	880.00 (1590.00)	— (—)	— (—)	880.00 (1590.00)
15	Preference Shares allotted	— (—)	— (—)	200.00 (3670.00)	— (—)	— (—)	200.00 (3670.00)
16	Preference Shares redeemed	— (—)	— (—)	1150.00 (2750.00)	— (—)	— (—)	1150.00 (2750.00)
17	Brand equity subscription	160.00 (70.15)	— (—)	— (—)	— (—)	— (—)	160.00 (70.15)
18	Recovery of expenses	— (—)	5.16 (—)	22.80 (529.34)	— (—)	— (—)	27.96 (529.34)
19	Rendering of services	— (—)	8.30 (—)	9.48 (64.67)	— (0.75)	— (—)	17.78 (65.42)
20	Loans (net) (-) repaid / disbursed	— (—)	(-)80.18 (-562.76)	— (-967.04)	— (—)	— (—)	(-)80.18 (-1529.80)
21	Managerial remuneration	— (—)	— (—)	— (—)	— (—)	72.09 (53.05)	72.09 (53.05)
22	Advertising/Trademark advances (net) (-) repaid / reimbursed	— (—)	(-)171.95 (1861.26)	818.61 (-687.31)	— (—)	— (—)	646.66 (1173.95)

Balance as on balance sheet date

Rupees in lakhs

Balances as on balance sheet date	Promoters	Subsidiaries	Associates	Joint Venture Company	Key Management Personnel	Total
Debit balance	1.52 (1.42)	12531.48 (13091.81)	9393.46 (11799.48)	— (—)	— (—)	21926.46 (24892.71)
Guarantees and letter of comfort given to banks	— (—)	— (—)	750.00 (2680.00)	— (—)	— (—)	750.00 (2680.00)
Credit balance	0.03 (5.71)	— (0.13)	2442.86 (25.58)	— (—)	31.20 (19.80)	2474.09 (51.22)

The above includes the following material related party transactions:-
(Previous year figures are in brackets)

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(a) Purchase of components and raw materials	Subsidiary	Titan TimeProducts Ltd.	761.64 (-)
	Associate	Tanishq (India) Ltd.	1818.15 (2634.97)
	Associate	Titan TimeProducts Ltd.	1280.24 (1535.39)
(b) Sale of components and finished goods	Associate	Titan International (Middle East) FZE.	5931.90 (5634.97)
	Associate	Tanishq (India) Ltd.	3431.06 (8525.02)
	Associate	Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.	1731.95 (1334.22)
(c) Dividend Paid	Promoters	Tamilnadu Industrial Development Corporation Ltd.	117.85 (117.85)
	Associate	Samrat Holdings Ltd.	148.27 (119.06)
(d) Intercorporate deposits taken	Associate	Samrat Holdings Ltd.	2060.00 (1590.00)
(e) Intercorporate deposits repaid	Associate	Samrat Holdings Ltd.	850.00 (1590.00)
(f) Preference shares allotted	Associate	Samrat Holdings Ltd.	200.00 (2900.00)
	Associate	Titan Holdings Ltd.	- (600.00)
(g) Preference shares redeemed	Associate	Samrat Holdings Ltd.	1100.00 (945.00)
	Associate	Titan Holdings Ltd.	- (1440.00)
(h) Loans (net) (-) repaid / disbursed	Associate	Titan Holdings Ltd.	- (- 738.00)
(i) Advertising / Trademarks advances (net) (-) repaid / reimbursed	Subsidiary	Titan Brand Holdings N.V.	(-)1155.69 (1861.26)
	Subsidiary	Titan International Holdings B.V.	983.74 (-)
	Associate	Titan International Investments B.V.	649.63 (-1003.15)
	Associate	Titan International Marketing Ltd.	168.98 (315.84)

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Rupees in lakhs

Nature of transaction	Category	Name	Amount
(j) Investments made	Subsidiary	Titan TimeProducts Ltd.	187.70 (—)
(k) Interest Income	Subsidiary	Titan International Holdings B.V.	525.10 (403.46)
	Subsidiary	Titan Brand Holdings N.V.	115.71 (227.91)
(l) Brand Equity Subscription	Promoters	Tata Sons Ltd.	160.00 (70.15)

Names of related parties and description of relationship :

- a) Promoters : Tamilnadu Industrial Development Corporation Ltd.
Tata Sons Ltd.
- b) Subsidiaries : Titan International Holdings B.V.
Titan Brand Holdings N.V.
Titan Watch Co. Ltd, Hongkong
Titan TimeProducts Ltd. (from 16.11.2004)
- c) Associates : Questar Investments Ltd.
Tanishq (India) Ltd.
Titan Holdings Ltd.
Titan Properties Ltd.
Titan Mechatronics Ltd.
Titan International Marketing Ltd.
Titan International (Middle East) FZE
Titan International Investments B.V.
Rockbourne Holding B.V.
Samrat Holdings Ltd.
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.
Titan TimeProducts Ltd. (upto 15.11.2004)
- d) Key Management Personnel : Mr.Bhaskar Bhat, Managing Director
37. Earnings per share :

The following table sets forth the computation of basic and diluted earnings :

Rupees in lakhs

	2005	2004
a) Profit after tax for the year	2735.40	1151.38
Less : i) Income tax of earlier years	240.51	33.33
ii) Dividend on preference shares	281.39	332.15
iii) Dividend tax on preference shares	36.71	42.56
	2176.79	743.34
b) Weighted average number of equity shares	4,22,76,270	4,22,76,270
c) i) Nominal value of shares (Rs)	10	10
ii) Earnings per share - Basic and diluted (Rs)	5.15	1.76

38. Segment information for the year ended 31 March 2005

a) Primary Business Segments (Previous year figures are in brackets).

Rupees in lakhs

	Time Products Division	Jewellery Division	Corporate (Unallocated)	Total
Revenue				
Net sales/income from segments	54595	53400	—	107995
(There is no inter-segment revenue)	(46962)	(42527)	(—)	(89489)
Result				
Profit from segments before interest, other income and taxes and before exceptional items	7852 (5430)	2467 (2016)	(-)-764 (10)	9555 (7456)
Add : Other Income	110 (125)	84 (41)	79 (43)	273 (209)
Profit from segments before interest and taxes and before exceptional items	7962 (5555)	2551 (2057)	(-)-685 (53)	9828 (7665)
Exceptional items	3500 (2500)	— —	— —	3500 (2500)
Profit from segments before interest and taxes	4462 (3055)	2551 (2057)	(-)-685 (53)	6328 (5165)
Less : Interest (net)				3092 (3762)
Profit before taxes				3236 (1403)
Taxes				741 (285)
Profit after taxes				2495 (1118)
Other Information				
Segment Assets	51464 (56683)	22974 (15926)	4681 (4498)	79119 (77107)
Segment Liabilities	13476 (11694)	13124 (4715)	60 (-)	26660 (16409)
Capital expenditure during the year (including capital Work-in-progress)	1061 (551)	177 (57)	— (—)	1238 (608)
Depreciation / Amortisation	2667 (2993)	667 (511)	44 (—)	3378 (3504)

b) Secondary Geographical Segments

Rupees in lakhs

	India	Europe	Others	Total
Revenue	99058 (81390)	789 (1018)	8148 (7081)	107995 (89489)
Segment Assets	63339 (56658)	5747 (7802)	10033 (12647)	79119 (77107)
Capital expenditure during the year (including capital Work-in-progress)	1238 (608)	— (—)	— (—)	1238 (608)

Details of secondary geographical segments for individual markets outside India and Europe are not disclosed as the same do not account for more than 10% of the total segment revenues or results or assets.

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39. Disclosure under Accounting Standard - 27 on "Financial Reporting of Interest in Joint Ventures":

Name of the Company	Country of Incorporation	Proportionate percentage of owners' interest As at 30.05.2003
Titan TimeProducts Limited(TTPL)	India	25%

Following are the aggregate amounts of each of the income and expenses related to the company's interest in the joint venture.

Rupees in lakhs

	2005	2004
Income		
Sales	—	33.75
Other income	—	0.09
	—	—
Expenses		
Operating & other expenses	—	38.69
Depreciation/amortisation	—	2.27
Interest	—	0.84
Income tax	—	—
Deferred tax	—	—

40. Consequent to the introduction of AS - 29 on Provisions, Contingent Liabilities and Contingent Assets, the Company has during the year recognised the liability towards Voluntary Retirement Scheme (VRS) on actual basis as compared to net present value basis followed in earlier years and accordingly there is an additional charge to profit and loss account for the year of Rs 106.76 lakhs.
41. The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year classification.

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

I. REGISTRATION DETAILS

REGISTRATION NO.

1 8 - 0 0 1 4 5 6

STATE CODE

1 8

BALANCE SHEET DATE

3 1 0 3 2 0 0 5

DATE MONTH YEAR

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

PUBLIC ISSUE

N I L

RIGHTS ISSUE

N I L

BONUS ISSUE

N I L

PREFERENTIAL ALLOTMENT

N I L

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

TOTAL LIABILITIES

7 9 1 1 8 8 3

TOTAL ASSETS

7 9 1 1 8 8 3

SOURCE OF FUNDS

PAID-UP CAPITAL

8 2 2 7 6 3

RESERVES & SURPLUS

9 4 9 6 5 2

DEFERRED TAX LIABILITY

2 9 3 1 9 8

SECURED LOANS

1 9 3 3 5 6 7

UNSECURED LOANS

1 2 4 6 6 8 1

APPLICATION OF FUNDS

NET FIXED ASSETS

1 7 4 9 1 1 8

INVESTMENTS

2 7 0 2 0 3

NET CURRENT ASSETS

2 9 8 2 5 0 2

MISC. EXPENDITURE

2 4 4 0 3 8

ACCUMULATED LOSSES

N I L

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

TURNOVER

1 0 7 9 9 5 1 8

TOTAL EXPENDITURE

1 0 5 0 3 1 4 7

+ -
✓

PROFIT/LOSS BEFORE TAX

3 2 3 6 3 4

+ -
✓

PROFIT/LOSS AFTER TAX

2 4 9 4 8 9

EARNING PER SHARE IN Rs.

5 . 1 5

DIVIDEND RATE %

2 0

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 Schedule "A" to "K"
For and on behalf of the Board of Directors,

Ishaat Hussain
N. N. Tata
F. K. Kavarana
T. K. Balaji
C. G. Krishnadas Nair
S. Susai

Directors

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

Bangalore, 8 June 2005

Titan Industries Limited

STATEMENT OF LOANS AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

(As required under Clause 32 of the Listing Agreement with the Stock Exchanges)

Details of Loans and Advances outstanding from subsidiaries and associates as at 31 March 2005 are as follows :

- a) Loans and advances repayable within seven years and with interest not below the rate specified in Section 372 A of the Companies Act, 1956.
- (1) to subsidiaries
- (i) Titan International Holdings BV
- EUR 6,995,000 (Rs 3937.87 lakhs); maximum during the year : EUR 6,995,000 (Rs 3937.87 lakhs)
 - US\$ 4,800,000 (Rs 2098.56 lakhs); maximum during the year : US\$ 4,800,000 (Rs 2098.56 lakhs)
 - US\$ 4,500,000 (Rs 1967.40 lakhs); maximum during the year : US\$ 4,500,000 (Rs 1967.40 lakhs)
 - GBP 900,000 (Rs 743.40 lakhs); maximum during the year : GBP 1,000,000 (Rs 826.00 lakhs)
 - EUR 600,000 (Rs 339.96 lakhs); maximum during the year : EUR 600,000 (Rs 339.96lakhs)
 - US\$ 800,000 (Rs 349.76 lakhs); maximum during the year : US\$ 800,000 (Rs 349.76 lakhs)
 - GBP 350,000 (Rs 289.10 lakhs); maximum during the year : GBP 400,000 (Rs 330.40 lakhs)
- (ii) Titan Brand Holdings NV
- EUR 1,325,000 (Rs 750.75 lakhs); maximum during the year : EUR 1,325,000 (Rs 750.75 lakhs)
 - US\$ 500,000 (Rs 218.60 lakhs); maximum during the year : US\$ 5,000,000 (Rs 2186.00 lakhs)
 - NLG 7,500,000 (Rs 1928.34 lakhs); maximum during the year : NLG 7,500,000 (Rs 1928.34 lakhs)
- (2) to associates
- (i) Titan International Investments BV
- US\$ 700,000 (Rs 306.04 lakhs); maximum during the year : US\$ 800,000 (Rs 349.76 lakhs)
 - EUR 600,000 (Rs 339.96 lakhs); maximum during the year : EUR 600,000 (Rs 339.96 lakhs)
- b) Advertising advances without interest, being utilised for brand-building, advertising and related expenses :
- (1) to subsidiaries
- Titan Brand Holdings NV
- Nil; maximum during the year : EUR 1,575,000 (Rs 892.40 lakhs)
 - Nil; maximum during the year : US\$ 2,172,000 (Rs 949.60 lakhs)
 - Nil; maximum during the year : GBP 750,000 (Rs 619.50 lakhs)
- (2) to associates
- Titan International Marketing Ltd
- US\$ 3,350,000 (Rs 1464.62 lakhs); maximum during the year : US\$ 3,933,144 (Rs 1708.95 lakhs)
 - GBP 1,405,000 (Rs 1160.53 lakhs); maximum during the year : GBP 1,405,000 (Rs 1160.53 lakhs)
 - EUR 500,000 (Rs 283.30 lakhs); maximum during the year : EUR 550,000 (Rs 294.20 lakhs)
- c) Advances without interest, for purchase / development of land at Bangalore and the Titan Township near Hosur :
- (1) to subsidiaries : Nil
- (2) to associate : Titan Properties Ltd : Rs 2028 lakhs; maximum during the year: Rs 2057.92 lakhs
- d) Firms / companies in which Directors are interested :
- Mr F K Kavarana is also a Director of Titan International Holdings BV, Titan International Investments BV and Titan International Marketing Ltd; and may be considered to be interested in his fiduciary capacity.
- Mr Bhaskar Bhat is also a Director of Titan International Holdings BV, Titan International Marketing Ltd and Titan Properties Ltd; and may be considered to be interested in his fiduciary capacity.
- e) None of the above companies hold any equity shares in Titan Industries Limited.

For and on behalf of the Board of Directors,

K. F. Kapadia
Sr. Vice President - Finance

Ishaat Hussain
N. N. Tata
F. K. Kavarana
T. K. Balaji
C. G. Krishnadas Nair
S. Susai

Directors

Bangalore, 8 June 2005

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

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

1. Name of Subsidiary	Titan Time Products Ltd	Titan International Holdings B.V	Titan Brand Holdings N.V	Titan Watch Co. Ltd.
2. Financial year of the Subsidiary	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005
3. Share of the Subsidiary held by Titan Industries Limited on the above date :-				
a) Number of shares and face value	1,900,000 equity shares of Rs 10 each (fully paid up)	10,000 equity shares of EUR 500 each (fully paid up)	*20,000 equity shares of EUR 5 each (fully paid up)	**10,000 equity shares of HKD 1 (fully paid up)
b) Extent of Holding	100%	100%	*100%	**100%
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 st March 2005	Nil	Nil	Nil	Nil
b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31 st March 2005	Rs 2,651,149	EUR 104,294	EUR (136,039)	Nil
5. Net aggregate amount of profit / (loss) for previous financial years of the Subsidiary since it became a subsidiary so far as as they concern the members of Titan Industries Limited				
a) Dealt with in the accounts of Titan Industries Limited for the year ended 31 st March 2005	Nil	Nil	Nil	Nil
b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31 st March 2005	Nil	EUR 698,914	EUR (28,576)	Nil
* 2500 shares held by Titan Watch Co. Ltd				
** held by Titan International Holdings BV				

For and on behalf of the Board of Directors,

Rameshram Mishra Chairman

Ishaat Hussain
N N Tata
T K Balaji
C G Krishnadas Nair
S Susai } Directors

K F Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

Bangalore, 20 July 2005

TITAN INDUSTRIES

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Titan Group

STATEMENT ANNEXED TO THE CONSOLIDATED ACCOUNTS PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES AS AT 31 MARCH 2005

Name of Subsidiary	Titan TimeProducts Ltd	Titan International Holding B.V.	Titan Brand Holdings N.V.	Titan Watch Co. Ltd
(a) Share Capital	Rs 1,90,00,000	EUR 5,000,000 (2833.00)	EUR 100,000 (56.66)	HKD 10,000 (0.56)
(b) Reserves	Rs 82,42,505	EUR 803,208 (455.10)	EUR [164,615] (93.27)	-
(c) Total Assets	Rs 4,77,34,339	EUR 24,882,781 (14,098.58)	EUR 8,482,001 (4,805.90)	HKD 130,000 (7.26)
(d) Total Liabilities	Rs 2,04,91,834	EUR 19,079,573 (10,810.49)	EUR 8,546,616 (4,842.51)	HKD 120,000 (6.68)
(e) Investments	Nil	50,161 shares of EUR 1 and 90,000 preference shares of EUR 10 in Titan International Investments BV 3,000,000 preference shares of GBP 1 in Titan International Marketing Ltd	50,000 preference shares of EUR 10 in Titan International Investments BV	2500 shares of EUR 5 in Titan Brand Holdings NV
(f) Turnover	Rs 17,74,52,345	EUR 1,097,043 (621.58)	EUR 400,756 (227.07)	+
(g) Profit / [Loss] before tax	Rs 44,70,022	EUR 46,466 (26.33)	EUR [134,309] (76.10)	+
(h) Taxes	Rs 18,18,873	EUR [57,828] (32.77)	EUR 1,730 (0.98)	+
(l) Profit / [Loss] after tax	Rs 26,51,149	EUR 104,294 (59.09)	EUR [136,039] (77.08)	+
(j) Proposed Dividend	9%	Nil	Nil	Nil

+ Titan Watch Co. Ltd commenced business on 31 March 2005

Figures in brackets are equivalent in Rupees Lakhs at the year-end exchange rates of EUR 1 = Rs 56.66 and HKD 1=Rs 5.60

The value of Investments in item (e) are included under Total Assets in item (c).

For and on behalf of the Board of Directors,

K F Kapadia
Sr. Vice President - Finance

Ishaat Hussain
N N Tata
F K Kavarana
T K Balaji
C G Krishnadas Nair
S Susai

Directors

Bangalore, 8 June 2005

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Titan Industries Limited

We have audited the attached consolidated balance sheet of Titan Industries Limited and its subsidiaries ("Titan Group") as at 31st March 2005 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Titan Industries Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.17698.18 lakhs as at 31st March 2005, total revenues of Rs. 1021.14 lakhs and cash inflows amounting to Rs.24.58 lakhs for the year then ended, and associates whose financial statements reflect Titan Group's negative share of reserves and surplus upto 31st March 2005 of Rs.5241.14 lakhs including loss of Rs.1137.65 lakhs for the year ended on that date as considered in the consolidated financial statements. Other than as stated in note 1 of the consolidated financial statements, these financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the management of Titan Industries Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited / unaudited financial statements of each of the Titan Group Companies as stated in note 1 of the consolidated financial statements.

Based on our audit, consideration of reports of other auditors on separate financial statements, unaudited financial statements and the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Titan Group as at 31st March 2005;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

For **A.F.Ferguson & Co.**
Chartered Accountants

Place: Bangalore
Date : 8th June 2005

H.L. Shah
Partner
(Membership No. 33590)

TITAN INDUSTRIES

Twenty-first annual report 2004-2005

Titan Group

Consolidated Balance Sheet as at 31 March 2005

SOURCES OF FUNDS	Schedule	Rupees in lakhs	
		31-3-2005	31-3-2004
Shareholders' funds			
Share capital	A	8227.63	8227.63
Reserves and surplus	B	9164.38	8355.13
		17392.01	16582.76
Loan funds			
Secured loans	C	19482.43	20390.76
Unsecured loans	D	12466.81	20310.32
		31949.24	40701.08
Deferred tax liability		2990.14	3514.04
Total		52331.39	60797.88
APPLICATION OF FUNDS			
Fixed assets	E		
Gross block, at cost		40962.80	39341.19
Less : Depreciation		24030.44	22011.51
Net block		16932.36	17329.68
Advances on capital account and capital work in progress, at cost		979.41	406.59
		17911.77	17736.27
Investments	F	2565.65	2629.90
Current assets, loans and advances	G		
Inventories		27339.65	16411.91
Sundry debtors		7711.66	14816.17
Cash and bank balances		4456.18	2744.71
Loans and advances		18549.86	21456.84
		58057.35	55429.63
Less :			
Current liabilities and provisions	H		
Current liabilities		27519.22	18004.00
Provisions		2129.77	1573.37
		29648.99	19577.37
Net current assets		28408.36	35852.26
Miscellaneous expenditure (To the extent not written off or adjusted) Deferred revenue expenditure		3445.60	4579.45
Total		52331.39	60797.88
Notes	K		

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 8 June 2005

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
N N Tata
F K Kavarana
T K Balaji
C G Krishnadas Nair
S Susai

Directors

Bhaskar Bhat

Managing Director

Consolidated Profit and Loss Account for the year ended 31 March 2005

INCOME	Schedule	Rupees in lakhs	
		Current Year	Previous Year
Sales		113398.46	96377.95
Less : Excise Duty		5470.90	6363.76
Net Sales Income		107927.56	90014.19
Other income	I	1050.28	3717.04
Total		<u>108977.84</u>	<u>93731.23</u>
EXPENDITURE			
Operating and other expenses	J	96467.62	80945.24
Depreciation / Amortisation		1980.54	2316.98
Interest		3357.01	4219.35
Total		<u>101805.17</u>	<u>87481.57</u>
PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS		7172.67	6249.66
EXCEPTIONAL ITEMS :			
Provision for doubtful loans and advances		<u>3256.00</u>	—
Income taxes - Current		1057.81	6249.66
- Deferred		<u>(580.99)</u>	1023.10
		476.82	378.55
PROFIT AFTER TAXES FOR THE YEAR		3439.85	5871.11
Less : Income tax of earlier years		<u>240.55</u>	33.33
		3199.30	5837.78
Share of profits less losses of associates ...		<u>(1021.16)</u>	233.85
Less: Amortisation of goodwill on consolidation		<u>84.97</u>	213.98
		(1106.13)	19.87
NET PROFIT		<u>2093.17</u>	<u>5857.65</u>
Details of movement in retained earnings	B		
Notes	K		
Earnings per share - Basic and diluted (Rs.)		4.19	12.97

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 8 June 2005

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
N N Tata
F K Kavarana
T K Balaji
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S Susai

Directors

Bhaskar Bhat

Managing Director

Titan Group

Consolidated Cash Flow Statement for the year ended 31 March 2005

	Rupees in lakhs	
	Current year	Previous year
A. Cash flow from operating activities		
Net profit before tax	3,916.67	6,249.66
Adjustments for :		
-Depreciation / Amortisation	1,980.54	2,316.98
-Provision for doubtful advances	3,256.00	—
-Unrealised Exchange difference	262.53	488.48
-Financial lease payments	29.99	57.94
-Loss/(profit) on sale of fixed assets(net)	461.41	(3,118.16)
-Loss/(profit) on sale of Investments (net)	(318.45)	840.09
-Provision for doubtful debts	9.13	214.00
-Interest income	(145.52)	(112.68)
-Dividend income	(33.46)	(31.67)
-Interest expense	3,357.01	4,219.35
-Bad debts written off	39.62	—
-Translation adjustment on consolidation	—	103.34
Operating profit before working capital changes	12,815.47	11,227.33
Adjustments for :		
-(Increase)/Decrease in sundry debtors	7,382.92	2,957.03
-(Increase)/Decrease in inventories	(10,792.79)	(1,893.59)
-(Increase)/Decrease in loans and advances	(811.18)	(5,667.30)
-Increase/(Decrease) in current liabilities and provisions	8,610.82	226.30
-(Increase)/Decrease in miscellaneous expenditure	1,133.85	1,529.32
Cash generated from operations	18,339.09	8,379.10
-Direct taxes paid	(1,087.32)	(1,058.69)
Net cash from/(used in) operating activities (A)	17,251.77	7,320.41
B. Cash flow from investing activities		
Additions to fixed assets (including capital work in progress and advances on capital account)	(2,534.57)	(810.82)
Proceeds from sale of fixed assets	267.54	6,022.07
Proceeds from sale of Investments - subsidiary company	—	749.86
Proceeds from sale of Investments - others	707.32	160.34
Purchase of investments - others	(924.28)	(2,027.35)
Purchase of investments - subsidiary company	(187.70)	—
Dividend received	33.46	31.67
Interest received	360.00	482.00
Net cash from/(used in) investing activities (B)	(2,278.23)	4,607.77
C. Cash flow from financing activities		
Proceeds from issue of preference share capital	2,000.00	3,670.00
Redemption of preference share capital	(2,000.00)	(3,670.00)
Proceeds from borrowings	36,556.32	47,187.45
Repayment of borrowings	(45,249.24)	(53,230.17)
Financial lease payments	(29.99)	(57.94)
Dividends paid	(714.69)	(759.80)
Tax on dividends paid	(127.45)	(62.40)
Interest paid	(3,792.32)	(4,728.51)
Net cash from/(used in) financing activities (C)	(13,357.37)	(11,651.37)
Net cash flows during the year(A+B+C)	1,616.17	276.81
Cash and cash equivalents (opening balance)	2,791.80	2,514.99
Add: On conversion of an associate into subsidiary company	2.17	—
Cash and cash equivalents (closing balance)	4,410.14	2,791.80

Notes

- Cash and cash equivalents exclude unrealised exchange gain of Rs.46.04 lakhs (2004 : loss Rs. 47.09 lakhs)
- The figures for the previous year have been regrouped / recast, where necessary.

Per our report attached
For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 8 June 2005

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
N N Tata
F K Kavarana
T K Balaji
C G Krishnadas Nair
S Susai

Directors

Bhaskar Bhat

Managing Director

Schedule forming part of the consolidated accounts

	<u>31-3-2005</u>	Rupees in lakhs <u>31-3-2004</u>
" A "Share capital		
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
	<u>12000.00</u>	<u>12000.00</u>
Issued and subscribed		
4,22,76,270 equity shares of Rs. 10 each, fully paid up	4227.63	4227.63
Nil (2004 : 2,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	250.00
Nil (2004 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	200.00
Nil (2004 : 4,00,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	400.00
2,00,000 (2004 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	200.00
10,00,000 (2004 : Nil) 7.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	1000.00	—
2,00,000 (2004 : 5,50,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	550.00
22,00,000 (2004 : 24,00,000) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	2200.00	2400.00
2,00,000 (2004 : Nil) 6.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	—
2,00,000 (2004 : Nil) 6% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	—
	<u>4000.00</u>	<u>4000.00</u>
	<u>8227.63</u>	<u>8227.63</u>

Titan Group

Schedule forming part of the consolidated accounts

	<u>31-3-2005</u>	Rupees in lakhs <u>31-3-2004</u>
"B" Reserves and surplus		
Capital reserve	13.23	19.48
Less: Transferred to carrying cost of investment on a joint venture company becoming an associate	—	6.25
	<u>13.23</u>	<u>13.23</u>
Capital reserve on consolidation	—	—
Add: On an associate becoming a subsidiary	37.26	—
	<u>37.26</u>	<u>—</u>
Capital redemption reserve	—	—
Add: Transfer from profit and loss account	10.00	—
	<u>10.00</u>	<u>—</u>
Share premium account	6172.69	6172.69
Translation adjustment on consolidation As per last balance sheet	(832.75)	(936.08)
Adjustment for the year	—	103.33
Transferred to balance in profit and loss account (refer note 25)	832.75	—
	<u>—</u>	<u>(832.75)</u>
General reserve		
As per last balance sheet	143.02	115.30
Less: Transferred to carrying cost of investment on a joint venture company becoming an associate company	—	1.07
	<u>143.02</u>	<u>114.23</u>
Add : Transfer from profit and loss account....	205.16	28.79
	<u>348.18</u>	<u>143.02</u>
Share of profits less losses of associates		
Share of brought forward profits less losses of associates	(4019.26)	(4,039.13)
Add: Share of profits less losses of associates for the year	(1106.13)	19.87
(net of amortisation of goodwill on consolidation)		
Less: Share of profits transferred to carrying cost of investment on an associate becoming a subsidiary company	(34.22)	—
	<u>(5159.61)</u>	<u>(4019.26)</u>

Schedule forming part of the consolidated accounts

	<u>31-3-2005</u>	Rupees in lakhs <u>31-3-2004</u>
"B" Reserves and surplus (Contd.)		
Balance in profit and loss account		
Balance of profit brought forward	6878.20	2,436.63
Less: Transferred to carrying cost of investment on a joint venture company becoming an associate company ...	—	6.93
Less: Amortisation of intangible asset of earlier years	—	508.85
Less: Transferred from translation adjustment on consolidation	832.75	—
	6045.45	<u>1920.85</u>
Net profit after taxes for the year	3199.30	<u>5837.78</u>
	9244.75	<u>7758.63</u>
Appropriations		
Dividend paid on preference shares	281.39	332.15
Proposed dividend on equity shares	845.53	422.76
Tax on dividends	157.54	96.73
Transfer to general reserve	205.16	28.79
Transfer to capital redemption reserve	10.00	—
Premium on buy back of shares	2.50	—
	1502.12	<u>880.43</u>
	7742.63	<u>6878.20</u>
	9164.38	<u>8355.13</u>

Titan Group

Schedules forming part of the consolidated accounts

	<u>31-3-2005</u>	Rupees in lakhs <u>31-3-2004</u>
"C" Secured loans		
Term loans from financial institutions	—	1562.50
Term loans from banks	16644.52	11940.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future	2837.91	6888.26
	<u>19482.43</u>	<u>20390.76</u>
"D" Unsecured loans		
Fixed deposits	1041.81	3260.32
Short term loans and advances		
Loans from banks	3500.00	11500.00
Deposits from companies	7925.00	5550.00
	<u>11425.00</u>	<u>17050.00</u>
	<u>12466.81</u>	<u>20310.32</u>

Schedules forming part of the consolidated accounts

" E " Fixed Assets

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION/ AMORTISATION			NET BLOCK	
	Cost as at 1-4-2004	Additions	Deductions	On an associate becoming a subsidiary	Cost as at 31-3-2005	For the year	As at 31-3-2005	As at 31-3-2005	As at 31-3-2004
Land - freehold	58.30	143.53	6.04	—	195.79	—	—	195.79	58.30
Land - leasehold	42.24	—	—	15.36	57.60	0.19	6.61	50.99	42.24
Buildings	5095.20	104.25	178.76	174.65	5195.34	131.28	1341.45	3853.89	3940.93
Plant, machinery and equipment	31502.42	1279.71	900.48	642.54	32524.19	1645.13	21112.94	11411.25	12044.18
Furniture, fixtures and equipment	2465.01	181.48	72.74	26.39	2600.14	151.70	1443.73	1156.41	1156.29
Vehicles	178.02	252.78	49.30	8.24	389.74	52.24	125.71	264.03	87.74
TOTAL	<u>39341.19</u>	<u>1961.75</u>	<u>1207.32</u>	<u>867.18</u>	<u>40962.80</u>	<u>1980.54</u>	<u>24030.44</u>	<u>16932.36</u>	
As at 31st March 2004	41767.30	1369.90	3796.01	—	39341.19	2316.98	22011.51		17329.68
Advances on capital account and capital work in progress, at cost								979.41	406.59
								<u>17911.77</u>	<u>17736.27</u>

31-3-2005 Rupees in lakhs
31-3-2004

" F " Investments

Trade investments

Long Term

Share in associates (accounted on equity method)

Equity shares - Fully paid, unquoted

Titan Properties Limited	10.33	10.41
Titan Mechatronics Limited	1.07	1.05
Titan Holdings Limited	110.30	120.98
(net of capital reserve of Rs. 8.65 lakhs; 2004 : Rs. 8.65 lakhs)		
Questar Investments Limited	96.10	94.46
Tanishq (India) Limited	3.16	3.12
Samrat Holdings Limited	2269.76	2269.76
(including goodwill of Rs 39.90 lakhs; 2004 : Rs. 123.38 lakhs)		
Titan TimeProducts Limited	—	55.19
(net of capital reserve of Rs. Nil; 2004 : Rs. 14.25 lakhs)		
Titan International Investments B V	—	—
(See schedule H)		
	2490.72	2554.97

Preference shares - Fully paid, unquoted

Titan International Investments B V	—	—
(See schedule H)		
Titan International Marketing Limited	—	—
(See schedule H)		

Others

Quoted		
6.75% tax free bonds of Unit Trust of India	74.93	74.93
	<u>2565.65</u>	<u>2629.90</u>

Titan Group

Schedule forming part of the consolidated accounts

	<u>31-3-2005</u>	Rupees in lakhs <u>31-3-2004</u>
"G" Current assets, loans and advances		
Inventories		
Consumable stores	328.60	306.21
Loose tools	152.40	141.56
Stock-in-trade		
Raw materials and bought-out components	5610.23	3625.62
Work in progress	4824.26	3346.30
Finished goods (net of Rs. nil on sale of subsidiary; 2004: Rs.315.76 lakhs)	16424.16	8992.22
	26858.65	15964.14
	27339.65	16411.91
Sundry debtors (unsecured)		
Over six months		
Considered good	468.91	1478.58
Considered doubtful	388.33	379.20
	857.24	1857.78
Others - considered good	7242.75	13337.59
	8099.99	15195.37
Less: Provision for doubtful debts	388.33	379.20
	7711.66	14816.17
Cash and bank balances		
Cash on hand	3.54	4.67
Cheques on hand	1825.21	476.41
With scheduled banks - in current accounts	396.42	287.21
- on deposit	403.10	1062.44
- in transit	1827.91	913.98
	4456.18	2744.71
Loans and advances (unsecured and considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	18434.45	21247.80
Considered doubtful	3256.00	—
	21690.45	21247.80
Less : Provision for doubtful loans and advances	3256.00	—
	18434.45	21247.80
Tax payments, net of provision	—	170.70
Balances with customs and excise authorities	115.41	38.34
	18549.86	21456.84
	58057.35	55429.63

Schedules forming part of the consolidated accounts

	<u>31-3-2005</u>	Rupees in lakhs <u>31-3-2004</u>
" H " Current liabilities and provisions		
Current liabilities		
Sundry creditors	25000.23	15,835.15
Share of losses of associates (net of investments in equity and preference shares)	2267.12	1,705.45
Deferred income on group transactions	142.78	287.56
Unclaimed dividends	51.68	62.22
Interest accrued but not due on loans	57.41	113.62
	27519.22	18,004.00
Provisions		
Provision for taxation, net of payments	41.04	—
Proposed dividend on equity shares	845.53	422.76
Tax on dividends	118.58	88.50
Retiring gratuities	355.55	423.74
Others	769.07	638.37
	2129.77	1,573.37
	29648.99	19577.37
" I " Other income		
	Current Year	Rupees in lakhs Previous Year
Interest from staff loans, vendor advances and bank deposits - gross	145.52	112.68
Income from trade investments - gross	28.40	29.14
Interest from Tax free bonds of Unit Trust of India	5.06	2.53
Royalty Income	323.39	389.58
Profit on sale of fixed assets (net)	—	3118.16
Profit on sale of investments	318.45	—
Miscellaneous income	229.46	64.95
	1050.28	3717.04

Titan Group

Schedule forming part of the consolidated accounts

	Current Year	Rupees in lakhs Previous Year
"J" Operating and other expenses		
Raw materials and components consumed	69773.96	56665.94
Loose tools, stores and spare parts consumed	2123.37	1438.33
Purchase of finished goods	2988.98	1272.16
Payments to and provisions for employees		
Salaries and wages	7780.99	6835.81
Company's contribution to provident and other funds	509.25	466.27
Welfare expenses	1051.13	769.81
Gratuity	318.95	445.32
Deferred revenue expenditure written off -VRS	1128.94	960.48
	10789.26	9477.69
Other expenses		
Power and fuel	1005.21	889.97
Repairs to buildings	126.58	82.08
Repairs to plant and machinery	366.79	200.91
Office and administration expenses	56.75	50.87
Advertising	7689.46	6106.23
Selling and distribution expenses	2143.30	1715.58
Insurance	210.14	266.66
Rent	708.74	583.95
Rates and taxes	2385.77	1298.87
Travel	744.79	599.99
Deferred revenue expenditure written off - others	532.55	639.63
Loss on sale of / disposal of assets	461.41	—
Loss on sale of Investments (net)	—	840.09
Bad debts written off	39.62	—
Provision for doubtful debts	9.13	214.00
General expenses	3186.09	2104.53
	19666.33	15593.36

Schedule forming part of the consolidated accounts

	Current Year	Rupees in lakhs Previous Year
"J" Operating and other expenses (Contd.)		
Auditors' remuneration		
Audit fees	27.89	23.39
Fees for taxation matters	10.05	9.14
Fees for consolidation (including for earlier year Rs.nil; 2004 : Rs 4.50 lakhs)	4.50	4.50
Fees for other services	6.73	7.17
Reimbursement of expenses and levies	5.30	4.02
	54.47	48.22
Directors' fees		6.02 4.25
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress	4824.26	3346.30
Finished goods	16424.16	9307.98
	21248.42	12654.28
Opening stocks		
Work in progress	3346.30	3671.38
Finished goods	8992.22	5523.04
(net of Rs. 315.76 lakhs on sale of subsidiary; 2004 : Rs. nil)		
	12338.52	9194.42
Less: On a joint venture company becoming an associate	—	14.28
	12338.52	9180.14
Add : On an associate becoming a subsidiary	24.38	—
	12362.90	9180.14
	(8885.52)	(3474.14)
	96516.87	81025.81
Less : Expenses capitalised	49.25	80.57
	96467.62	80945.24

Titan Group

Schedule forming part of the consolidated accounts

"K" Notes to the accounts

1. Basis of Consolidation:

The Consolidated Financial Statements comprise the financial statement of Titan Industries Limited and its subsidiaries (Titan Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements and AS 23 on Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

The list of subsidiary companies which are included in the consolidation and the parent company's holdings therein are as under:

Name of the company	Country of incorporation	Ownership interest	
		31.3.2005	31.3.2004
Titan International Holdings BV (TIHBV)	Netherlands	100%	100%
Titan Watch Company Limited (TWCL), (100% held by TIHBV)	Hongkong	100%	100%
Titan Brand Holdings NV (87.50% held by Titan Industries Limited, 12.50% by TWCL)	West Indies	100%	100%
Titan TimeProducts Limited (49% upto 15.11.2004)	India	100%	25%

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March 2005. Financial statements of all subsidiaries used in consolidation are audited except for TWCL.

Titan TimeProducts Limited, an associate company has become a subsidiary company from 16th November 2004 with 51.58% ownership interest, which increased to 100% from 14th February 2005. However, effect of ownership interest of 100% has been accounted in consolidated financial statements effective 16th November 2004, in view of the value of operations of the subsidiary not being material during the period 16th November 2004 to 14th February 2005.

The following associate companies, not being subsidiaries or joint venture, over which the Company exercises significant influence by participating in financial and operating policy decisions are considered in consolidation based on equity method as provided in AS 23 and the Company's ownership interest therein are as under:

Sr. No.	Name of the company	Ownership interest	
		31.3.2005	31.3.2004
1.	Tanishq (India) Limited	0.58%	0.58%
2.	Titan Properties Limited	29.85%	29.85%
3.	Titan Mechatronics Limited	9.82%	9.82%
4.	Titan Holdings Limited	49.66%	49.66%
5.	Questar Investments Limited	25.00%	25.00%
6.	Samrat Holdings Limited	49.98%	49.98%
7.	Titan International Investments BV (TIIBV) (19% held by TIHBV, a subsidiary company)	19.00%	19.00%
8.	Titan International Marketing Limited (TIML) (68.75% held by TIIBV, an associate company)	13.06%	13.06%
9.	Rockbourne Holding B.V. (RHBV) (19% held by TIIBV, an associate company)	3.61%	3.61%
10.	Titan Watches & Jewellery International (Asia Pacific) Pte Limited (TAPL) (100% held by RHBV an associate company of TIIBV, from 31st December 2004; 2004 : 100% held by TIIBV, an associate company)	3.61%	19.00%
11.	Titan International (Middle East), FZE (TIME) (100% held by RHBV, an associate company of TIIBV)	3.61%	3.61%

The voting power held in the associate companies mentioned in Sr. No. 1 to 8 above is the same as ownership interest and for the other associate companies it is nil.

The audited financial statements of the above associate companies considered in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March 2005 except for TIIBV and TIML whose financial year is ending on 31st December 2004, however, effect has been given to unaudited financial statements upto 31st March 2005.

2. 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 Titan Group are as stated below :

- i. Revenue recognition : Revenue from sale of goods is recognised when the goods are despatched from the stock points to the customers.

Income from royalty is recognised on accrual basis.

Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the Company's right to receive the payment is established.

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- ii. Fixed Assets : Capitalised at acquisition cost including directly attributable cost.

In line with AS 19 on 'Leases', fixed assets acquired through 'finance lease' transactions entered into on and after 1st April, 2001, have been capitalised.

- iii. Depreciation : Depreciation has been provided on the straight line method over the estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956 whichever is lower. Leased assets are depreciated over the primary lease period.
- iv. Amortisation: Goodwill arising on consolidation is amortised to the extent of share of profits, of the concerned associate company, accounted in Titan Group.
- v. 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.

Other outstanding foreign currency monetary items (including those relating to integral foreign operations) are restated at year end rates or forward cover rates, as applicable. The net loss or gain arising on restatement / settlement is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change except in case of liabilities incurred for acquiring fixed assets.

Translation adjustment on consolidation of foreign subsidiaries is recognised in profit and loss account. (Refer Note: 25)

- vi. Investments : Long term investments are valued at acquisition cost. Necessary provision is made for permanent diminution in value, if any.

Investments in associate companies have been stated as per equity method.

- vii. 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 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.

- viii. Product warranty expenses: Product warranty costs are determined based on past experience and provided for in the year of sale.

- ix. Retirement benefits: Contribution to the provident fund and pension fund is made monthly at a pre-determined rate to the Provident Fund Trust and Regional Provident Fund Commissioner respectively and debited to the profit and loss account on an accrual 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.

Contribution to the Gratuity fund is made annually on the basis of actuarial valuation done at the end of the year to the Gratuity Fund Trust and debited to the profit and loss account on an accrual basis.

Leave encashment benefit is provided on an actuarial basis.

- x. Deferred revenue expenditure :
- a) Initial expenses incurred in connection with the incorporation of the company are amortised over a period of five years.
 - b) Design and development costs, which are expected to be recovered through royalty income from affiliates, are amortised over a period of ten years.
 - c) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is amortised over a period of 60 months (Refer Note : 24).
 - d) Consultancy charges for long-term operating and strategic initiatives are amortised over a period of three years.
- xi. Deferred Taxation: Deferred taxation is accounted for in respect of all timing differences on a liability method. Deferred tax asset is recognised to the extent where the management is reasonably certain that the realisation is more likely than not.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.974.56 lakhs (2004 : Rs.257.34 lakhs).
4. (a) Provision for warranty - Rs.121.98 lakhs (2004: Rs.137.59 lakhs).
- The Company gives warranty to the products except jewellery, undertaking to repair or replace the items that fall to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised / reversed during the year is Rs.88.89 lakhs and Rs.104.50 lakhs respectively.
- (b) Contingent liabilities not provided for - Rs.3072.15 lakhs (2004: Rs.5765.38 lakhs) comprising of the following :
- i) Guarantees given by the Company to banks - Rs.1777 lakhs (2004 : Rs.3741 lakhs).
- The Company had given guarantees to banks of Rs.750 lakhs (2004: Rs.2180 lakhs) in respect of a loan availed by its associate company and in respect of certain loans of Rs.1027 lakhs (2004: Rs.1561 lakhs) availed by the employees of the Company who had opted for the Voluntary Retirement Scheme (VRS). In case of any default by any of these parties on whose behalf the Company has issued these guarantees, the banks would have recourse to the Company. The associate company is making payments to the bank regularly, and no liability is expected. In the case of the loans availed from them authorising the Company to repay on their behalf directly to the bank, from the future payments due to these VRS optees under the Voluntary Retirement Scheme.
- ii) Letter of comfort given to a bank - Rs.Nil (2004 : Rs.500 lakhs).
 - iii) Bills discounted by trade - Rs. Nil (2004 : Rs.973 lakhs).
 - iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.1295.15 lakhs (2004 : Rs.551.38 lakhs).
- Sales Tax - Rs.108.90 lakhs (2004 : Rs.113.08 lakhs)
- Customs Duty - Rs.936.33 lakhs (2004 : Rs.332.62 lakhs)
- Excise Duty - Rs.247.65 lakhs (2004 : Rs.105.68 lakhs)
- Income Tax - Rs.2.27 lakhs (2004: Nil)
- The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

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5. The redeemable cumulative preference shares of Rs.100 each aggregating Rs.4000 lakhs are redeemable at par from the date of allotment as under :

Sr.No.	Dividend Rate	Aggregate value	Allotment Date	Redeemable at the end of	Call/Put Option
1	8.00%	Rs. 200 lakhs	31 March 2003	7 Years	18 months
2	6.75%	Rs. 300 lakhs	29 January 2004	7 Years	18 months
3	6.75%	Rs. 1500 lakhs	31 March 2004	7 Years	12 months
4	7.25%	Rs. 1000 lakhs	6 July 2004	3 Years	12 months
5	7.00%	Rs. 200 lakhs	25 August 2004	7 Years	12 months
6	6.75%	Rs. 100 lakhs	30 September 2004	7 Years	12 months
7	6.75%	Rs. 100 lakhs	6 November 2004	7 Years	12 months
8	6.75%	Rs. 200 lakhs	6 November 2004	7 Years	18 months
9	6.50%	Rs. 200 lakhs	6 November 2004	7 Years	18 months
10	6.00%	Rs. 200 lakhs.	1 January 2005	7 Years	12 months

The Preference shares may be redeemed, either at the option of the Company or by the Holder(s), at any time after the expiry of 18 months / 12 months, as mentioned above. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder(s).

6. The term loans from banks shown under secured loans include :
- Loan of Rs.10977.84 lakhs (2004 : Rs.11002.50 lakhs, includes Rs.1562.50 lakhs from financial institutions) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - Loan of Rs.4000 lakhs (2004 : Rs.Nil) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and to be secured by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - Loan of Rs.1666.68 lakhs (2004 : Rs.2500 lakhs) to be secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
7. Non-fund based facilities availed of Rs.9916 lakhs (2004 : Rs.4605 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
8. The security covered under notes 6 (a) and (b) above rank pari passu. The security covered under note 6 (c) and 7 above ranks pari passu with the security for the cash credit facility.
9. Exchange gain (net), included in the profit and loss account is Rs.398.81 lakhs (2004: gain Rs.387.71 lakhs).
10. Sales includes sale of scrap Rs.321.63 lakhs (2004 : Rs.206.47 lakhs), sale of accessories Rs.4305.93 lakhs (2004 : Rs. 3525.67 lakhs), sale of tools and components Rs.258.32 lakhs (2004 : Rs. 190.83 lakhs) income from services provided Rs.411.25 lakhs (2004 : Rs. 81.66 lakhs) and is net of all discounts including cash discount of Rs.269.03 lakhs (2004: Rs. 260.28 lakhs).
11. Interest expense disclosed in the profit and loss account is net of Rs.379.29 lakhs (2004 : Rs.298.66 lakhs) being interest received on advances

12. The Directors' remuneration of Rs.70.89 lakhs, (2004 : Rs. 53.05 lakhs) excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director and is inclusive of contribution to provident and other funds Rs.4.21 lakhs (2004 : Rs. 3.56 lakhs), perquisites Rs.21.09 lakhs (2004 : Rs. 16.49 lakhs), commission Rs.30.00 lakhs (2004 : Rs. 19.80 lakhs)
13. Expenditure directly attributable to research and development is estimated at Rs.369.05 lakhs (2004 : Rs. 244.09 lakhs).
14. Fixed assets include vehicle acquired on finance lease, the details of which are as under:

Rupees in lakhs

	2005	2004
(a) Cost of vehicles	347.94	136.40
(b) Vehicles acquired during the year	229.30	23.30
(c) Net carrying amount	242.28	67.41

- (d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases entered into on and after 1st April 2001 for each of the following period are:

Rupees in lakhs

	Minimum Lease Payments outstanding	Present value of Minimum Lease Payments outstanding
Not later than one year	80.02 (2004: 42.60)	69.47 (2004: 28.49)
Later than one year and not later than five years	175.63 (2004:31.23)	138.64 (2004: 20.53)

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed / variable as the case may be. The lease tenor is of 48 months. There are no escalation clauses. There are termination options / purchase options during the period of lease and in certain cases, there are renewal options at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease shall be reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

15. Obligation in respect of future lease rentals relating to finance lease availed prior to 1st April 2001, net of interest, is Rs.Nil (2004 : Rs. 55.64 lakhs).

16. (a) The total of future minimum lease payments under non-cancellable operating leases are as follows :

Rupees in lakhs

	2005	2004
i) Fo For a period not later than one year	51.60	51.60
ii) Fo For a period later than one year and not later than five years	47.30	98.90
iii) Fo For a period later than five years	—	—
Total	98.90	150.50

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- (b) The company has taken the above operating lease for a non-cancelable period of three years. The lease is renewable by mutual consent.
- (c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating lease is Rs.53.02 lakhs (2004 : Rs.0.12 lakhs)
17. (a) Sundry creditors include Rs.176.64 lakhs (2004 : Rs 43.09 lakhs) towards liability for lease of vehicles which falls due later than one year and Rs.140.42 lakhs (2004 : Nil) of acceptances.
- (b) Current liabilities do not include any amount to be credited to Investor Education and Protection Fund.
18. Deferred revenue expenditure (to the extent not written off or adjusted) comprises of the following :

	Rupees in lakhs	
	2005	2004
Compensation to employees under VRS	2440.38	3041.69
Consultancy charges for long term operating and strategic initiatives	—	288.96
Pre-operative and pre-incorporation expenses	0.56	0.56
Design and development expenses	1004.65	1248.24
	3445.59	4579.45

19. Transactions with the related parties during the year are set out in the table below :
(Previous year figures are in brackets)

Rupees in lakhs					
Sr. No	Nature of transaction	Promoters	Associates	Key Management Personnel	Total
1	Purchase of components and raw materials	— (—)	3098.39 (4314.72)	— (—)	3098.39 (4314.72)
2	Sale of components and finished goods	39.42 (97.36)	11186.91 (14369.11)	— (—)	11226.33 (14466.47)
3	Royalty Income	— (—)	323.39 (389.58)	— (—)	323.39 (389.58)
4	Sale of Assets	— (—)	0.16 (5974.86)	— (—)	0.16 (5974.86)
5	Reimbursement of expenses	21.80 (27.49)	91.33 (664.87)	— (—)	113.13 (692.36)
6	Interest income	— (—)	379.29 (411.33)	— (—)	379.29 (411.33)
7	Interest expense	— (—)	46.14 (19.19)	— (—)	46.14 (19.19)
8	Rent paid	30.72 (33.28)	— (—)	— (—)	30.72 (33.28)

Rupees in lakhs

Sr. No	Nature of transaction	Promoters	Associates	Key Management Personnel	Total
9	Dividend received	—	29.69	—	29.69
		(—)	(29.14)	(—)	(29.14)
10	Dividend paid	151.31	155.99	—	307.30
		(149.23)	(180.64)	(—)	(329.87)
11	Sitting fees paid	1.60	—	—	1.60
		(1.15)	(—)	(—)	(1.15)
12	Purchase of Investments - equity	—	—	—	—
		(—)	(923.30)	(—)	(923.30)
13	Sale of Investments - equity	—	—	—	—
		(—)	(0.56)	(—)	(0.56)
14	Guarantees and letter of comfort given to banks	—	—	—	—
		(—)	(1500.00)	(—)	(1500.00)
15	Intercompany deposits taken	—	2090.00	—	2090.00
		(—)	(1590.00)	(—)	(1590.00)
16	Intercompany deposits repaid	—	880.00	—	880.00
		(—)	(1590.00)	(—)	(1590.00)
17	Purchase of Investments - preference shares	—	389.06	—	389.06
		(—)	(1559.23)	(—)	(1559.23)
18	Subscription to preference shares	—	566.90	—	566.90
		(—)	(320.94)	(—)	(320.94)
19	Sale of investments - preference shares	—	716.65	—	716.65
		(—)	(160.34)	(—)	(160.34)
20	Preference Shares allotted	—	200.00	—	200.00
		(—)	(3670.00)	(—)	(3670.00)
21	Preference Shares redeemed	—	1150.00	—	1150.00
		(—)	(2750.00)	(—)	(2750.00)
22	Brand equity subscription	160.00	—	—	160.00
		(70.15)	(—)	(—)	(70.15)
23	Recovery of expenses	—	22.80	—	22.80
		(—)	(529.34)	(—)	(529.34)
24	Rendering of services	—	9.48	—	9.48
		(—)	(65.42)	(—)	(65.42)
25	Loans (net) (-) repaid / disbursed	—	(-853.39)	—	(-853.39)
		(—)	(5192.94)	(—)	(5192.94)
26	Managerial remuneration	—	—	72.09	72.09
		(—)	(—)	(53.05)	(53.05)
27	Advertising/Trademark advances (net) (-) repaid/ reimbursed	—	818.61	—	818.61
		(—)	(-687.31)	(—)	(-687.31)

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The above includes the following material related party transactions :-
(Previous year figures are in brackets)

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(a) Purchase of components and raw materials	Associate	Tanishq (India) Ltd.	1818.15 (2634.97)
	Associate	Titan TimeProducts Ltd.	1280.24 (1679.75)
(b) Sale of components and finished goods	Associate	Titan International (Middle East)	5931.90 (5634.97)
	Associate	FZETanishq (India) Ltd.	3431.06 (8525.02)
	Associate	Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.	1731.95 (—)
(c) Sale of assets	Associate	Rockbourne Holdings B.V.	— (5972.77)
(d) Royalty Income	Associate	Titan International Marketing Ltd.	202.34 (389.58)
	Associate	Titan International (Middle East) FZE	116.80 (—)
(e) Interest Income	Associate	Titan International Investments B.V.	127.66 (204.88)
	Associate	Rockbourne Holdings B.V.	215.99 (—)
(f) Dividend paid	Associate	Samrat Holdings Ltd.	148.27 (119.06)
	Promoter	Tamilnadu Industrial Development Corporation Ltd.	117.85 (117.85)
(g) Sale of investments-equity shares	Associate	Titan International Investments B.V.	— (923.30)
(h) Guarantees given to banks	Associate	Tanishq (India) Ltd.	— (1500.00)
(i) Intercorporate deposits taken	Associate	Samrat Holdings Ltd.	2060.00 (1550.00)
(j) Intercorporate deposits repaid	Associate	Samrat Holdings Ltd.	850.00 (1550.00)
(k) Purchase of Investments - preference shares	Associate	Titan International Investments B.V.	170.36 (1559.23)
	Associate	Rockbourne Holdings B.V.	218.70 (—)
(l) Subscription to preference shares	Associate	Titan International Investments B.V.	566.90 (320.94)

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(m) Sale of investments -preference shares	Associate	Titan International Investments B.V	716.65 (—)
	Associate	Rockbourne Holdings B.V.	— (160.34)
(n) Preference shares allotted	Associate	Samrat Holdings Ltd.	200.00 (2900.00)
	Associate	Titan Holdings Ltd.	— (600.00)
(o) Preference shares redeemed	Associate	Samrat Holdings Ltd.	1100.00 (945.00)
	Associate	Titan Holdings Ltd.	— (1440.00)
(p) Brand Equity Subscription	Promoters	Tata Sons Ltd.	160.00 (70.15)
(q) Loans (net) (-) repaid / disbursed	Associate	Titan Holdings Ltd.	— (- 738.00)
	Associate	Titan International Marketing Ltd.	(-) 567.42 (-1862.46)
	Associate	Titan International (Middle East) FZE	261.70 (180.72)
	Associate	Titan International Investments B.V.	(-) 4207.04 (1731.43)
	Associate	Rockbourne Holdings B.V.	3633.50 (6133.12)
(r) Advertising / Trademarks advances (net) (-) repaid / reimbursed	Associate	Titan International Investments B.V.	649.63 (-1003.15)
	Associate	Titan International Marketing Ltd.	168.98 (315.84)

Balance as on balance sheet date

Rupees in lakhs

Balances as on balance sheet date	Promoters	Associates	Key Management Personnel	Total
Debit balance	1.52 (1.42)	21713.69 (25382.25)	— (—)	21715.22 (25383.67)
Guarantees and letter of comfort given to banks	— (—)	750.00 (2680.00)	— (—)	750.00 (2680.00)
Credit balance	0.03 (5.71)	2874.57 (1091.81)	31.20 (19.80)	2905.79 (1117.32)

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Names of related parties and description of relationship:

- a) Promoters : Tamilnadu Industrial Development Corporation Ltd.
Tata Sons Ltd.
- b) Associates : Questar Investments Ltd.
Tanishq (India) Ltd.
Titan Holdings Ltd.
Titan Properties Ltd.
Titan Mechatronics Ltd.
Titan International Marketing Ltd.
Titan International (Middle East) FZE
Titan International Investments B.V.
Rockbourne Holding B.V.
Samrat Holdings Ltd.
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd.
Titan TimeProducts Ltd. (upto 15.11.2004)
- c) Key Management Personnel : Mr. Bhaskar Bhat, Managing Director

20. Earnings per share :

The following table sets forth the computation of basic and diluted earnings:

	Rupees in lakhs	
	2005	2004
a) Net profit	2093.17	5857.65
Less: i) Dividend on preference shares	281.39	332.15
ii) Dividend tax on preference shares	36.71	42.56
	<u>1775.07</u>	<u>5482.94</u>
b) Weighted average number of equity shares	4,22,76,270	4,22,76,270
c) i) Nominal value of shares (Rs)	10.00	10.00
ii) Earnings per share - Basic and diluted (Rs)	4.19	12.97

21. The details of deferred tax asset/(liability) are as under :

	As at 31.03.2004	On an associate becoming a subsidiary	Tax effect for the year	As at 31.03.2005
Deferred Tax (Liability)				
Fixed Assets	(3804.26)	(68.73)	279.37	(3593.62)
Sub Total	(3804.26)	(68.73)	279.37	(3593.62)
Deferred Tax Asset				
Provisions	—	11.64	1.18	12.82
Provision for doubtful debts	136.04	—	6.06	142.10
Disallowances under section 43B	10.46	—	0.18	10.64
Deferred revenue expenditure	40.81	—	245.68	286.49
Provision for leave salary/gratuity	102.91	—	48.52	151.43
Sub Total	290.22	11.64	301.62	603.48
Net Deferred Tax Asset / (Liability)	(3514.04)	(57.09)	580.99	(2990.14)

22. Segment information for the year ended 31 March 2005

a. Primary Business Segments
(Previous year figures are in brackets)

Rupees in lakhs

	Watches & Clocks	Jewellery	Corporate (Unallocated)	Total
Revenue				
Net sales/income from segments	54527	53400	—	107927
(There is no inter-segment revenue)	(47472)	(42542)	(—)	(90014)
Result				
Profit / (-)Loss from segments before interest, other income, taxes, exceptional items	7839	2467	(-827)	9479
and share of profits / (-)losses of associates	(4865)	(2025)	(-138)	(6752)
Add : Other Income	896	84	70	1050
	(3633)	(41)	(43)	(3717)
Share of profits / (-)losses of Associates	(-1099)	—	(-7)	(-1106)
	(-11)	(—)	(31)	(20)
Profit / (-) Loss from segments before interest,	7636	2551	(-764)	9423
taxes and exceptional items	(8487)	(2066)	(-64)	(10489)
Exceptional items	3256	—	—	3256
	(—)	(—)	(—)	(—)
Profit/(-)Loss from segments before interest and taxes	4380	2551	(-764)	6167
	(8487)	(2066)	(-64)	(10489)
Less : Interest				3357
				(4219)
Profit before taxes				2810
				(6270)
Taxes				717
				(412)
Net Profit				2093
				(5858)
Other InformationSegment Assets	54412	22974	4594	81980
	(59668)	(15926)	(4663)	(80257)
Segment Liabilities	16484	13124	41	29649
	(14774)	(4715)	(—)	(19489)
Capital expenditure during the year (including	1150	177	—	1327
capital work-in-progress)	(551)	(57)	(—)	(608)
Depreciation / Amortisation	2930	667	44	3641
	(3406)	(511)	(—)	(3917)

b. Secondary Geographical Segments

Rupees in lakhs

	India	Europe	West Indies	Others	Total
Revenue	98990	789	—	8148	107927
	(81390)	(1018)	(—)	(7606)	(90014)
Segment Assets	63810	3901	10202	4067	81980
	(56823)	(10333)	(6140)	(6961)	(80257)
Capital expenditure during the year (including capital work-in-progress)	1327	—	—	—	1327
	(608)	(—)	(—)	(—)	(608)

Details of secondary geographical segments for individual markets outside India, Europe and West Indies are not disclosed as the same do not account for more than 10% of the total segment revenues or results and assets.

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23. (a) Titan TimeProducts Limited which was an associate became a subsidiary company from 16th November 2004. The financial position etc. included in the consolidated financial statements is as under:

Rupees in lakhs

Sr. No.	Particulars	2005	2004
1.	Total assets	569.62	55.19
2.	Total liabilities	569.62	—
3.	Profit / (Loss) before tax	(6.73)	—
4.	Tax	6.82	—
5.	Net Profit / (Loss)	(13.55)	5.19

- (b) The financial position etc. of Titan Watches and Jewellery International (Asia Pacific) Pte Limited (which was a subsidiary company upto 30th March 2004) included in the consolidated financial statements is as under:

Rupees in lakhs

Sr. No.	Particulars	2005	2004
1.	Total assets	—	—
2.	Total liabilities	—	—
3.	Profit before tax	—	185.60
4.	Tax	—	33.69
5.	Profit after tax	—	151.91
6.	Profit on sale of TAPL	—	719.26

24. Consequent to the introduction of AS - 29 on Provisions, Contingent Liabilities and Contingent Assets, the Company has during the year recognised the liability towards Voluntary Retirement Scheme (VRS) on actual basis as compared to net present value basis followed in earlier years and accordingly there is an additional charge to profit and loss account for the year Rs.106.76 lakhs.
25. Hitherto the Company has been taking the translation adjustment on consolidation of foreign subsidiaries directly to reserves and surplus. Consequent to the introduction of Revised AS - 11 on the Effects of Changes in Foreign Exchange Rates, the Company has during the year recognised the translation adjustment on consolidation of foreign subsidiaries of Rs.424.14 lakhs in the profit and loss account as the same are considered as integral foreign operations.
26. Figures pertaining to subsidiary companies have been reclassified, wherever necessary, to bring them in line with the parent company's financial statements.
27. Figures of the previous year have been regrouped/recast, where necessary.

Signature to Schedules "A" to "K"
For and on behalf of the Board of Directors,

K. F. Kapadia Sr. Vice President - Finance	Ishaat Hussain N N Tata F K Kavarana T K Balaji C G Krishnadas Nair S Susai	} Directors
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Bangalore, 8 June 2005

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

FINANCIAL STATISTICS

BALANCE SHEET	FINANCIAL YEAR																Rs. in crores		
	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	
Share Capital - Equity	23.95	23.96	26.84	26.84	26.84	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28
Share Capital - Preference	—	—	—	—	—	—	—	7.50	10.00	33.00	37.50	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Reserves and Surplus	0.21	1.38	2.11	6.42	12.15	77.82	86.34	98.74	111.46	117.25	115.73	116.07	118.56	125.09	82.42	80.19	82.85	82.85	94.97
Deferred tax liability	—	—	—	—	—	—	—	—	—	—	—	—	—	—	44.58	41.59	35.14	35.14	29.32
Loans	37.76	42.45	57.86	66.52	75.46	114.43	151.15	191.63	303.34	368.14	381.80	395.48	409.92	422.01	443.28	467.05	406.71	406.71	318.02
SOURCES OF FUNDS — Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	610.76	629.38	652.56	671.11	606.98	606.98	524.59
Net fixed assets	53.76	60.34	79.66	86.09	95.20	131.37	166.65	205.91	229.67	232.86	238.38	236.63	223.80	211.16	200.90	191.75	177.36	177.36	174.91
Investments	0.03	0.06	0.06	0.06	0.06	0.06	14.92	21.82	28.32	27.00	27.00	27.00	25.12	23.09	24.62	37.09	27.58	27.58	27.02
Inventories	8.17	14.94	29.93	62.65	71.63	86.39	101.85	112.07	152.54	226.19	172.67	172.19	183.44	146.23	124.82	141.92	164.12	164.12	271.62
Debtors	0.24	2.41	3.27	4.03	5.65	14.06	14.32	33.58	77.85	78.10	83.25	101.40	121.05	159.04	207.75	186.38	148.16	148.16	77.09
Cash and bank balances	3.34	2.38	0.96	2.22	1.70	8.50	12.65	9.63	13.85	4.58	7.64	5.04	17.53	27.51	17.33	23.99	26.85	26.85	44.01
Loans and Advances	5.16	2.41	4.51	10.38	15.95	30.19	18.61	18.93	43.89	68.42	106.47	121.45	115.48	150.67	197.40	217.08	193.69	193.69	172.14
Total Current Assets	16.91	22.14	38.67	79.28	94.93	139.14	147.43	174.21	288.13	377.29	370.03	400.08	437.50	483.45	547.30	569.37	532.82	532.82	564.86
Less: Current Liabilities & Provisions	8.78	14.75	31.58	65.65	75.74	36.04	49.23	61.79	79.04	76.48	58.10	69.88	79.93	91.52	126.45	173.27	164.09	164.09	266.60
Net Current Assets	8.13	7.39	7.09	13.63	19.19	103.10	98.20	112.42	209.09	300.81	311.93	330.20	357.57	391.93	420.86	396.10	368.73	368.73	298.26
Deferred revenue expenditure	—	—	—	—	—	—	—	—	—	—	—	—	4.27	3.20	6.18	46.17	33.31	33.31	24.40
APPLICATION OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	610.76	629.38	652.56	671.11	606.98	606.98	524.59
PROFIT & LOSS ACCOUNT	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	
Sales volumes (nos in lakhs)																			
Watches	3.44	5.13	12.52	18.33	22.42	25.75	28.07	32.58	38.75	39.45	43.53	51.11	58.54	66.76	61.77	60.02	68.38	68.38	73.19
Jewellery	—	—	—	—	—	—	—	0.09	0.20	0.37	1.20	1.68	3.00	7.21	6.05	13.72	8.70	8.70	4.32
Clocks, sunglasses, etc.	—	—	—	—	—	—	—	—	0.67	3.64	3.05	4.30	3.29	1.62	0.51	0.41	2.39	2.39	4.84
Sales Income	16.80	27.59	74.06	106.26	155.01	191.21	226.23	282.49	350.72	408.52	442.06	482.04	630.33	696.90	724.78	797.90	958.52	958.52	1,134.66
Expenditure	16.40	21.09	59.02	79.29	119.94	156.25	183.78	223.93	276.19	320.73	357.20	393.48	550.62	614.19	639.32	726.03	862.49	862.49	1,019.50
Interest	1.36	3.51	6.51	11.82	17.72	18.46	16.16	21.80	34.22	56.40	52.96	51.92	50.88	47.84	46.27	41.35	37.62	37.62	30.92
Depreciation	0.85	2.16	3.98	6.57	6.74	7.23	9.78	13.11	15.68	16.52	18.82	20.14	20.40	20.93	23.28	21.14	21.47	21.47	19.61
Operating Profit	(1.81)	0.83	4.55	8.58	10.61	9.27	16.51	23.65	24.63	14.87	13.08	16.50	8.43	13.94	15.91	9.38	36.94	36.94	64.63
Add: Other Income	2.11	0.45	0.56	0.52	0.49	1.60	2.58	1.44	2.94	12.93	3.16	2.41	13.01	11.63	2.24	10.40	2.09	2.09	2.73
Less: Exceptional Item	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(10.00)	(25.00)	(25.00)	(35.00)
Profit Before Taxes	0.30	1.28	5.11	9.10	11.10	10.87	19.09	25.09	27.57	27.80	16.24	18.91	21.44	25.57	18.16	9.78	14.03	14.03	32.36
Taxes	0.04	0.21	0.78	—	—	—	—	—	—	3.58	1.60	1.87	2.16	2.09	5.06	3.57	2.84	2.84	7.41
Profit After Taxes	0.26	1.07	4.33	9.10	11.10	10.87	19.09	25.09	27.57	24.22	14.64	17.04	19.28	23.48	13.09	6.21	11.19	11.19	24.95
Equity Dividend (%)	—	—	15%	18%	20%	22%	25%	30%	33%	33%	25%	26%	26%	26%	15%	10%	10%	10%	20%
(Rs.)	—	—	3.60	4.83	5.37	6.89	10.57	12.69	13.95	13.95	10.57	10.99	10.99	10.99	6.34	4.23	4.23	4.23	8.46
Employee costs (excluding VRS)	1.03	1.56	3.98	6.24	8.19	12.84	17.89	22.62	32.20	48.13	48.91	54.04	72.17	74.07	76.32	71.57	84.98	84.98	95.73
% to Sales Income	6.1%	5.7%	5.4%	5.9%	5.3%	6.7%	7.9%	8.0%	9.2%	11.8%	11.1%	11.2%	11.4%	10.6%	10.5%	9.0%	8.9%	8.9%	8.4%
Advertising	1.85	2.07	5.61	8.38	9.52	13.16	16.06	20.22	29.62	36.01	20.04	27.36	41.69	40.10	36.55	47.44	59.82	59.82	76.89
% to Sales Income	11.0%	7.5%	7.6%	7.9%	6.1%	6.9%	7.1%	7.2%	8.4%	8.8%	4.5%	5.7%	6.6%	5.8%	5.0%	5.9%	6.2%	6.2%	6.8%

To
The Members of Titan Industries Limited

ABSTRACT AND MEMORANDUM OF INTEREST PURSUANT TO SECTION 302 OF THE COMPANIES ACT, 1956

Mr. Bhaskar Bhat was appointed as Managing Director with effect from 1st April 2002 for a period of 5 years, on a scale of Rs. 50,000 – 1,50,000 per month and perquisites and allowances subject to a maximum of 140% of his annual salary. In addition, Mr. Bhaskar Bhat is also entitled for commission based on the net profits of the Company. The above terms were approved by the shareholders at the Annual General Meetings held on 24th September 2002 and 31st August 2004.

The Board of Directors at their Meeting held on 8th June 2005, based on the recommendations of the Remuneration Committee and subject to the approval of the shareholders, had approved the increase in the scale of the pay to Mr. Bhaskar Bhat from Rs. 50,000 - Rs. 1,50,000 per month to Rs. 1,00,000 - Rs. 2,50,000 per month

All other terms and conditions governing his appointment as approved by the shareholders at the aforesaid Annual General Meeting held on 24th September 2002 and 31st August 2004 remain unchanged.

In compliance with the requirements of Section 302 of the Company Act, 1956 an abstract of the variations in the contract already in existence with Mr. Bhaskar Bhat is being sent to the members of the Company.

Memorandum of Interest

None of the Directors except Mr. Bhaskar Bhat is interested in the above.

By Order of the Board of Directors,

Bangalore
20 July, 2005

Usha Iyengar
Company Secretary

TITAN INDUSTRIES LIMITED

Regd. Office : 3, SIPCOT INDUSTRIAL COMPLEX, HOSUR 635 126.

Attendance Slip

[Empty rectangular box for stamp or marking]

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126 at 3.30 p.m. on Wednesday, 31st August 2005.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

- NOTES : 1. Shareholder/Proxyholder wishing to attend the meeting must bring this Attendance Slip to the meeting and hand it over at the entrance duly signed.
- 2. Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

TITAN INDUSTRIES LIMITED

Regd. Office : 3, SIPCOT INDUSTRIAL COMPLEX, HOSUR 635 126.

Proxy

I/We
of in the district of being
a Member/Members of the above named Company, hereby appoint
..... of in the district of or failing him
..... of in the district of
..... as my/our Proxy to attend and vote for me/us and on my/our
behalf at the Twenty First Annual General Meeting of the Company, to be held on Wednesday, 31st August 2005 and
at any adjournment thereof.

Signed this day of 2005

Reference Folio

DP ID/BEN ID

No. of Shares held

Signature

Affix 30 Paise Revenue Stamp

This form is to be used *in favour of the resolution. Unless otherwise instructed the Proxy will
act as he thinks fit. *against

* Strike out whichever is not desired.

NOTE : This Proxy must be returned so as to reach the Registered Office of the Company, 3, SIPCOT Industrial Complex, Hosur 635 126, not less than FORTY EIGHT HOURS before the meeting.



Titan women employees created the largest Rangoli in the world - 48000 sq.ft. at the Titan Township

TITAN INDUSTRIES LIMITED

3, SIPCOT Industrial Complex, Hosur 635 126



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TANISHQ

Exquisite jewellery featured in the film "Paheli"