# NOTICE

Notice is hereby given that the Twenty-eighth Annual General Meeting ("the Meeting") of TITAN INDUSTRIES LIMITED ("the Company") will be held at the Registered Office of the Company, at 3, SIPCOT Industrial Complex, Hosur 635 126, on Tuesday, 31st July 2012 at 3:00 P.M. to transact the following business:

## ORDINARY BUSINESS

1) To receive, consider and adopt the Balance Sheet as at 31st March 2012, the Profit and Loss account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.

2) To declare dividend on equity shares for the financial year ended 31st March 2012.

3) To appoint a Director in place of Mrs. Hema Ravichandar who retires by rotation and is eligible for re-appointment.

4) To appoint a Director in place of Mr. R. Poornalingam who retires by rotation and is eligible for re-appointment.

5) To appoint a Director in place of Mr. N.N.Tata who retires by rotation and is eligible for re-appointment.

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

   "RESOLVED that M/s. Deloitte Haskins & Sells, Chartered Accountants (Registration No. 008072S), be and hereby are re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, to audit the Accounts of the Company for the financial year 2012-13, including audit of Cash Flow Statements, on a remuneration to be mutually decided upon between the Auditors and the Board of Directors of the Company."

## SPECIAL BUSINESS

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

   "RESOLVED that Mr. K. Dhanavel, IAS who was appointed as a Director by the Board of Directors with effect from 30th April 2012 and who holds office up to the date of this Annual General Meeting under section 262 of the Companies Act, 1956 read with Article 118 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

8) To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED that pursuant to sections 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, approval is hereby accorded to the reappointment of Mr. Bhaskar Bhat as Managing Director of the Company for a period of five years from 1st April 2012 to 31st March 2017, upon the principal terms and conditions set out in the explanatory statement attached hereto and the Agreement submitted to this meeting and initialled by the Chairman of the meeting for identification, which Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to increase, alter and vary, without further reference to the Shareholders, the terms and conditions of the said reappointment and/or Agreement in the event of change in legislation, rules and regulations in this regard, in such a manner as may be acceptable to Mr. Bhaskar Bhat.

   RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

## Notes:

a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item nos. 6, 7 & 8 above is annexed hereto. The relative details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment / re-appointment as Directors under item nos. 3, 4, 5 & 7 of the Notice, are also enclosed.

b) **A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in the meeting and the proxy need not be a member of the Company.** 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 is not entitled to vote except on a poll. Proxies submitted on behalf of limited companies, societies etc., must be supported by appropriate resolutions / authority, as applicable.

c) The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 17th July 2012 up to Tuesday, 31st July 2012, both days inclusive.

d) Subject to the provisions of Section 206A of the Companies Act, 1956 dividend on equity shares as recommended by the Directors, if declared at the Meeting, will be paid commencing from August 6, 2012 to those members whose names appear on the Register of Members of the Company as on 16th July 2012. In respect of shares held in electronic form, dividend will be paid to the beneficial holders as per the beneficiary list to be provided by the National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on 16th July 2012.

e) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., TSR Darashaw Ltd (formerly Tata Share Registry Ltd), regarding changes, if any, in their registered addresses with the PIN code number.

f) Members holding shares in physical form are requested to consider converting their holding to dematerialised form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or TSR Darashaw Ltd, for assistance in this regard.

g) As per the provisions of Section 109A of the Companies Act, 1956, the facility for making nominations is available to the shareholders in respect of the equity shares held by them. A specimen nomination form (Form 2B) is attached to this Annual Report for use by the shareholders.

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

| | |
|---|---|
| Bombay Stock Exchange Ltd, | National Stock Exchange of India Ltd, |
| 25, Phiroze Jeejeebhoy Towers, | Exchange Plaza, |
| Dalal Street, | Bandra Kurla Complex, Bandra (East) |
| Mumbai 400 001 | Mumbai 400 051 |

The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2012-13.

i) Members are requested to intimate to the Company, queries if any, regarding the accounts 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: Head – Legal & Company Secretary, Titan Industries Limited, Golden Enclave, Tower-B, 7th Floor, HAL Airport Road, Bangalore 560 017. (email : arrajaram@titan.co.in) Members are requested to bring their copies of Annual Reports to the Meeting.

j) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 1 p.m. from the following four locations:

1) Jayanagar - Ashok Pillar, 1st Block, Siddapura Police Station Road, Bangalore - 560 011
2) Rajajinagar - near ISKCON temple , Opp. Varasidhi Vinayakar Temple, Government School Grounds, Bangalore - 560 010
3) Golden Palm Station, near BRV theatre, Bangalore - 560 001
4) Leela Palace Hotel, HAL Airport Road, Bangalore - 560 017

k) Shareholders are requested to furnish their e-mail id particulars to the Company at the Company's dedicated mail id: investor@titan.co.in. This will assist the Company in redressing of shareholders' grievances expeditiously.

l) The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively) has undertaken a `Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. A recent amendment to the Listing Agreement with the Stock Exchanges permits companies to send soft copies of the Annual Report to all those shareholders who have registered their email address for the said purpose. Members are requested to support this Green Initiative by registering / updating their e-mail addresses for receiving electronic communications.

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
25th June 2012

By Order of the Board of Directors,

A.R. Rajaram
*Head – Legal & Company Secretary*



# 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. 6, 7 & 8 of the accompanying Notice dated 25th June 2012.

**Item No. 6:**

Since the shareholding pattern of the Company is such that the provisions of section 224A of the Companies Act, 1956, are applicable, the appointment of Auditors of the Company is required to be made by a special resolution. It has been proposed to re-appoint M/s. Deloitte Haskins & Sells as Auditors of the Company for the financial year 2012-13.

The Shareholders are requested to approve the re-appointment of Deloitte Haskins & Sells as the Statutory Auditors by a special resolution, to audit the accounts of the Company for FY 2012-13 as set out in Item No. 6 of the Notice.

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

**Item No. 7:**

Mr. K. Dhanavel, IAS, was appointed as a Director on the Board of the Company by the Board of Directors in the casual vacancy caused by the resignation of Mrs. Susan Mathew with effect from 30th April 2012. In terms of section 262 of the Companies Act, 1956, Mr. K. Dhanavel holds office as a Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. K. Dhanavel as a candidate for the office of Director.

Mr. K. Dhanavel, IAS is the Managing Director of Tamilnadu Industrial Development Corporation Ltd, the co-promoter of the Company.

The Board considers it desirable that the Company continues to avail of the services and wise counsel of Mr. K. Dhanavel and accordingly the Directors recommend that he be appointed as a Director of the Company.

Other than Mr. K. Dhanavel none of the other Directors, is in any way, concerned or interested in this resolution.

**Item No. 8:**

Mr. Bhaskar Bhat's tenure as Managing Director expired on 31st March 2012. At the Board Meeting of the Company held on 31st January 2012, the Board had approved the re-appointment of Mr. Bhaskar Bhat as Managing Director for a further period of five years from April 1, 2012 to March 31, 2017 on terms and conditions as set out below based on the recommendations of the Remuneration Committee and subject to approval by the Shareholders at the Annual General Meeting of the Company.

(a) Salary

Salary up to a maximum of Rs. 10,00,000 per month, with authority to the Board to fix the salary within the said maximum amount from time to time. The annual increments shall be effective 1st April each year, and shall be decided by the Board and will be merit based and take into account the Company's performance.

(b) Perquisites

(1) In Addition to the salary, Mr. Bhaskar Bhat shall be entitled to perquisites such as:

i. Furnished accommodation, with expenditure on gas, electricity, water and maintenance and repairs thereof or, House Rent Allowance and house maintenance allowance with expenditure on gas, electricity, water and furnishings

ii. Leave Travel Allowance for self and family
iii. Medical expenses and Medical Insurance for self and family
iv. Personal Accident Insurance
v. Club Fee

and other such perquisites and allowances in accordance with the rules of the Company and as may be agreed by the Board of Directors and Mr. Bhaskar Bhat; and such perquisites and allowances will be subject to overall ceiling as may be fixed by the Board of Directors from time to time.

(2) Company maintained car with driver for official and personal use

(3) Telecommunication facilities at residence

(4) Contribution to Provident Fund, Superannuation Fund and Annuity Fund and Gratuity as per the rules of the Company.

(5) Leave and encashment of unavailed leave as per the rules of the Company.

(c) Commission

Such remuneration by way of Commission, in addition to salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of the each financial year, subject to the overall ceiling stipulated in sections 198 and 309 of the Companies Act, 1956 ("The Act"). The exact amount payable will be decided by the Board of Directors based on certain performance criteria and shall be payable only after the Annual Accounts of the Company have been approved by the Board of Directors and adopted by the Shareholders.

(d) Minimum Remuneration

Not-withstanding anything to the contrary contained herein, where in any financial year, during the currency of the tenure of Mr. Bhaskar Bhat, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites and allowances as specified above to Mr. Bhaskar Bhat as minimum remuneration.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under sections 198, 309, 310 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended and as in force from time to time.

In due compliance with the provisions of the sections 309 & 310 read with Schedule XIII with the Act, the re-appointment of Mr. Bhaskar Bhat as Managing Director for a further period of 5 years from 1st April 2012 to 31st March 2017 is being placed for approval by the Shareholders at the Annual General Meeting of the Company.

The draft Agreement between the Company and Mr. Bhaskar Bhat is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

The abstract of the draft Agreement between the Company and the Managing Director pursuant to sec 302 of the Companies Act, 1956 has already been mailed to the Shareholders of the Company.

Mr. Bhaskar Bhat may be deemed to be concerned or interested in this resolution as it relates to his re-appointment and variation of the terms of his appointment as mentioned above.

A copy of the Memorandum and Articles of Association of the Company is available for inspection of Members 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 up to the date of the Annual General Meeting.

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
25th June 2012

By Order of the Board of Directors,

A.R. Rajaram
*Head – Legal & Company Secretary*



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

(In pursuance of Clause 49 of the Listing Agreement)
(Directorship & Committee Membership other than Titan Industries Ltd)

| Name of the Director | Mrs. Hema Ravichandar | Mr. R. Poornalingam | Mr. N N Tata | Mr. K. Dhanavel |
|---|---|---|---|---|
| Date of Birth | 14.05.1961 | 15.11.1945 | 12.11.1956 | 09.06.1954 |
| Date of appointment | 30.03.2009 | 30.03.2009 | 07.08.2003 | 30.04.2012 |
| Expertise in specific functional areas | Rich experience in Human Resource Development and is a leading HR consultant. | Rich experience in various Senior Administrative positions in State and Central Government | Wide knowledge and experience in sales and marketing, expertise in retail business | Rich experience in various Senior Administrative positions in State and Central Government |
| Qualifications | B.A (Economics);<br>Post Graduate Diploma in Management,<br>IIM Ahmedabad | IAS(Retd)<br>M.A. (Economics)<br>B.E. (Honours)<br>B.L. | B.A (Economics) from University of Sussex, IEP, INSEAD, France | B.Sc, M.A, B.L, M.B.A, IAS |
| Shareholdings | Nil | Nil | 46,900 shares | Nil |
| List of Public Companies in which outside Directorships held on 31st March, 2012 | Marico Ltd | Loyal Textile Mills Ltd<br>National Textile Corporation Ltd | Trent Ltd<br>Voltas Ltd<br>Landmark Ltd<br>Trent Brands Ltd<br>Tata Investment Corporation Ltd<br>Trent Hypermarket Ltd<br>Kansai Nerolac Paints Ltd<br>Tata International Ltd<br>Drive India Enterpose Solutions Ltd | Tamilnadu Industrial Development Corporation Ltd<br>Ennore SEZ Company Ltd<br>Tanflora Infrastructure Park Ltd<br>TRIL Infopark Ltd<br>Tamil Nadu Road Development Co Ltd<br>IT Expressway Ltd<br>Tamilnadu Petroproducts Ltd<br>L & T Shipbuilding Ltd<br>TICEL Bio Park Ltd<br>TIDEL Park (Coimbatore) Ltd<br>TIDEL Park Ltd |
| Chairman/Member of the Committee of Board of Public Companies on which he/she is a Director as on 31st March, 2012 | Audit Committee<br>Marico Ltd - Member<br>Corporate Governance Committee<br>Marico Ltd - Chairman | | Audit Committee<br>Trent Ltd - Member<br>Shareholders' Grievance Committee<br>Voltas Ltd - Chairman<br>Remuneration Committee<br>Tata Investment Corporation Ltd - Member<br>Audit Committee<br>Trent Hypermarket Ltd - Member<br>Remuneration Committee<br>Trent Hypermarket Ltd - Member | Audit Committee<br>TICEL Bio Park Ltd - Chairman<br>TIDEL Park Coimbatore Ltd - Chairman<br>State Industries Promotion Corporation of Tamilnadu Ltd - Member<br>Tamilnadu Industrial Development Corporation Ltd - Member |

# TITAN INDUSTRIES LIMITED

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

## ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall.

| | |
|---|---|
| No. of Equity Shares Held | |
| Members Folio No. | |

| | |
|---|---|
| DP ID No.* | |
| Client Id* | |

Name of the attending Member ..............................................................................................................................................

I hereby record my presence at the TWENTY EIGHTH ANNUAL GENERAL MEETING of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126 at 3:00 p.m. on Tuesday, 31st July 2012.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

Note: 1. Shareholder/proxy holder 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 FORM

| | |
|---|---|
| Reference Folio<br>No. of Shares held. | |

| | |
|---|---|
| DP ID/Ben ID | |
| Client Id* | |

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 Eighth Annual General Meeting of the Company, to be held at 3:00 p.m. on Tuesday, 31st July 2012 and at any adjournment thereof.

Signed this---------------------------------------day of--------------------------------------2012

Affix 30 paise Revenue Stamp

(Signature of the Member)

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

*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

1. Hassle-free direct credit of Dividend – Make use of NECS facility for speedy credit of Dividend

Shares held in Electronic Form

- Register your latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) with your Depository Participant.

Shares held in Physical Form

- Provide your latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) along with your folio number to our Registrars and Transfer Agents, TSR Darashaw Ltd, 6-10, Haji Moosa Patrawala Industrial Estate, 20. Dr. E. Moses Road, Mahalakshmi, Mumbai 400 011.
- In case you do not provide your new account number details as mentioned above, electronic credit of Dividend to your account is liable to be rejected.

2. Dematerialise your Physical Shares to Electronic Form

- Eliminate all risks associated with Physical Shares.
- Ease in Portfolio Management

Procedure for Dematerialisation of Shares

- Open Beneficiary Account with a Depository Participant (DP) registered with SEBI.
- Submit Dematerialisation Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signatures in the same order as appearing in the concerned certificate(s).

# FORM 2B

(See rules 4 CCC and 5D)

## NOMINATION FORM

(To be filled in by individual applying singly or jointly)

I / We, ________________________________ the holder (s) of Shares / Debentures bearing Folio / Receipt Number ____________________ and accruals thereon of Titan Industries Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and / or amount payable in respect of shares / debentures shall vest in the event of my/ our death.

Name and address of the Nominee

Name : ________________________________________________

Address : ________________________________________________

________________________________ Pin code: ____________________

Date of Birth* : ________________________________

(to be furnished in case the nominee is minor)

________________________

Signatue of Nominee

(Optional)

* The nominee is a minor whose Guardian is :

Name and Address of Guardian ________________________________________________

________________________________________________

________________________________________________

Signature(s) of Holder(s)

Signature : ________________________

(1st Holder)

Name : ________________________

Address : ________________________

________________________

Date : ________________________

Signature : ________________________

(1st joint holder, if any)

Name : ________________________

Address : ________________________

________________________

Date : ________________________

Signature of Two Witnesses

| | Name and address | Signature with Date |
|---|---|---|
| 1. | | |
| 2. | | |

**Instructions :**

1. The Nomination can be made by individuals only applying/holding shares/ debentures on their own behalf singly or jointly up to two persons. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate.
2. A minor can be nominated by holders of shares/debentures and in that event the name and address of the Guardian shall be given by the holders.
3. The nominee shall not be a Trust, Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A Non-resident Indian can be a nominee on repatriable basis provided RBI approval granted to the nominee is registered with the Company.
4. Nomination shall stand rescinded upon transfer of shares/debentures.
5. Transfer of shares/debentures in favour of a nominee shall be valid discharge by a Company against the Legal heir.

FOR OFFICE USE ONLY

Nomination Regn No : ________________________

Date of Registration : ________________________

Checked by : ________________________

Signature of Employee : ________________________

## GUIDELINES FOR NOMINATION

1. Nomination per Folio -

   Nomination for only one folio can be made on this Form, In case you have many folios then you make take a photocopy of this Form and nominee separately.

2. Signatures -

   The sole/joint holders should sign as per the specimen signature recorded with the Company, else the Form is liable to be rejected.

3. Registration of Nomination -

   Upon receipt of a duly executed Nomination Form, TSR Darashaw Ltd will register the nomination and allot a Registration number. This number will be furnished to the holder. All the subsequent correspondence regarding the nomination may please be done quoting the Registration number.

4. Change of Nomination -

   The holder(s) can override (delete or change) an earlier nomination by executing a fresh Nomination Form for which a fresh Registration number will be allotted. The earlier nomination will automatically stand cancelled.

5. Change in composition of the Account -

   Nomination stands rescinded upon transfer of shares / debentures. Whenever the shares/ debentures in the given folio are transferred/transposed/transmitted/dematerialized/ amalgamated with some other folio, then this nomination stands void. A new Nomination Form will have to be filled by the person(s) in whose name(s) the shares/debentures have been transferred/transposed/transmitted/amalgamated.

6. Electronic Holding-

   The nomination given in the Form would be considered for the physical holding only. In case securities are held in electronic form, then the holder(s) have to approach the Depository Participant for registering their nomination.

7. Accruals and Acquisitions-

   Once a nomination is registered by a Company for a given folio, the same is valid for all future accruals and acquisitions made by the holder(s) in that folio unless notified to the contrary by the holder(s). The accruals could be in the form of Rights, Bonus, Purchases from open market under the same folio etc.

8. Validity of Nomination-

   The nomination made through Form 2B will be considered valid and recognized by the Company if the nomination made by the holder(s) of the shares/debentures is registered with the Company before the death of the holder(s) of the shares/debentures/deposits.

9. Entitlement of Nominee-

   The nominee will be entitled to all the rights in the shares / debentures of the Company only in the event of the death of the Sole / all holders in the account. The nominee will be required to approach the Company for transmitting the securities in his/ her name and will be required to produce the death certificate of the holder(s), the share/debentures and proof of identity as required by the Board of Directors of the Company. The Registration number under which the nomination was registered should also be provided to the Company.

10. Date of Execution-

    Kindly note that nomination being a legal document should be dated by the nominator and the witness certifying that the Form has been signed by the nominator in their presence. Furthermore the date of execution on the Nomination Form should match with the date of witnesses, witnessing the document.

# TITAN INDUSTRIES

TWENTY-EIGHTH
ANNUAL REPORT 2011-12

"Titan – the
changing face of time"

The six words that define Titan's journey over the
past 25 years and extension beyond time

# Titan. From a precision engineering manufacturer-innovative marketer and brand builder to all that and India's largest specialty retailer.

**Promoted in the mid-Eighties by the Tata Group and Tamil Nadu Industrial Development Corporation Limited (TIDCO), Titan Industries is a unique instance of how ideas can be taken from scratch and transformed into winning brands that generate value, create entire market spaces and then consistently dominate these spaces.**

When most people questioned whether the country even needed another watch brand, Titan invested in a world-class integrated watch manufacturing facility at Hosur and entered into a movement manufacturing collaboration with France Ebauches.

Over the past 25 years, Titan is respected for three distinctive competencies: an insight into the precision engineering of components, a reputation for the creation of iconic brands from scratch and respect as the country's leading specialty retailer.

Starting with watches and then moving on to jewellery and later into eyewear and accessories, Titan has redefined the rules of business in every category it has entered, with the consumer as its prime stakeholder. In the process, it has built endearing brands like Titan, Sonata, Fastrack, Xylys, Nebula and Zoop in watches and accessories, Tanishq, GoldPlus and Zoya in jewellery and Titan Eye+ in eyewear.

Early in its business, Titan recognised that it needed to complement the manufacture of world-class watches with a sophisticated buying experience. This led to the creation of the 'World of Titan' chain – the first Titan watches chain of showrooms. Gradually, the role of retail at Titan shifted from product display to convenient access and superior customer experience that eventually transformed the watches market. The World of Titan network now comprises a formidable 332 stores across 133 towns. Our watches division is reinforced by a 728-strong service network located across 270 towns.

Gradually, Titan's core strengths in design, manufacturing, marketing and retail were leveraged to extend into other spaces. The result was that the Tanishq retail store chain was launched to market jewellery in 1995. Over time, Tanishq has emerged as India's largest and most trusted Jeweller. Tanishq, GoldPlus and Zoya constitute India's finest jewellery chains and cover a combined spread of 163 outlets and 4.6 lakh sq. ft.

In 2007, the Company extended the same competencies and specialty retail expertise to the 'Titan Eye+' optical chain, offering superior quality and stylish products coupled with a world-class shopping experience. More recently, the Company also created 'Helios', a multi-




**Titan has attained an unmatched position today and looks forward to the next 25 years with the confidence to scale greater heights.**

brand retail chain of premium watches, and 'Fastrack' stores for watches and accessories for youth.

The result is that Titan Industries is now India's largest specialty retailer comprising seven retail chains with more than 827 retail outlets across 157 Indian towns with a combined area of over 1 million sq. ft. It is a matter of great pride that Titan was ranked first in Retail Industry in India's Best Companies to work for 2011 award by *The Economic Times*.

Titan's success is inherently derived from an ability to think different. Titan is driven by the passion and dedication of its 6,102-strong employees (as on 31 March 2012) and is deeply grateful to their focus, hard work and commitment to take Titan to where it is today. As a proud development, Titan was ranked 15th in India's Best Companies to work for 2011 award by *The Economic Times*.

The last 25 years have witnessed Titan emerging as a leader in most segments that it operates in and scale phenomenal heights thanks to the support of its shareholders and Board of Directors for their deep level of engagement, guidance to the management and commitment to strong governance practices. Titan has attained an unmatched position today and looks forward to the next 25 years with the confidence to scale greater heights.


SUPERFIBRE
SONATA
A TATA PRODUCT
WAIT MAT KAR


TITAN
Automation Solutions
A fully-automated line for a valve part in the automotive space
Assembles 17 complex parts
Delivers tested products automatically in six second cycle-time
DESIGN...
...that Delivers Perfect Harmony

TITAN

be more

Stay New

BOARD OF DIRECTORS

N Sundaradevan *(Chairman)*

Susan Mathew *(up to 24.10.2011)*

K Dhanavel *(from 30.04.2012)*

V Parthasarathy

Bhaskar Bhat *(Managing Director)*

Ishaat Hussain

N N Tata

T K Balaji

C G Krishnadas Nair

Vinita Bali

Hema Ravichandar

R Poornalingam

Das Narayandas

HEAD – LEGAL & COMPANY SECRETARY

A R Rajaram

AUDITORS

Deloitte Haskins & Sells

BANKERS

Canara Bank

Bank of Baroda

The Hongkong and Shanghai Banking Corporation Ltd

Standard Chartered Bank

Oriental Bank of Commerce

Union Bank of India

Indian Bank

REGISTERED OFFICE

3, SIPCOT Industrial Complex, Hosur 635 126

OVERSEAS BRANCH OFFICE

Hongkong: Unit No. 11 & 12, 20/F, Metro Loft No.38, Kwai Hei Street, Kwai Chung N T, Hongkong Tel : 00852 64716536

SHARE DEPARTMENT

TSR Darashaw Ltd

Unit : Titan Industries Ltd,

6-10, Haji Moosa Patrawla Industrial Estate,

20, Dr. E Moses Road, Mahalaxmi,

Mumbai 400 011

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**Annual General Meeting**

Tuesday, 31st July 2012 at 3:00 p.m. at

3, SIPCOT Industrial Complex, Hosur 635 126

**Titan Industries** is a **TATA** Enterprise in association with Tamilnadu Industrial Development Corporation

Visit us at **www.titan.co.in**

# Directors' Report

To the Members
of TITAN INDUSTRIES LIMITED

The Directors are pleased to present the **Twenty-eighth Annual Report** and the Audited Statement of Accounts for the year ended 31st March 2012:

## Financial Results

(Rs. in crores)

| | | 2011-2012 | 2010-2011 |
|---|---|---|---|
| Sales Income | | 8970.86 | 6570.86 |
| Other Income | | 94.11 | 56.08 |
| Total Income | | 9064.97 | 6626.94 |
| Less: Excise Duty | | 132.48 | 49.97 |
| Net Income | | 8932.49 | 6576.97 |
| Expenditure | | 8005.43 | 5908.97 |
| Gross profit | | 927.06 | 668.00 |
| Finance Costs | | 43.72 | 34.52 |
| Cash operating profit | | 883.34 | 633.48 |
| Depreciation / Amortisation | | 44.90 | 34.48 |
| Profit before taxes | | 838.44 | 599.00 |
| Income taxes | Current | 238.90 | 168.60 |
| | Deferred | (5.29) | (3.24) |
| Profit after taxes for the year | | 604.83 | 433.64 |
| Less: Income tax of earlier years | | 4.67 | 3.22 |
| Net Profit | | 600.16 | 430.42 |

Even as the Indian economy encountered a challenging 2011-12, the Company recorded its best-ever performance.

In 2011-12, the Company's sales income grew by 36.5% to Rs. 8,970.86 crores compared with Rs. 6,570.86 crores in the previous year. Creditably, the percentage growth of our bottom lines was higher: profit before tax grew by 40% to Rs. 838.44 crores, while net profit grew by 39.4% to Rs. 600.16 crores.

Even though the Indian economy grew slower in 2011-12, Titan Industries Limited reported a stronger growth on account of a deep understanding of consumer preferences, product differentiation, new product launches and professional brand management.

Sales of the Watches Division (net of excise duty) grew by 20.3% to Rs.1,529.76 crores, the business achieving breakthroughs in a number of new segments – the sub-Rs 500 economy segment where the Sonata Super-Fibre model reported handsome offtake; the children's segment, where Titan Zoop blazed to a sale of half-a-million watches in its very first year of full operations; the expansion of the exclusive Fastrack store network reinforced the brand's excitement across the preferred youth segment; the successful Fastrack products extended into accessories (bags, belts, wallets, wrist-bands). Besides, Helios, the 25-store chain that retails more than 35 international premium and luxury watch brands in addition to the Company's Titan and Xylys brands, performed creditably.

The Company's Jewellery Division sales (net of excise duty) grew by 39.8% to Rs.7,064.16 crores owing to increased sales of diamond-studded jewellery and the grammage growth of gold jewellery despite higher gold prices. The Division launched the Mia and Fq jewellery lines with an eye on working women and the younger generation respectively.

The Company's Eyewear Division, Accessories and Precision Engineering revenues (net of excise duty) cumulatively strengthened by 34.8% to Rs.328.81 crores. The Company's Eyewear business capitalized on retail expansion while the Company's B2B business of Precision Engineering turned around, the challenging environment notwithstanding.

This growth was partly catalyzed by a widening of the retail network through the net addition of 162 stores (2,26,491 sq.ft.) across the Watches, Jewellery and Eyewear Business Divisions. The Company controls a network of 827 stores (including franchisee stores) with over 10,36,000 sq. ft of retail space as on 31st March 2012, which delivered a retail turnover of over Rs. 8,500 crores in 2011-12.

Simultaneously, the Company strengthened its business through fresh investments. It has invested in the commercial production of an integrated state-of-the-art Jewellery unit in the excise-free zone of Pantnagar, Uttarakand. The Rs 15 crore unit was commissioned in March 2012 to manufacture studded jewellery, with a peak employment opportunity of 250 and a projected turnover of Rs. 250 crores in 2012-13.

## International operations

Even though the Company was largely focused on the Indian market, it continued to strengthen its international exposure as well.

The Company achieved exports of Rs.160 crores during the year under review comprising watches and precision engineered components; this was a 26.5% improvement over the previous year. The International Watches division, which moved into Vietnam in 2009 and South Africa in 2010-11, reported encouraging results in 2011-12.

While Far East Asian markets continued to do well, some Middle East markets reported sluggishness. The export of precision engineered components reported an improvement in 2011-12 due to a high quality standard, which translated into Precision Engineering Component and Sub-Assemblies (PECSA) orders from the aerospace, oil and gas and electrical sectors while traction for the Machine Building and Automation (MBA) business translated into attractive export orders.

## Dividend

The Directors are pleased to recommend the payment of dividend on equity shares at the rate of 175% (Rs.1.75 per equity share), subject to approval by the shareholders at the Annual General Meeting.

## Finance

The Indian economy reported slower growth in 2011-12 on account of inflation, rising interest rates, rupee depreciation and commodity volatility. In this uncertain environment, the Company repaid borrowings of Rs.58.07 crores and strengthened its business through a capital expenditure of Rs.136.68 crores in plant refurbishment, expansion programmes, retail outlets and IT hardware systems.

As on 31st March 2012, there were no fixed deposits held by the Company from the public, shareholders and employees other than unclaimed deposits amounting to Rs.0.05 crore.

An amount of Rs.216.31 crores was transferred to the general reserve.

During the year under review, the Company made payments aggregating Rs.992.57 crores by way of taxes (central, state and local) and duties as against Rs. 675.23 crores in the previous year.

## Bonus issue and sub-division of equity shares

Pursuant to Section 192A of the Companies Act, 1956, read with the Companies (passing of Resolutions by Postal Ballot) Rules, 2001, approval of the shareholders was obtained by postal ballot for the alteration of the Memorandum of Association of the Company for increase in Authorized Equity Share Capital from Rs. 120 crores to Rs. 160 crores, alteration of the Articles of Association of the Company for increase in Authorized Equity Share Capital, issue of bonus shares in the ratio of one equity share for every one equity share held, alteration of capital clause in the Memorandum of Association of the Company for sub-division of equity shares of a face value of Rs.10 each into 10 equity shares of Re.1 each and alteration of the Articles of Association of the Company to reflect the sub-division of the equity share capital of the Company.

The shareholders of the Company approved the issue of bonus equity shares in the ratio of one equity share for every one equity share held on 24th June 2011, the Record Date and for sub-division of the equity share of Rs. 10 each into 10 equity shares of Re. 1 each, and accordingly allotment of the split cum bonus shares were made to the shareholders of the Company.

Consequently, the paid-up equity share capital of the Company increased to Rs. 88,77,86,160 comprising 88,77,86,160 equity shares of Re. 1 each.

## Subsidiaries

As on 31st March 2012, the Company had the following subsidiaries:

1) Titan TimeProducts Ltd, Goa

2) Titan Properties Ltd, Hosur

3) Favre Leuba AG, Switzerland

In 2011-12, Titan TimeProducts Ltd. sold 8.99 million (2010-11: 8.52 million) electronic circuit boards with a net profit of Rs.102.94 lakhs (2010-11: Rs 72.62 lakhs). Titan Properties Ltd made a net profit of Rs.65.01 lakhs (2010-11: Rs.170.32 lakhs). Favre Leuba AG, Switzerland was incorporated on January 13, 2012 as a limited liability Company owning the trademarks, Favre Leuba. None of these companies declared a dividend in 2011-12.

The annual accounts of these subsidiary companies were consolidated with the accounts of Titan Industries Ltd for 2011-12.

The High Court of Karnataka sanctioned the Scheme of Amalgamation filed by Tanishq (India) Ltd, the Company's wholly-owned domestic subsidiary, with the Company from the appointed date of April 1, 2010. Accordingly, the accounts of Tanishq (India) Ltd. were merged with the accounts of Titan Industries Ltd.

A petition was filed pursuant to Sections 391 to 394 of the Companies Act, 1956 by the Company's subsidiary company, Titan Properties Limited as the Transferor Company, seeking sanction to the Scheme of Amalgamation proposed to be made between itself and its holding Company Titan Industries Ltd as the Transferee Company effective from 1st April 2011 as the appointed date. No shares of the Transferee Company are to be issued pursuant to the Scheme.

The Ministry of Corporate Affairs, Government of India has issued a Circular No. 2 /2011 dated 8th February 2011 granting general exemption to Companies under Sec 212(8) from attaching the documents referred to in Sec 212 (1) pertaining to its subsidiaries, subject to approval by the Board of Directors of the Company and furnishing of certain financial information in the Annual Report.

The Board of Directors of the Company have accordingly decided to dispense with the requirement of attaching to its Annual Report the annual audited accounts of the Company's subsidiaries.

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, its subsidiaries and an associate. 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 pursuant to the approval under section 212(8) of the Companies Act, 1956, is annexed together with the Annual Accounts of the Company. The same will also be available on our web-site www.titan.co.in

## Consolidated financial statements

The Consolidated Financial Statements of the Company prepared as per Accounting Standard AS 21 and Accounting Standard AS 23, consolidating the Company's accounts with its subsidiaries and an associate have also been included as part of this Annual Report.

## Corporate Social Responsibility

Titan's corporate social responsibility charter prioritized support to the underprivileged in the areas of education, physical disability, employability, skill building and girl child welfare. The Company sustained programmes in these areas in 2011-12 while focusing on two projects - The Girl Child Education program (Titan Kanya) and Project Clean Hosur. Titan Kanya expects to provide education for the girl child, benefiting about 12,000 girl children.

The Company worked with KC Mahindra Education Trust, supporting 2000 girl children in Mumbai, Delhi, Chennai and Hyderabad through the Nanhi Kali program. The Company agreed to support 30 Learning Centers of NGO IIMpact in Dehradun and Roorkee - areas with the poorest female literacy rates in India - that can potentially benefit around 1000 girl children.

The Company also embarked on a citizen-based program to enhance Hosur's cleanliness, inspired by a volunteer-based initiative in Estonia and a similar program in Kulithalai (Tamil Nadu). Over 400 Hosur volunteers, drawn from various walks of life, participated in a pilot project in December 2011. The Sustainable Integrated Solid Waste Management Project for Hosur is expected to go live in July 2012 across Hosur (72 acres, 2.75 lakh population).

## Awards and recognition

The Company's initiatives and performance were recognized across various platforms. The Jewellery Division won the coveted JRD-QV Award, securing 602 marks (won by Time Products Division in 2006). Brand Tanishq won numerous awards during the year under review including three awards at Big Bang Advertising Awards for Excellence in Communication and Best campaign, four awards at CMO Asia award for excellence in Branding and Marketing, IRF award for the Most Admired Retail Brand for the luxury segment, two Star Retailer Awards for retail campaign and retail design, ET Retail Award for Innovative Operating Idea of the Year and the Images Fashion Most Admired Jewellery Brand of the Year. Brand Goldplus won the Gem Visions' Designs Appreciation Award.

The Integrated Supply Chain of the Jewellery Division won a number of awards, including the IMTMA Productivity Championship Award, two Qimpro awards for Innovations, Gold Award in ET manufacturing excellence awards in partnership with Frost & Sullivan and Award for Benchmarking and the Golden Peacock Innovation Award.

The 'Titan' watch brand won the Northeast Consumer Award for most preferred watch brand. The Fastrack brand won the Gold Award in IAMAI Digital Media awards for its interactive video SMS.

Titan HTSE mobile application was one amongst the top 5 brands of the world to be nominated for the prestigious Mashables Award, won the Gold at IDM awards, Gold for the "Best use of Emerging Media" at the International Festival for Media apart from many accolades at the Abby Awards in Goafest for the TV Commercial.

The Company was ranked first in the Retail Category for the third year in succession, first in workplace diversity and inclusion and 15th overall in a survey, 'India's best companies to work for' by Great place to Work Institute India.

The Company received the Retailer of the Year award at the Star Retailer and Franchise Awards, Most Admired Fashion Company of the Year at the Images Fashion Awards, ET award for Excellence in Employee Practices and continued to top the Karmayog CSR rating for the fourth consecutive year.

The Company's Managing Director, Mr. Bhaskar Bhat was recognized as the Indian Retail Forum's Most Admired Retail Professional of The Year and The ET Retail Personality of the Year.

## Particulars of Employees

In terms of provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars are set out in the Annexure to the Directors' Report. However, having regard to the provisions of section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company, and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company or through mail by sending their requests to the Company Secretary.

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to this report.

## Corporate governance

A separate report on Corporate Governance forms a part of the Annual Report along with the Auditors' Certificate on Compliance.

## 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 judgments 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.

## Auditors

Members will be requested at the Annual General Meeting to appoint auditors for the current year and pass resolutions per Item No. 6 of the Notice.

## Directors

Mrs. Hema Ravichandar, Mr. R.Poornalingam and Mr. N.N. Tata retire by rotation and are eligible for re-appointment.

Mr. K. Dhanavel, IAS, Managing Director of Tamilnadu Industrial Development Corporation Ltd (TIDCO) was appointed as a Director on the Board of the Company on 30th April 2012, as a nominee of TIDCO.

Members attention is drawn to Item No.7 of the Notice for the appointment of Mr. K. Dhanavel as a Director of the Company.

## Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, lenders, business associates including distributors, vendors and customers, the press and the employees of the Company.

On behalf of the Board of Directors,

N. Sundaradevan
*Chairman*

Bangalore, 25 June 2012



# Annexure to the Directors' Report

**(Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988)**

## CONSERVATION OF ENERGY AND FUEL

The Company's lens lab at Chikballapur undertook a number of measures to conserve energy through the use of energy-efficient electronic ballasts and CFLs, providing automatic water filling and level control systems, installing automatic changeover systems for electrical panels leading to the efficient use of generator sets and oral communication to enhance awareness. The Company plans to introduce initiatives comprising the replacement of CFL with LED lights, which will reduce repairs, electrical equipment and production costs by 2 to 4%.

Various energy conservation initiatives by the Jewellery Division comprised a thermal energy storage system (TES) with screw chiller, LED street lighting as well as energy-efficient equipment and technology, leading to a net energy saving of Rs.17 lakhs in 2011-12. Several key automation processes were introduced to de-skill operations, reduce process time, improve productivity and strengthen material safety and handling, among others. The Company adopted various technologies like resin technology, robot duct cleaning, sticky mat, electro polishing and automatic refining to reduce gold loss.

The Company implemented energy conservation projects with Honeywell Automation Limited, which resulted in a power and fuel cost saving of Rs. 70 lakhs during 2011 -12 in line with the performance guarantee provided by the vendor.

### Green power

In line with a 'carbon neutral' vision, your Company sourced a part of its energy needs at the watch manufacturing facility through renewable wind energy. During 2011-12, 2.4 million energy units were sourced from private wind farms, which resulted in cost savings of Rs. 8 lakhs and reduced 1,820 tonnes in carbon emissions during 2011-12.

### Wind power plant – joint venture

During 2011-12, the wind power plant generated 43.5 lakh units of energy (targeted 47.0 lakh units). The total generated energy was consumed at the watch (80%) and jewellery (20%) manufacturing units in Hosur. During 2011-12, this project delivered net cost savings of Rs. 89.7 lakhs and rationalized carbon emissions by 3,130 tonnes. The sourcing of wind power from private and captive wind farms helped reduce carbon emission to an extent of 4,950 tonnes in 2011-12.

### Harnessing solar energy

Solar cooking: The Company invested in a Rs 90 lakh 'solar cooking system' in the canteens of its watch and jewellery manufacturing divisions in Hosur. This investment will help reduce the diesel consumption of 30 KL per annum and reduce 88 tonnes per annum of carbon emissions. This project became operational at the watch division from January 2012.

Solar lighting: The Company installed a unique Rs 80 lakh 'light pipe' project to harvest sunlight and address its general lighting requirements on the manufacturing shop floors of its watch plant. Around 20,000 sq.ft of shop floor area was covered by solar lighting in 2011-12, which will help reduce carbon emissions by 17 tonnes per annum.

LED lighting: The Company invested in LED lighting projects in line with the energy conservation potential of 60% at the Hosur watch manufacturing unit. Based on the results of a pilot project at the administration block, the project was extended to the other shop floors. Your Company intends to invest more than Rs. 50 lakhs in this project.

## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The lens lab at Chikballapur procured high-speed cutting technology comprising the latest CNC controllers in the surfacing department. A fast UV curing process in hard coating proved to be energy-efficient over the conventional thermal curing process; the AR coating machine was fitted with a state-of-the-art turbo molecular pump to achieve the required vacuum effect faster than conventional vacuum pumps.

The watch assembly unit in Pantnagar (excise duty-free zone) ramped production from 1.5 million to 3.0 million during the financial year under review. The Company re-engineered the existing metal movement of Cal.7000 series to a hybrid version in collaboration with Seiko Epson, Japan. The movement division increased the production of Cal.7000 hybrid movements to 1.1 million in 2011-12 compared with 0.4 million in 2010-11.

Adhesive application was automated in the case assembly. A 3-axis cartesian robot and support software was developed by the case automation and technology cell. Three robots were commissioned, which will be progressively scaled. These robots enhanced productivity, helped spread adhesive on cases uniformly and enhanced the water resistance of the cases.

A hybrid option of hot and cold forming was piloted in Case Press operations. This technique (warm forming) was deployed to produce bulky asymmetrical cases. A new 240T servo screw press was commissioned in the case press shop to scale this technology.

Following an increase in the requirement of stainless steel cases, the Company has invested in foreign technical know-how. As a result, 17 cases with higher UCP range were converted from brass to stainless steel.

The Automation business (PED) developed unique assembly technology for the following applications:

- Canola assembly line on rotary index platform incorporating needle feeding with precision orientation mechanism, UV gluing, camera-based vision inspection and leak testing system.
- Capacitor assembly line on linear index platform, deploying automatic wound element feeder, wire feeding /bending mechanism, resistance welding and flame soldering technology.
- Miniature circuit breaker assembly line on modular system combining rotary index machine and linear transfer system. The process technology comprises precision riveting with heat stacking technique, laser marking, electrical testing and camera vision inspection on 15 parameters.

## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM (OHSMS)

The Company is engaged in the implementation of Occupational Health & Safety Management System (OHSMS) in line with the OHSAS 18001 international standard. This system will comprise the various manufacturing units (watches, jewellery, lens lab, precision engineering) and retail segments (company-owned stores of Tanishq, World of Titan and Titan Eye Plus).

The OHSMS implementation will implement and improve the Occupational Health & Safety Management system to eliminate or minimize risks to personnel and interested parties exposed to occupational health and safety hazards.

The Company's OHS Management System Practices reinforced its commitment to cleanliness, quality, integrity and human values. The Company implemented systems to identify occupational health and safety hazards, assessing risks through suitable controls with the objective of continuous improvement.

The OHS Management System was integrated with the organizational structure and audited (internal and external) the OHS practices. The company engaged Underwriters Laboratories Management System Solutions Private Limited (Bangalore) to conduct a third party audit and certify its OHSMS system.



## EXPENDITURE ON RESEARCH AND DEVELOPMENT

(Rs. in lakhs)

| | Year ended 31.3.2012 | Year ended 31.3.2011 |
|---|---|---|
| (a) Capital | 5.79 | 29.59 |
| (b) Revenue | 330.26 | 301.69 |
| (c) Total | 336.05 | 331.28 |
| (d) Total R & D expenditure as percentage of turnover | 0.04% | 0.05% |

## FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Company earned Rs. 160.83 crores in foreign exchange and spent Rs. 4,006.78 crores (including Rs.3,733.05 crores in the procurement of gold and Rs.22.64 crores in capital imports).

On behalf of the Board of Directors,

N. Sundaradevan
*Chairman*

Bangalore, 25 June 2012

# Management Discussion and Analysis

## THE ECONOMY

The Indian economy is estimated to have grown 6.5% in 2011-12 as against 8.4% in 2010-11.

The lower GDP growth was primarily on account of a combination of global economic headwinds, a challenged Indian industrial sector, inflation, periodic interest rate hikes, infrastructural slowdown and a sharp depreciation of the Indian Rupee against the US Dollar starting from the third quarter of 2011-12.

The silver lining in India was the performance of the services sector: The segment grew 9.4% and its share in India's GDP climbed from 58% in 2010-11 to 59% in 2011-12. The country's agriculture and allied sectors grew 2.5% in 2011-12. National consumption grew 6% and private consumption grew 6.5% compared with 8.1% in the previous year.

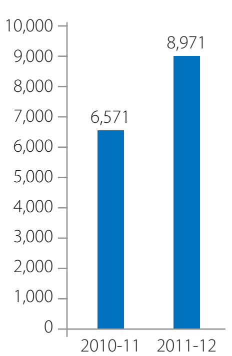
The slowdown was largely a result of the global economic upheaval following the Euro-zone turmoil from September 2011, which raised questions about the economic stability of a number of countries. Consequently, there were sharp rating downgrades of sovereign debt across a number of advanced countries. This adverse reality notwithstanding, India retained its position as one of the world's fastest growing economies.

## BUSINESS OVERVIEW

Despite cost-push pressures and rising interest rates that prompted a number of consumers to postpone their purchases, the Company performed credibly: Income increased 37% from Rs. 6,571 cr in 2010-11 to Rs. 8,971 cr in 2011-12 while profit after tax strengthened 39% from Rs. 430 cr in 2010-11 to Rs. 600 cr in 2011-12.

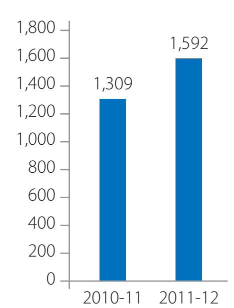
### Total income

(Rs. in cr)



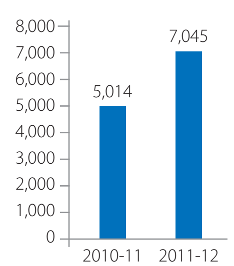

### Income - Watches Division

(Rs. in cr)



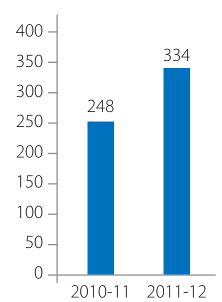

### Income - Jewellery Division

(Rs. in cr)



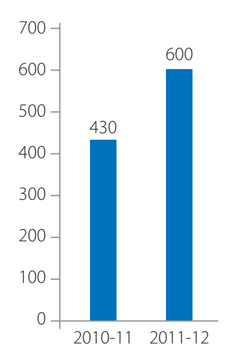

### Income - Other products

(Rs. in cr)




### Net profit

(Rs. in cr)




## WATCHES AND ACCESSORIES DIVISION

### Global Watches Market

In 2011, the global wrist watches market was estimated at around the same level as in the previous year (1,050 million units). This absence of volume growth was on account of the economic stress in developed markets like Japan and Europe. In contrast, Asia reported good double-digit growth and the US indicated reasonable recovery.

Swiss watches, which represent the luxury and premium segment, reported handsome sales growth of 19.2% in 2011. This was driven by a significant 30% increase in Asian consumption, which absorbed a remarkable 55% of all Swiss watch exports. The margins of the Swiss industry were however adversely impacted by volatile exchange rates, including a strong Swiss Franc.

The Swatch group continued to be the global market leader in watches with total sales in 2011 exceeding seven billion Swiss Francs. Revenues of this Group grew 21% at constant exchange rates and operating profits grew 12%.

Key global trends include the rapid growth of mechanical watches, which outstripped the growth of both quartz analog and quartz digital watches. Despite the global market being flat over the previous year, mechanical watches grew 9% in volume terms. This trend appears to be gaining momentum.

Yet another significant trend is the increasing preference for steel watches, compared to watches which sport gold or other looks.

### Indian watches market

Only 27% of all Indians own a watch. This statistic demonstrates the significant potential for growth, particularly as Indians become more affluent and style-conscious.

The Indian watches market is estimated at around 53 million units in 2011, valued at approximately Rs. 4,500 cr. The market grew by about 14% in 2011. The catalysts for category growth includes overall economic progress, expanding upper-middle class and middle-class population, growth in India's young earning population, rising consumerism and the spread of modern retail formats.

A large proportion of the Indian watches market is occupied by the unorganized sector, which sells about 30 million watches each year, primarily at the low-end of the market. These include inexpensive watches assembled legally by small players but a large part also comprises smuggled watches and fakes. There is need for concerted and statutory action to curb some of these unscrupulous practices.

The organized Indian watches market is dominated by Titan, with a market share exceeding 65%. Over the past few years, the market has witnessed the entry of several global players who are investing significantly in their respective brands. These include Timex, Seiko, Swatch Group, Casio, Citizen, Guess and Fossil, among others.

Despite such intense competition, Titan successfully grew sales (including exports) to 15.6 million watches during 2011-12, compared with 13.5 million watches during the previous year. The Company's market share in multi-brand outlets also grew to about 47% during 2011-12, a handsome gain of 2% over the previous year. The reasons include a strong portfolio of brands (Titan, Sonata, Fastrack and Xylys), which has grown even stronger; innovative marketing and advertising efforts; expansion of retail and sales network and an innovative series of new watch designs which have captivated consumers.

### Accessories

Over the last few years, there has been a successful transformation of the Company's watches segment into a 'watches and accessories' business. This strategic transformation seeks to graduate brands into desirable lifestyle properties across a range of personal accessories, leveraging lifestyle values like trust, style and imagery.

In pursuance of this objective, the Company's youth brand Fastrack launched sunglasses, bags, belts, wallets and wristbands nationally to cater to college-going youth. Fastrack sunglasses with sales of more than 1 million units in 2011-12, emerged as the largest selling in its national category. Fastrack bags are widely sought by youngsters.

Titan, the Company's flagship brand, also launched stylish leather belts and wallets and based on their encouraging response, will now be extended nationally.

## Marketing and advertising

The Company implemented a number of effective marketing and advertising initiatives. Celebrity endorsements by Aamir Khan, Katrina Kaif, Mahendra Singh Dhoni, Virat Kohli, Genelia Deshmukh and Farhan Akhtar enhanced brand appeal. Catchy taglines like 'Be More' (for Titan), 'Wait Mat Kar' (Sonata) and 'Move on' (Fastrack) enhanced recall. The brands also leveraged the power of online and digital marketing to reach consumers.

## Network expansion

The Company possesses the largest retail and distribution network for watches and accessories in India. Its watches are available in over 9,000 multi-brand dealer outlets in more than 2,500 Indian towns. Its proprietary showroom network has grown rapidly: World of Titan retail chain added 23 stores in 2011-12 leading to 334 stores across 132 towns. The Fastrack retail chain added 62 stores in 2011-12 leading to 106 stores and kiosks across 49 towns. The Company has 730 service centres in 270 towns, which provide reliable and timely after-sales services.

## Helios

The Company launched the Helios retail concept in 2009, addressing a growing preference for premium and luxury watches. This network leverages Titan's established competence in retailing and branding with the objective to create India's finest chain of premium watches stores while catalyzing market growth. Helios retails more than 35 international watch brands comprising Tag Heuer, Seiko, Citizen, Casio, Fossil, Diesel, Tommy Hilfiger, FCUK and DKNY in addition to the Company's Titan and Xylys brands. By end 2011-12, the Company established 25 Helios stores across 11 cities, generating an encouraging response.

## International presence

In addition to the Company's dominant presence in India, it also sells watches in 28 countries primarily those of Asia. These countries comprise Vietnam, Malaysia, Singapore, Bangladesh, Sri Lanka and Thailand in Far East Asia and Saudi Arabia, UAE, Qatar, Oman and Kuwait in the Middle-East. It is also present in select African countries like South Africa and Kenya. The Titan brand has emerged among leading mid-segment brands in a number of these countries through sound consumer understanding and innovative marketing.

## Acquisition of Favre Leuba

In 2011-12, a major strategic move was the acquisition of Favre Leuba, a heritage Swiss watch brand. This brand is one of the oldest in the industry and the acquisition provides the Company access to a legendary brand and mechanical watch technology. The acquisition will dovetail with Titan's growth agenda in India's growing premium and luxury watch market leading to timely launch.

## Manufacturing, technology and design

The Company's new watch assembly unit in Pant Nagar (Uttaranchal) exceeded production of 3 million watches in 2011-12, the highest output achieved in record time. Several interesting quartz movements were developed by the R&D team. HTSE, a light-powered watch, was developed by our technology team. The Company's watch case manufacturing plant developed new capabilities and the Titan Design Studio launched impressive designs in accessories and eyewear (in addition to watches).

## New product collections

The Company continued to launch new watch collections to stimulate demand, comprising the following in 2011-12:

- HTSE by Titan, a hi-tech self-energised watch that is powered entirely by light
- Raga Weaves, a collection of ladies' watches inspired by traditional weaving arts of India
- Dhoni collection by Sonata, celebrating several milestones and achievements in M.S. Dhoni's career
- Tattoo collection by Fastrack, inspired by a multitude of tattoos which are very popular amongst youth
- Nebula Palaces collection, our first foray into the luxury watches market. This was a collection of limited edition watches inspired by the Rambagh Palace of Jaipur and priced well ahead of Rs. 3 lakhs per piece
- Zoop Puss-in-Boots and Shrek collection, targeted at young children
- A customized watch to celebrate the 'Year of the Dragon', launched in select South East Asian markets

# JEWELLERY DIVISION

During 2011-12, the Indian jewellery industry was affected by the following realities:

- The price of gold rose 35% through the year
- Gold fluctuated by a wide margin during the year, leading to uncertainty in outlook and consumer response
- The piece of polished diamonds increased more than 100%
- The government introduced the need to show a PAN card for all transactions in excess of Rs 5 lakhs in an effort to curb the use of black money

These realities dampened industry growth and gold imports by India's jewellery industry declined from 1,030 tonnes in FY11 to an estimated 830 tonnes in FY12, a drop of 20%.

It is in this context that the Company's sales of 19.3 tonnes in FY12 against 18.3 tonnes in FY11, an increase of 6%, needs to be appraised.

Our Company's brands continued to attract an increasing number of middle/upper-middle-class quality conscious customers through a variety of initiatives:

- Large format Tanishq stores of 10,000 sq. ft each in Kolkata and Pune and 20,000 sq. ft in Mumbai performed exceedingly well, providing the impetus to establish more such stores; the overall network area grew by more than 100,000 sq. ft, the highest ever in any one year
- Launched the Mia (jewellery for working women), Taj (inspired by the Taj Mahal), fq (jewellery for teenagers) and Glam Gold (fashionable traditional jewellery) collections, which were well received
- Launched the Amitabh-Jaya Bachchan advertising campaign for diamond jewellery, which strengthened the brand recall around trust and purity
- Marketed the Golden Harvest Jewellery Purchase Scheme through TV
- Consolidated the Gold Plus brand in Andhra Pradesh through new stores and improvements in merchandise and marketing
- Commissioned a new assembly unit in Pant Nagar (Uttarakhand) for diamond jewellery

As a result, the Division reported good growth in sales, EBIT margin and cash flow. It also won a number of awards in terms of store launches, marketing campaigns and supply chain innovation.

Meanwhile, the competitive landscape became increasingly challenging, marked by regional jewellers expanding their geographic presence, commissioning larger stores, professionalizing their services and considering prospective IPOs. This reality will widen the market, educate consumers, enhance an appreciation of brand differentiation and strengthen our respect.

The first six months of CY12 were marked by the following events of significance:

- Increase in the customs duty on gold from 1% to 2% to 4%, which according to industry observers is encouraging smuggling
- Introduction of excise duty and subsequent withdrawal created a level-playing field for the organized sector
- Introduction of tax collection at source for all cash transactions exceeding Rs 5 lakh. This is likely to have a small impact on the Company's prospects, since it is already facing the effects of the PAN card in this value category since July 2011
- Cabinet ratification of compulsory hallmarking. Even as its implementation is hazy, this will prove advantageous in the long-term through a narrow pricing differential between the Company and its peers

Even as a hesitant consumer mood, regulatory constraints and increasing competition represent business challenges, our low share of the overall market and increasing branding provide attractive headroom. The Company will respond to this growing opportunity by focusing on the following areas in the next two years:

- Network expansion: The Division is targeting an addition of 200,000-250,000 sq. ft of retail space in 2012-13, double of 2011-12 comprising a growing number of large stores
- Value: Leveraging increasing affordability of diamonds
- Design/ Collections: Four prominent launches and targeting diverse customer segments
- Middle India: Development of markets in small towns
- New segments: Investments in the Working Women and Solitaire categories

Through these initiatives, the Company expects to continue to lead the industry and report superior numbers in 2012-13 as well.

## EYEWEAR

### Global eyewear market

Over the years, eyeglasses have shed their utilitarian image of being just a vision correction contraption to becoming a key fashion accessory. Innovative materials for lenses and frames and other technological advances have resulted in several new designs with superior aesthetic appeal, style and quality. Eyeglasses are increasingly used as a facial accessory matching apparel and for highlighting the user's personality. The global eyewear market primarily comprises sales of prescription frames and sunglasses and can be divided in different segments and average retail prices as indicated in the following table:

| Market range | Market segment | Segment average retail price |
|---|---|---|
| High-end | Luxury | > 230 Euro |
| | Premium (fashion and designer) | 130-230 Euro |
| Mid-range | Diffusion | 75-130 Euro |
| Lower-end | Mass | < 75 Euro |
| | Discount | < 30 Euro |

*Source: GFK data*

### Global eyewear outlook

The future of the global eyeglasses market remains upbeat on account of emerging demographic trends. While the sheer increase in the world population opens up several possibilities and opportunities for eyeglass manufacturers and retailers, the already aging population in excess of 45 years with poor eye vision and symptoms of presbyopia, is expected to drive demand. The rise of the Internet as a potent vehicle for selling eyeglasses is additionally expected to expand the retailing reach of eyeglasses. The growing demand of popular-priced sunglasses and robust growth outlook for plastic frames and lenses are expected to catalyse growth of the total eyeglasses market.

Although developed markets such as the US and Europe have been the traditionally large revenue contributors to the global eyeglasses market, growth in the short to medium term period is expected from the emerging markets of Asia-Pacific and Latin America, the former being the fastest growing.

A Global Industry Analysts, Inc. report indicates that the lenses market remains the largest product group in the total eyeglasses market in terms of dollar sales, while the frames market is expected to be the fastest growing in 2007-2015.

### Indian eyewear market

The eyewear market is estimated at 25-35 million units per annum. Changing lifestyles will continue to increase the number of people needing vision correction. The industry is largely unorganized and therefore presents a large growth opportunity when consumer preferences move to the organized.

During the last 3 years, this industry has seen considerable activity in the form of network expansion, new product offerings as well as emergence of new players - a clear indication of the potential in the country.

Titan's offerings at Titan Eye+ comprise frames, lenses, sunglasses, contact lenses and accessories. The Company launched several collections of frames and lenses (like hydrophobic lenses that repel water) across its 205 multi-brand retail outlets. The centralised and state-of-the-art lens manufacturing and distribution facility at Chikkaballapur, near Bangalore enabled the division to swiftly cater to the needs of over 75 towns, catering to specific requirements of consumers.

The Company continued its tie-up with Sankara Nethralaya to offer mandated training for all its store staff and qualified Optometrists. This helps educate customers on the need for proper eyewear, aiding informed purchase.

As per consumer feedback, Titan Eye+ gained a reputation in providing quality eye testing through highly trained professional staff. The Company's retail outlets are seen as destination stores for stylish and contemporary products.

The Company's endeavor to introduce innovative and stylish products was reinforced through the launch of three new collections (Rio, Neo and Menz), which accounted for 19% of revenues from frames. A new brand of Sunglasses 'Cabana' targeted at the fashion conscious customer was launched nationally during the third quarter of 2011-12.

The Company continued to focus on a superior consumer experience, which reinforced through the Vista loyalty program that was launched nationally.

Going ahead, the Division will focus on talent development and retention in view of declining availability of quality optometrists. It expects to standardize consumer experience across its pan-India outlets and educate users on the need for proper eyewear.

It is the Division's desire not only to be largest player in India but more importantly, the most desirable eyewear solutions provider of the country.

## PRECISION ENGINEERING DIVISION

The year 2011-12 was a landmark for the precision engineering division. The business became profitable for the first time, riding record revenues. The business positioned itself as a dependable partner, providing customers with quality products while saving costs.

The precision engineering business comprised the following sub-divisions:

Precision engineering component and sub-assemblies (PECSA): PECSA caters to the specialised requirements of the aerospace, oil and gas and electrical sectors. It supplies parts to leading Tier One aerospace companies through long-term contracts. PECSA received awards from SCIATI and HAL, among others. Today, most of the near-1000 parts manufactured by the division enjoy customer prequalification, strengthening prospects.

Machine building and automation (MBA): MBA caters to the assembly line automation needs of automotive and electrical industries. Around 20 customers were acquired during the year under report (total 60) and several export orders were completed. The division entered the manufacture of assembly lines for medical devices with a potential for repeat orders. A rising demand for automation will strengthen revenues.

## SEGMENT WISE PERFORMANCE

(Rs. in lakhs)

| | Year ended 31.3.2012 (Audited) | Year ended 31.3.2011 (Audited) | Consolidated Year ended 31.3.2012 (Audited) | Consolidated Year ended 31.3.2011 (Audited) |
|---|---|---|---|---|
| Net sales/ Income from operations | | | | |
| Watches | 152,976 | 127,195 | 153,807 | 127,898 |
| Jewellery | 706,416 | 505,480 | 706,416 | 505,480 |
| Others | 32,881 | 24,3856 | 32,881 | 24,356 |
| Corporate (Unallocated) | 976 | 636 | 1,186 | 1,229 |
| Total | 893,249 | 657,697 | 894,290 | 658,993 |
| Profit/ (Loss) from segments before interest and taxes and after share of loss of associate | | | | |
| Watches | 21,676 | 19,172 | 21,793 | 19,292 |
| Jewellery | 69,755 | 48,298 | 69,755 | 48,298 |
| Others | (448) | (1,806) | (448) | (1,806) |
| Total | 90,983 | 65,664 | 91,100 | 65,784 |
| Less: interest | 4,371 | 3,452 | 4,373 | 3,454 |
| Unallocable expenditure net of unallocated income | 2,768 | 2,312 | 2,693 | 2,010 |
| Profit before taxes | 83,844 | 59,900 | 84,034 | 60,320 |
| Capital Employed | | | | |
| Watches | 50,398 | 37,813 | 52,233 | 38,549 |
| Jewellery | 63,863 | 50,468 | 63,863 | 50,468 |
| Others | 17,107 | 11,356 | 17,107 | 11,356 |
| Corporate (Unallocated) | 14,374 | 9,823 | 13,670 | 10,168 |
| Total | 145,742 | 109,460 | 146,873 | 110,541 |

## HUMAN RESOURCES

The Company strengthened recruitments to reinforce its future-readiness. It added a net 896 employees during the year under report (total 6,102 as on 31 March 2012). Of this, 3,083 members were engaged in factories, 2,673 in retail, sales and marketing and 346 in support functions.

The Company continued to emphasize its 'people first' policy, making it possible for the Company to report one of the industry's lowest attrition rates (9.5%).

The Company rejuvenated competence through training and personal development on the one hand and lateral movements across functions and divisions on the other, which translated into high engagement and exposure to new opportunities.

The Company's fair and transparent remuneration policies strengthened talent attraction. Besides, members were assessed for variable pay through corporate, divisional and individual performance. The management continued to enjoy cordial industrial relations with the Titan Employees Union, resulting in motivation, efficiency and productivity.

During the year, the Company introduced online learning through the SAMVIT initiative extended to all supervisory and managerial employees. This initiative was introduced in alliance with a leading global organization in the field of learning systems. The e-learning offering comprised more than 3,000 learning subjects (business to HR and soft skills), e-books and over 100 certification programs. The facility also includes leadership-based modules with videos from renowned global practitioners. This initiative touched more than 1,200 active users across various subjects leading to their intellectual renewal.

### Integrated Retail Services Group

The Integrated Retail Services Group was responsible for the highest ever network expansion during 2011-12, setting up a total of 200 stores (2,74,810 sq. ft). The network as on 31st March 2012 was as follows:

| | No of stores | Area (in sq. ft) |
|---|---|---|
| World of Titan | 332 | 3,39,265 |
| Fastrack | 102 | 49,300 |
| Helios | 25 | 41,657 |
| Tanishq | 129 | 3,87,052 |
| Goldplus | 32 | 66,674 |
| Zoya | 2 | 6,628 |
| Eye+ | 205 | 1,45,737 |
| Service Centers | 928 | 38,000 |

During 2012-13, the Company has augmented plans to add 225 stores in Watches and Accessories, 55 stores in Jewellery and 45 stores in Eyewear.

### How the Company fared

The Company achieved 37% growth in sales turnover; profit before tax increased 40% while profit after tax grew 39% over the previous year. Key financial indicators comprise:

| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|---|---|
| Sales to Net Fixed assets (No. of times) | 22.79 | 21.92 | 17.11 | 13.09 | 10.77 |
| Sales to debtors (No. of times) | 55.00 | 57.80 | 50.24 | 36.22 | 31.53 |
| Sales to inventory (No. of times) | 3.12 | 3.30 | 3.51 | 3.20 | 2.98 |
| Retained earnings | 380.13 | 301.00 | 173.14 | 115.08 | 108.72 |
| % of Net profit for the year | 63.3% | 69,9% | 69.2% | 72.4% | 72.4% |
| Return on Capital Employed (EBIT) | 62.2% | 58,5% | 45..4% | 34.2% | 34.8% |
| Return on Net worth | 48.5% | 49.2% | 39.2% | 32.2% | 39.4% |

## Outlook for 2012-13

The robustness of the Indian economy is reflected in the fact that despite challenging headwinds, the Euro-zone crisis and a substantially weaker Rupee, India's GDP is expected to grow by about 6.5% in 2012-13.

The Company's Watches Division is optimistic of growth through continued network expansion in India, sustained investment in brands, introduction of new product collections and deeper inroads into Vietnam, Singapore, Malaysia, South Africa and Saudi Arabia. The Company expects to increase market share for Fastrack and Titan accessories.

The Company's Jewellery Division expects to introduce innovative collections and widen its network.

The Company's Eyewear Division will launch new models, progressively manufactured within to reduce costs, enhance quality, strengthen the supply chain and respond to customer needs faster. It will also focus on standardizing customer experience across stores.

With a view to integrate operations and leverage opportunities, the Company appointed regional business heads effective 1st April 2012 to catalyse the growth of various divisions.

The new introduction of the Unified Loyalty Programme and the E-commerce for internet sales will be launched in 2012-13 promising much greater satisfaction and convenience to customers.

## Risks, threats and concerns

The Company's risk mitigation initiatives helped it prosper during periods of economic turbulence.

In the face of inflation and rising interest rates, consumers either reduced or deferred purchases. The Company countered this reality through the creation of new needs through the innovative launch of aesthetic products and collections. The launch of Mia and fq jewellery collections targeted working women and teenagers with success.

The Company's franchisee-led retail network expansion (lower-cost vis-à-vis direct ownership) bears risks of real estate appreciation and network attrition. The Company manages these risks through initiatives – sharing of best operating practices and necessary support – that graduate franchisees into partners. During 2011-12, the Company created the Integrated Retail Services Group (IRSG) with the responsibility to negotiate strategic real estate locations for the best rates.

The retail-driven franchisee approach also comprises risks arising out of malpractices (including pilferage) by business associates and employees. In view of this, the Company makes comprehensive checks on the background of its associates and employees coupled with ongoing surveillance, stock audits, frisking and surveillance equipment investment.

Some of the risks specific to each of the Company's business are indicated below:

### Watches and Accessories Division

- High competition on account of entry of several foreign brands might impact Titan's market share. The Company meets emerging competition through continuous and focused investments in brands, continuous launch of innovative product collections, increasing our retail network and through rapid expansion of our premium retail chain Helios. During the year, we launched several new products (detailed earlier in this report) and have established more than 100 new stores.
- The grey and unorganised segments can potentially erode the Company's market share. Launch of watches at affordable prices would wean away purchases from the grey market, creating a desire for the brand and the establishment of a strong and trusted network that provides service across the country should help mitigate these risks to a large extent.
- There is a perception that watches may be replaced by mobile phones as time-keeping devices. The Company addresses this risk by continuing to position watches as lifestyle accessories and not as time-keeping devices. The Company has also launched 'Zoop' collection of watches for young children, which will develop the watch wearing habit from a young age.
- The Division continuously evaluates the make-or-buy option (finished products and components) in the area of watches and accessories. Rising procurement costs from international sources present opportunities for domestic manufacture.

### Jewellery Division

- Rising gold prices can potentially reduce jewellery demand. To counter this risk, the Company positioned gold jewellery as a fashion accessory and directed its diamond business at customers with high disposable incomes.
- The Company is engaged in discussions for sight-holder status, which will cushion the impact of rising diamond prices. It acquires rough diamonds in bulk, polishes and processes them to strengthen its integration.
- The Company undertakes ongoing onsite inventory verification to protect from fidelity risks. It consolidates third party manufacturing facilities to strengthen control and afford higher levels of checks and balances.
- The mandatory requirement of PAN card details for consumers purchasing jewellery above Rs. 5 lakhs may impact demand on account of increasing disclosures. The Company may be relatively unaffected as its average ticket size of purchase is considerably lower.

### Eyewear Division

- The large import content in the Company's eyewear products exposes it to currency and cost risks. It addresses these risks through strategic long-term partnerships and the progressive manufacture of lenses and other components.
- Human resource risks comprise unavailability of quality manpower. The Company mitigated these risks by investing in training centers in association with Sankara Nethralaya, making it mandatory for recruits to undergo 60-day training.
- High lead times in lens delivery can turn customers away. The Company created a centralised lens manufacturing unit to feed growing product demand from more than 75 towns.

### Precision Engineering Division

- The Company addresses talent retention risks by attracting young graduate engineering trainees (GET) and diploma engineers.
- The Company's customer acquisition risks are managed by its ability to cater to several multinational Tier-I customers in the aerospace, Defence, oil & gas and other specialised sectors.

## INTERNAL CONTROLS

In 2011-12, the Company undertook the following measures to counter occurrence of frauds/ risks particularly at the retail end:

- Formation of "Operations Control Group (OCG)" to focus on control across retail outlets and on revenue assurance.
- Evaluation of all control processes including franchisee evaluation by credit rating agencies for both existing franchisees and new appointments.
- Emphasis on whistle blower policy by way of further communication to employees and business associates by the Managing Director.

The Company's internal audit system is geared towards ensuring adequate internal controls to meet the increasing size and complexity of business, for safeguarding the assets of the Company, identifying weaknesses and areas of improvement and to meet with all compliances.

The internal audit program focuses primarily on checks and controls on systems and processes, monitoring compliances, continuous upgrade of controls and the current business risk assessment. This process enables reporting of significant audit observations to the Audit Committee. The Audit Committee reviews the audit observations and monitors the implementation through action reports taken.

During the year, the leading division-wise business risks of the Company covering all the divisions were updated. The Audit Committee recommends risk mitigation initiatives acted upon by the management and other personnel.

A fraud risk assessment (FRA) review was conducted by an external agency that evaluated overall control effectiveness, identified fraud vulnerability and recommended additional controls for enhanced anti-fraud effectiveness. The FRA exercise identified 571 risks, of which most were addressed while mitigation initiatives are underway for the rest.

## Cautionary statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be forward-looking statements within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which it operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

# Corporate Governance

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of Clause 49 of the Listing Agreement.

## A. MANDATORY REQUIREMENTS

### Corporate Governance Philosophy

The Company believes that it must so govern its affairs as to optimise satisfaction amongst all its stakeholders, which includes its esteemed 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 means and ends - 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 views the governance norms originating in the institutions of the capital 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, thus leading to best standards of Corporate Governance. It is the Company's belief that good ethics needs good business sense and our business practices are in keeping with this spirit by following the Tata Code of Conduct thereby maintaining high ethical standards. The Company is a signatory to Global Compact, which has social dimensions to the functioning of the corporate entity within the ecosystem.

### Board of Directors

Titan Industries Limited was promoted by the Tamilnadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on 31st March 2012, the Company had 11 Directors, comprising 10 Non-Executive Directors and 1 Executive Director.

The composition and category of Directors as of 31st March 2012 is as follows:

| Category | Name of the Director | No. of Directors |
|---|---|---|
| Nominee Directors of TIDCO (Non-Executive, Non-Independent) | Dr. N. Sundaradevan[1] | 2 |
| | Mr. V Parthasarathy | |
| Nominee Directors of Tata Group | Mr.Ishaat Hussain | |
| (Non-Executive, Non-Independent) | Mr.N.N.Tata | 2 |
| (Executive, Non-Independent) | Mr. Bhaskar Bhat | 1 |
| Other Directors (Non-Executive, Independent) | Mr. T.K.Balaji | 6 |
| | Dr. C.G.Krishnadas Nair | |
| | Ms. Vinita Bali | |
| | Ms. Hema Ravichandar | |
| | Mr. R Poornalingam | |
| | Prof. Das Narayandas[2] | |
| Total | | 11 |

[1]Dr.N.Sundaradevan nominee of TIDCO, was appointed as a Director of the Company on 14th June 2011. He was nominated as Chairman of the Company in place of Mrs. Susan Mathew who resigned as Director on 24th October 2011.
[2] Prof. Das Narayandas, Independent Director was appointed as a Director of the Company on 29th April 2011.



During the year, the Company had a Non-Executive Chairman, a nominee of the Promoter and fifty percent of the total strength of the Board of Directors was independent.

The Company has not had any pecuniary relationship and transaction with any of the Non-Executive Directors during the year under review.

The Board of Directors met six times during the Financial Year 2011-12. Board Meetings were held on 29th April, 14th June, 28th July, 24th October in 2011 and on 31st January, 27th & 28th March in 2012.

The information as required under Annexure 1A to Clause 49 of the listing agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Managing Director and Executives of the Company regarding compliance with all laws applicable to the Company on a quarterly basis.

Attendance of each Director at the Board of Directors meetings during the year and at the last Annual General Meeting, the number of Directorships and Committee memberships held by them in domestic public companies as at 31st March 2012 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 |
| Dr. N.Sundaradevan[1] | 2 | No | 8 | 7 | 2 | 3 |
| Mr. Bhaskar Bhat | 6 | Yes | 2 | 3 | - | 1 |
| Mr. N N Tata | 3 | Yes | - | 9 | 1 | 2 |
| Mr. Ishaat Hussain | 5 | Yes | 2 | 13 | 3 | 6 |
| Mr. T.K.Balaji | 3 | Yes | 1 | 10 | 1 | 3 |
| Dr.C.G.Krishnadas Nair | 6 | Yes | 1 | 5 | 1 | 1 |
| Ms. Vinita Bali | 5 | Yes | - | 6 | - | 1 |
| Mr. V. Parthasarathy | 6 | Yes | 1 | 7 | - | 2 |
| Ms.Hema Ravichandar | 6 | Yes | - | 2 | - | 1 |
| Mr. R Poornalingam | 6 | Yes | - | 3 | - | 1 |
| Prof. Das Narayandas[2] | 3* | No | - | 1 | - | - |

[1]Dr.N.Sundaradevan, nominee of TIDCO, was appointed as a Director of the Company on 14th June 2011.

[2] Prof. Das Narayandas, Independent Director was appointed as a Director of the Company on 29th April 2011.

* participated through video conference in the Board Meeting held on 27th March 2012.

## Code of conduct

Whilst the 'Tata Code of Conduct' is applicable to all Whole-time Directors and by definition to the Managing Director and employees of the Company, the Board has also adopted a Code of Conduct for Non-Executive Directors, both of which are available on the Company's website. All the Board members and senior management of the Company have affirmed compliance with their respective Codes of Conduct for the Financial Year ended March 31, 2012. A declaration to this effect, duly signed by the Managing Director is annexed hereto.

## Audit committee

The Audit Committee of the Board was constituted in 1999. The constitution of Audit Committee is in conformation with the requirements of Section 292A of the Companies Act, 1956 and also as per the requirements of Clause 49 (II) (A) of the Listing Agreement.

### Powers of the Audit Committee

a) to investigate any activity within its terms of reference;

b) to seek information from any employee;

c) to obtain outside legal or other professional advice; and

d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The terms of reference of the Audit Committee are as under:

a) Oversight of the Company's financial reporting process and the disclosures of the financial information to ensure that the financial statements are correct, sufficient and credible.

b) Recommending the appointment and removal of statutory auditors, fixation of audit fees and also approval for payment for any other services.

c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
   - any changes in accounting policies and practices;
   - major accounting entries based on exercise of judgment by management;
   - qualifications in draft audit report;
   - significant adjustments arising out of audit;
   - the going concern assumption;
   - compliance with accounting standards;
   - compliances with Listing Agreement and other legal requirements concerning financial statements;
   - any related party transactions.

d) Reviewing with the management matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.

e) Reviewing with the management, statutory and internal auditors and the adequacy of the internal control systems.

f) Reviewing the adequacy of internal audit functions, including the structure of the internal audit department; approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

g) Discussion with Internal Auditors on any significant findings and follow up thereon.

h) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

i) Discussion with Statutory Auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

j) Reviewing of management letters issued by the statutory auditor.

k) Reviewing the Company's financial and risk management policies.

l) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

m) Seek assistance from the Statutory Auditors in such areas and in such manner as desired by the Audit Committee from time to time.

n) Reviewing the functioning of the Whistle Blower mechanism.

o) Reviewing Management Discussion and Analysis of financial condition and results of operations.

p) Reviewing with the Management, the quarterly financial statements before submission to the Board of Directors for approval.

Mr. T.K.Balaji, Chairman of the Audit Committee was present at the last Annual General Meeting of the Company held on 28th July 2011.

As at the year-end, the Audit Committee of the Board comprised of six members, four of them being Independent Directors. All members are financially literate and have relevant finance and / or audit exposure. Mr. Ishaat Hussain is a Chartered Accountant and is a financial expert.

The Audit Committee met four times during the Financial Year 2011-12 on 28th April, 28th July, 24th October in 2011 and on 30th January in 2012.

The quorum as required under Clause 49 (II) (B) was maintained at all the Meetings.

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 & Category | No. of Meetings attended out of four meetings |
|---|---|
| Mr. Ishaat Hussain (Non Executive) (Non Independent) | 4 |
| Mr. T. K. Balaji (Non Executive) (Independent) | 2 |
| Dr. C. G. Krishnadas Nair (Non Executive) (Independent) | 4 |
| Ms. Vinita Bali (Non Executive) (Independent) | 4 |
| Mr. V. Parthasarathy (Non Executive) (Non Independent) | 4 |
| Prof. Das Narayandas (Non Executive) (Independent) | 1 |

The Managing Director, the Chief Financial Officer, the Chief Operating Officers of Watches & Accessories, Jewellery, Prescription Eyewear and Precision Engineering Divisions and the Head - Internal Auditor were present at Meetings of the Audit Committee. Representatives of the Statutory Auditors, M/s. Deloitte Haskins & Sells and outsourced Internal Auditors, M/s. Ernst &Young Ltd, are invited to the Meetings of the Audit Committee. The Company Secretary acts as the Secretary of the Audit Committee.

## 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 appointment / reappointment of Managing Director and / or Whole-time Directors, the remuneration including Commission payable to the Managing Director, revision in salary to be paid from the succeeding financial year, based on evaluation of performance for the year under consideration. The performance evaluation is based on financial performance, market performance etc., of the Company. The Remuneration Committee also recommends the total remuneration payable to Non-Executive Directors and the criteria for payment amongst the Directors. The criteria for payment of Non-Executive Directors Commission for Financial Year 2011-12 is attendance at the Meetings of the Board and the Committees thereof.

The Committee met twice during the Financial Year 2011-12 on 28th April 2011 and 31st January 2012. The Members held discussions amongst themselves and made appropriate recommendations to the Board.

The following Directors are the members of the Remuneration Committee:

**Mr. T K Balaji** (Chairman) (Non Executive) (Independent)
**Mr. Ishaat Hussain** (Non Executive) (Non Independent)
**Dr. N Sundaradevan**[1] (Non Executive) (Non Independent)
**Mrs. Susan Mathew**[2] (Non Executive) (Non Independent)
**Mr. Debendranath Sarangi**[3] (Non Executive) (Non Independent)
**Mrs. Hema Ravichandar** (Non Executive) (Independent)

[1]*Member from 31st January 2012*
[2]*Member up to 24th October 2011*
[3]*Member up to 14th June 2011***

### 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, non-receipt of Annual Reports and non-receipt of dividends declared by the Company, etc. During the Financial Year 2011-12, a meeting of the Shareholders' Grievance Committee was held on 28 March 2012. All the members were present at the meeting. The members of the Shareholders' Grievance Committee are as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)
Mr. Bhaskar Bhat (Executive) (Non Independent)
Mr. V Parthasarathy (Non Executive) (Non Independent)
Mr. R Poornalingam (Non Executive) (Independent)
The Compliance Officer is the Company Secretary, Mr. A R Rajaram.

### c. Share Transfer Committee

A Share Transfer Committee was constituted on 27th July 2009 to facilitate speedy disposal of requests pertaining to transfer, transmission, issue of duplicate share certificates etc. The Members of the Share Transfer Committee are as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)
Mr. Bhaskar Bhat (Executive) (Non Independent)
Mr. V Parthasarathy (Non Executive) (Non Independent)
Mr. R Poornalingam (Non Executive) (Independent)

### d. Committee of Directors

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

The Committee of Directors was re-constituted on 31st January 2012 and the present constitution is as follows:

Mr. Ishaat Hussain (Non Executive) (Non Independent)
Mr. V Parthasarathy (Non Executive) (Non Independent)
Mr. Bhaskar Bhat (Executive) (Non Independent)
Mr. R Poornalingam (Non Executive) (Independent)

The business transacted by the Committee as recorded in circular resolutions, are placed before the Board at the next meeting, for noting.

### e. Ethics Committee

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

The composition of the Committee is as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)
Mr. Bhaskar Bhat (Executive) (Non Independent)
Mrs. Hema Ravichandar (Non Executive) (Independent)

During the year 2011-12, this Committee held Meetings on 23rd July 2011 and 19th October 2011.

Mr. C. Srinivasan has been designated as Chief Ethics Officer of the Company. The Compliance Officer designated for compliance with SEBI Guidelines for Insider Trading, is Mr. S Subramaniam, Chief Financial Officer with effect from 14th June 2011.

### f. Nomination Committee

Nomination Committee recommends to the Board most eligible nomination for appointment as Directors, appropriate to the Company's structure, size and complexity and special expertise and experience of the Directors in related domains / field.

The composition of the Committee is as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)
Dr. N. Sundaradevan[1], (Non Executive) (Non Independent)
Mr. T. K. Balaji (Non Executive) (Independent)
Mr. N N Tata (Non Executive) (Non Independent)
Mr. Rajeev Ranjan[2] (Non Executive) (Non Independent)

*[1]Member from 28th July 2011*
*[2]Member up to 14th June 2011*

## Subsidiary Companies

The Company does not have any material non-listed Indian subsidiary Company and hence, it is not mandatory to have an Independent Director of the Company on the Board of such subsidiary company. The Audit Committee reviews the financial statements, particularly, the investments made by the Company's non-listed subsidiary companies. The minutes of the non-listed subsidiary companies had been placed before the Board for their attention and major transactions and decisions of the subsidiaries, such as inter-corporate loan / investments are effected with prior approval by the Board of Directors of the Company.

The accounts of all the subsidiaries are placed before the Directors of the Company on a quarterly basis and the attention of the Directors is drawn to all significant transactions and arrangements entered into by the subsidiary companies.

## Disclosures

(a) Related Party Transactions: During the year under review, besides the transactions reported in Note 41forming part of the financial statements for the year ended 31st March 2012 in the Annual Report, there were no other material related party transactions of the Company with its promoters, Directors or the management or their relatives and subsidiaries and associates. These transactions do not have any potential conflict with the interest of the Company at large. The material related party transactions are placed before the Audit Committee of the Board periodically and placed for Board's information once in a year. Further there are no material individual transactions that are not in normal course of business or not on an arm's length basis.

(b) Disclosure of Accounting Treatment: The Company follows Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and / or by the Institute of Chartered Accountants of India in the preparation of financial statements and has not adopted a treatment different from that prescribed in any Accounting Standard.

(c) Risk Management: The Risk Management of the Company is overseen by the Senior Management and the Board at various levels:

Business / Strategic Risk: The Board oversees the risks which are inherent in the businesses pursued by the Company. The oversight is through review/ approval of business plans, projects and approvals for business strategy / policy.

Operational Risks: These are being mitigated by internal policies and procedures which are updated from time to time to address updated risks.

Financial Risks: These risks are addressed on an ongoing basis by Treasury, Insurance and Forex Policies and Bullion Risk Management team. Due oversight on financial risks is exercised by the Audit Committee in its meetings.

The Company is actively engaged in assessing and monitoring the risks of each of the businesses and overall for the Company as a whole. The top tier of risks for the Company is captured by the operating management after serious deliberations on the nature of the risk being a gross or a net risk and thereafter in a prioritized manner presented to the Board for their inputs on risk mitigation/management efforts.

The Board engages in the Risk Management process and has set out a review process so as to report to the Board the progress on the initiatives for the major risks of each of the businesses that the Company is into.

The Risk registers of each of the Business gets updated on a bi-annual basis and is placed for due discussions at Board meetings and appropriateness of the mitigation measures to ensure that the risks remain relevant at any point in time and corresponding mitigation measures are optimised.

(d) Disclosure by Senior Management: Senior Management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

(e) CEO / CFO Certification: The Managing Director (CEO) and Chief Financial Officer (CFO) have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31 March 2012, which is annexed hereto.

(f) Details of Non-Compliance: There have been no instances of non-compliance on any matter as regards the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

(g) Whistle Blower Policy: The Company has a whistle blower mechanism wherein the employees can approach the management of the Company (Audit Committee in case where the concern involves the Senior Management) and make protective disclosures to the Management about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Whistle Blower Policy is an extension of the Tata Code of Conduct, which requires every employee to promptly report to the management any actual or possible violation of the Code or an event he becomes aware of that could affect the business or reputation of the Company. The disclosure reported are addressed in the manner and within the time frames prescribed in the policy. A mechanism is in place whereby any employee of the Company has access to the Chairman of the Audit Committee to report any concerns. Further, the said policy has been disseminated within the organisation and has also been posted on the Company's website.

(h) Secretarial Audit: Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-Practice for timely dematerialisation of the shares of the Company and for conducting a share capital audit on a quarterly basis for reconciliation of the share capital of the Company.

## 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 members of the Remuneration Committee in the succeeding 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 2011-12 are as under: *(in Rs.)*

| Name | Salary | Perquisites & Allowances* | Commission** |
|---|---|---|---|
| Mr. Bhaskar Bhat, Managing Director | 48,00,000/- | 78,18,190/- | 1,90,00,000/- |

* excludes leave encashment amounting to Rs. 4,00,000 paid during the financial year.
** based on the recommendations of the Remuneration Committee of the Board and after taking into consideration the performance during the financial year 2011-12 which is payable in financial year 2012-13.

The perquisites indicated above exclude gratuity and leave 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 and the other components are fixed. The Remuneration Committee also recommends to the Board of Directors increase in salary of the Managing Director based on results relating to the Company's financial performance, market performance and few other performance related parameters.

Mr. Bhaskar Bhat's term as Managing Director expired on 31st March 2012. At the Board Meeting of the Company held on 31st January 2012, the Board of Directors approved the re-appointment of Mr. Bhaskar Bhat as Managing Director for a further period of five years from 1st April 2012 to 31st March 2017, based on the recommendation of the Board Remuneration Committee and subject to approval by the shareholders of the Company. The re-appointment of Mr. Bhaskar Bhat as Managing Director will be in accordance with the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII of the Companies Act, 1956.

The Board Remuneration Committee which met on 31st January 2012 recommended the remuneration payable to Mr. Bhaskar Bhat, Managing Director, which was approved by the Board.

The broad terms of re-appointment and remuneration payable to the Managing Director is as under:

| | |
|---|---|
| Period of Agreement | : 5 years from 1st April 2012. |
| Salary | : up to a maximum of Rs.10,00,000/- per month with authority to the Board to fix the salary within the maximum amount from time to time. |
| 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.

The re-appointment of Mr. Bhaskar Bhat, Managing Director for a period of five years from 1st April 2012 to 31st March 2017 shall be placed before the shareholders at the Annual General Meeting for approval. The Company shall enter into an agreement with the Managing Director for his terms of appointment and remuneration payable to him upon approval by the shareholders.

### Non-Executive Directors

The remuneration paid to Non-Executive Directors for the year 2011-12 had been computed pursuant to Sections 198, 309, 349 & 350 of the Companies Act, 1956.

The Commission payable to Non-Executive Directors is as per the approval obtained from the shareholders at the Annual General Meeting held on July 27, 2010 and is within the limits specified under the Companies Act, 1956. The remuneration by way of Commission to the Non-Executive Directors is decided by the Board of Directors primarily based on attendance at the Meetings of the Board and the Committees thereof.

During the Financial Year 2011-12, the Company has paid Sitting Fees to Non Executive Directors detailed below and proposes to pay commission as shown below:- (Rs.)

| Name of Director | Commission* | Sitting Fees |
|---|---|---|
| Mr. Debendranath Sarangi | 5,65,100/- | 40,000/- |
| Mrs. Susan Mathew | 3,76,700/- | 20,000/- |
| Mr. Rajeev Ranjan | 3,76,700/- | 20,000/- |
| Dr. N Sundaradevan | 24,41,800/- | 60,000/- |
| Mr. Ishaat Hussain | 37,67,100/- | 2,20,000/- |
| Mr. N N Tata | 11,30,100/- | 60,000/- |
| Mr. T K Balaji | 20,71,900/- | 1,20,000/- |
| Dr. C G Krishnadas Nair | 43,32,200/- | 2,22,500/- |
| Ms. Vinita Bali | 33,90,400/- | 1,80,000/- |
| Mr. V Parthasarathy | 39,55,500/- | 2,07,500/- |
| Mrs. Hema Ravichandar | 30,13,700/- | 1,75,000/- |
| Mr. R Poornalingam | 24,48,700/- | 1,27,500/- |
| Prof. Das Narayandas | 11,30,100/- | 60,000/- |

* Gross amount, subject to tax and payable in Financial Year 2012-13

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 and Commission payable to the Directors, who are nominees of the co-promoters viz., TIDCO are being paid directly to TIDCO.

Details of shares of the Company held by Non-Executive Directors as on 31st March 2012 are as below:

| Name of Director | Number of Shares |
|---|---|
| Mr. Debendranath Sarangi | NIL |
| Mr. Rajeev Ranjan | NIL |
| Mr. N N Tata | 46,900 |
| Mr. Ishaat Hussain | 14,060 |
| Mr. T K Balaji | 5,61,000 |
| Dr. C G Krishnadas Nair | NIL |
| Ms. Vinita Bali | NIL |
| Mr. V. Parthasarathy | NIL |
| Ms. Hema Ravichandar | NIL |
| Mr. R. Poornalingam | NIL |

## Means of Communication

| | |
|---|---|
| Whether half-yearly reports are 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.titan.co.in |
| Whether it also displays official news releases | : Yes |
| Website for investor complaints | : Pursuant to the amended listing agreements with the Stock Exchanges Clause 47(f) has been inserted for an exclusive e-mail ID for redressal of investor grievances. Accordingly, the Company has created an exclusive ID investor@titan.co.in for this purpose. |
| Presentations to institutional investors or analysts | : Presentations made during the year to institutional investors are displayed in www.titan.co.in |
| Newspapers in which results are normally published | : The quarterly results were published in The Business Standard, Financial Express, Business Line, The Mint and Dina Thanthi. The audited financial results for the year ended 31-March-2012, were published in Financial Express, Business Line, The Mint and Dina Thanthi. |
| Whether Management Discussion and Analysis is a part of the Annual Report | : Yes |

### Particulars of the past three Annual General Meetings

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

| Year | Location | Date | Time |
|---|---|---|---|
| 2008-2009 | At the Registered Office of the Company located at 3,SIPCOT Industrial Complex, Hosur 635 126 | 27th July 2009 | 2:30 p.m. |
| 2009-2010 | -do- | 27th July 2010 | 3:00 p.m. |
| 2010-2011 | -do- | 28th July 2011 | 3:00 p.m. |

b) No Extra-Ordinary General Meeting of the shareholders was held during the year.

c) A Postal Ballot was conducted during the financial year 2011-12 pursuant to Section 192A of the Companies Act, 1956, read with the Companies (passing of Resolutions by Postal Ballot) Rules, 2001, for obtaining approval of the shareholders for the following:

i) Ordinary Resolution for alteration of the Memorandum of Association of the Company for increase in Authorized Share Capital.

ii) Special Resolution for alteration of the Articles of Association of the Company for increase in Authorized Share Capital.

iii) Ordinary Resolution for issue of Bonus Shares in the ratio of 1 (one) equity share for every 1 (one) equity share held.

iv) Ordinary Resolution for alteration of capital clause in the Memorandum of Association of the Company for sub-division of equity shares of a face value of Rs.10 each into 10 equity shares of Re.1 each.

v) Special Resolution for alteration of the Articles of Association of the Company to reflect the sub-division of the equity share capital of the Company.

The postal ballot was conducted by the Registrars and Share Transfer Agents of the Company, TSR Darashaw Ltd under the overall supervision of the Company Secretary and Mr. B.R. Bahl, M/s. B.R.Bahl & Associates, Company Secretaries in whole-time practice, the Scrutinizer appointed by the Company.

The Details of the voting pattern are as below:

1) Ordinary Resolution under Section 31 of the Companies Act, 1956 for alteration of the Memorandum of Association of the Company for increase in Authorized Share Capital:

| | Ballots | Votes | % |
|---|---|---|---|
| Votes in favour | 3,377 | 2,71,97,490 | 99.81 |
| Votes against | 25 | 18,767 | 0.07 |
| Invalid votes | 342 | 30,588 | 0.12 |
| Total valid votes | 3,744 | 2,72,46,845 | 100.00 |

2) Special Resolution under Section 31 of the Companies Act, 1956 for alteration of the Articles of Association of the Company for increase in Authorized Share Capital:

| | Ballots | Votes | % |
|---|---|---|---|
| Votes in favour | 3,265 | 2,72,05,129 | 99.85 |
| Votes against | 27 | 1,165 | 0.00 |
| Invalid cotes | 452 | 40,658 | 0.15 |
| Total valid votes | 3,744 | 2,72,46,952 | 100.00 |

3) Ordinary Resolution under Article 150(a) of the Articles of Association of the Company for issue of Bonus Shares in the ratio of 1 equity share for every 1 equity share held:

| | Ballots | Votes | % |
|---|---|---|---|
| Votes in favour | 3,355 | 2,71,95,305 | 99.81 |
| Votes against | 18 | 18,670 | 0.06 |
| Invalid votes | 371 | 33,023 | 0.13 |
| Total valid votes | 3,744 | 2,72,46,998 | 100.00 |

4) Ordinary Resolution under Section 94 of the Companies Act, 1956 for alteration of the capital clause in the Memorandum of Association of the Company for sub-division of the equity shares of the face value of Rs. 10 each into 10 equity shares of Re. 1 each:

| | Ballots | Votes | % |
|---|---|---|---|
| Votes in favour | 3,301 | 2,72,06,835 | 99.85 |
| Votes against | 57 | 5,658 | 0.02 |
| Invalid votes | 386 | 34,117 | 0 13 |
| Total valid votes | 3,744 | 2,72,46,610 | 100.00 |

5) Special Resolution under Section 31 of the Companies Act, 1956 for alteration of the Articles of Association of the Company to reflect the sub-division of equity shares:

| | Ballots | Votes | % |
|---|---|---|---|
| Votes in favour | 3,213 | 2,71,98,694 | 99.82 |
| Votes against | 56 | 4,926 | 0.02 |
| Invalid votes | 475 | 43,545 | 0.16 |
| Total valid votes | 3,744 | 2,72,47,165 | 100.00 |

The votes cast in favour of the above stated Resolutions were in excess of 99% of the total valid votes received in each case and consequently, the five Resolutions mentioned in the Notice dated 5th May 2011 had been passed with the requisite majority. The results of the Postal Ballot were put up in the notice board of the Company at the Registered Office at Hosur and informed to the Stock Exchanges where the Company's shares were listed.

d) Special Resolutions passed in previous 3 Annual General Meetings:

At the Annual General Meeting held on 28th July 2011, a Special Resolution was passed for the re-appointment of Statutory Auditors, Deloitte Haskins & Sells for financial year 2011-12, which was passed unanimously.

At the Annual General Meeting held on 27th July 2010, Special Resolutions were passed:

1) For the re-appointment of Statutory Auditors, Deloitte Haskins & Sells for financial year 2010-11, which was passed unanimously
2) For payment of remuneration by way of commission to directors who are neither in whole-time employment of the Company nor managing director(s) of the Company, which was passed unanimously.

At the Annual General Meeting held on 27th July 2009, a Special Resolution was passed for the re-appointment of Statutory Auditors, Deloitte Haskins & Sells for financial year 2009-10, which was passed unanimously.

## General Shareholder Information

| | | |
|---|---|---|
| AGM: Date, time and venue | : | Tuesday, 31st July 2012, 3.00 p.m. at the Registered Office of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu |
| Financial Year | : | 1st April 2011 to 31st March 2012 |
| Directors seeking appointment / re-appointment | : | As required under Clause 49(IV)(G), 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 July 2012. |
| Book Closure Date | : | 17th July 2012 to 31st July 2012 (both days inclusive) |
| Dividend payment date | : | On or after 31st July 2012 (within the statutory time limit of 30 days) subject to shareholders' approval. |
| Financial Calendar Period (tentative) | : | Board Meeting to approve quarterly financial results |
| - Quarter ending 30th Jun 2012 | | - 31st July 2012 |
| - Quarter ending 30th Sep 2012 | | - End October 2012 |
| - Quarter ending 31st Dec 2012 | | - End January 2013 |
| - Quarter ending 31st Mar 2013 | | - April / May 2013 |
| Registered Office | : | 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu |
| Listing of Equity Shares on Stock Exchanges | : | Bombay Stock Exchange Limited, Mumbai<br>National Stock Exchange of India Limited, Mumbai |
| Listing fees | : | Listing fees as prescribed have been paid to the above stock exchanges up to 31st March 2013. |
| Share Registrar and Transfer Agents | : | **TSR Darashaw Limited**<br>6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr E Moses Road, Mahalaxmi, Mumbai - 400 011<br>E-mail: csg-unit@tsrdarashaw.com<br>Website: www.tsrdarashaw.com<br>Tel No: 022-66568484<br>Fax No: 022-66568494 |
| Company Secretary & Contact Address | | **Mr. A.R. Rajaram,**<br>Head- Legal & Company Secretary<br>Golden Enclave, Tower - B, 7th Floor, HAL Airport Road, Bangalore 560 017<br>E-mail: arrajaram@titan.co.in<br>Tel No: 080-66609610<br>Fax No: 080-2526 3001 / 2526 9923 |

For the convenience of investors based in the following cities, transfer documents and letters will also be accepted at the following branches: of M/s TSR Darashaw Limited:-

TSR Darashaw Limited
503, Barton Centre, 5th Floor
84, M.G. Road,
Bangalore – 560 001
Tel: 080-25320321
Fax: 080 – 25580019
Email: tsrdlbang@tsrdarashaw.com

TSR Darashaw Limited
Plot No.2/42, Sant Vihar
Ansari Road, Daryaganj
New Delhi – 110 002
Tel: 011 – 23271805
Fax: 011 – 23271802
Email: tsrdldel@tsrdarashaw.com

TSR Darashaw Limited
Tata Centre, 1st Floor
43, Jawaharlal Nehru Road
Kolkata – 700 071
Tel: 033 - 22883087
Fax: 033 - 22883062
Email: tsrdlcal@tsrdarashaw.com

TSR Darashaw Limited
Bungalow No.1, 'E' Road
Northern Town, Bistupur
Jamshedpur – 831 001
Tel: 0657 – 2426616
Fax: 0657 – 2426937
Email: tsrdljsr@tsrdarashaw.com

Shah Consultancy Services Limited
c/o. TSR Darashaw Limited
3-Sumatinath Complex,
Pritam Nagar, Akhada Road,
Opp. Kothawala Flats,
Ellisbridge, Ashram Road,
Ahmedabad - 380 006
Telefax: 079 - 2657 6038,
Email: shahconsultancy8154@gmail.com

## 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, 2012

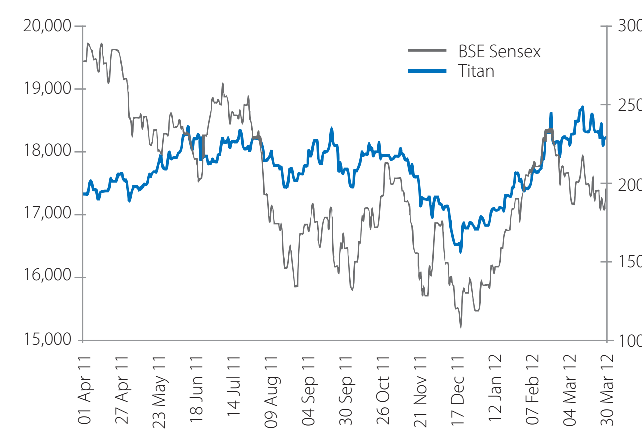
| | |
|---|---|
| Complaints outstanding as on 1st April 2011 | 1 |
| Complaints received during the year ended 31st March 2012 | 58 |
| Complaints resolved during the year ended 31st March 2012 | 57 |
| Complaints pending as on 31st March 2012 | 2 |

## Stock performance

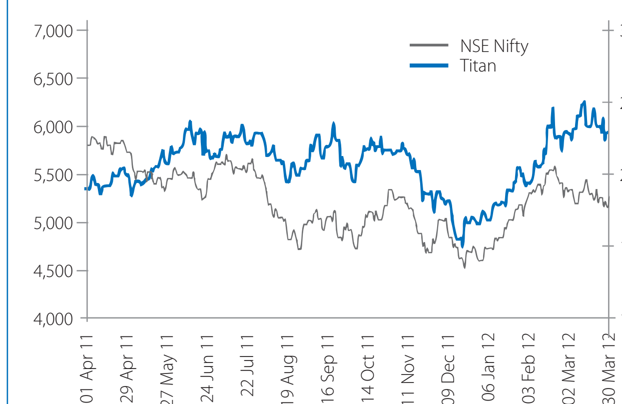
Market Price Data - Bombay Stock Exchange Ltd

| Month | Bombay Stock Exchange (in Rs.) High | Bombay Stock Exchange (in Rs.) Low | BSE Sensex |
|---|---|---|---|
| April 2011 | 205.87 | 189.96 | 19,135.96 |
| May 2011 | 219.60 | 188.57 | 18,503.28 |
| June 2011 | 235.75 | 212.05 | 18.845.87 |
| July 2011 | 233.25 | 213.50 | 18,197.20 |
| August 2011 | 228.15 | 197.35 | 16,676.95 |
| September 2011 | 235.00 | 205.75 | 16,453.76 |
| October 2011 | 225.65 | 197.45 | 17,705.01 |
| November 2011 | 221.90 | 177.95 | 16,123.46 |
| December 2011 | 191.05 | 156.10 | 15,454.92 |
| January 2012 | 206.15 | 173.00 | 17,193.55 |
| February 2012 | 244.20 | 194.65 | 17731.12 |
| March 2012 | 247.80 | 223.75 | 17,404,20 |

Performance of Titan share price in comparison with BSE SENSEX




Performance of Titan share price in comparison with NSE Nifty



## Stock performance

Market Price Data - National Stock Exchange of India Ltd

| Month | National Stock Exchange of India Ltd (in Rs.) | | NSE Nifty |
|---|---|---|---|
| | High | Low | |
| April 2011 | 206.21 | 189.83 | 5,749.50 |
| May 2011 | 220.40 | 188.63 | 5,560.65 |
| June 2011 | 235.73 | 212.00 | 5,647.40 |
| July 2011 | 233.30 | 213.60 | 5,482.00 |
| August 2011 | 228.80 | 196.90 | 5,001.30 |
| September 2011 | 235.75 | 205.65 | 4,943.25 |
| October 2011 | 226.55 | 197.35 | 5,326.60 |
| November 2011 | 221.90 | 177.65 | 4,832.05 |
| December 2011 | 191.45 | 156.20 | 4,624.30 |
| January 2012 | 206.45 | 172.90 | 5,199.25 |
| February 2012 | 243.85 | 194.50 | 5,375.50 |
| March 2012 | 247.95 | 223.85 | 5,295.55 |

## Distribution of shares according to size, class and categories of shareholders as on 31st March 2012

| No. of Equity Shares Held | No. of Shareholders | Percentage | No. of Shares | Percentage |
|---|---|---|---|---|
| 1-5000 | 119,916 | 96.33 | 65,135,616 | 7.34 |
| 5001-20000 | 3,705 | 2.98 | 32,552,006 | 3.67 |
| 20001-30000 | 200 | 0.16 | 4,841,066 | 0.54 |
| 30001-40000 | 102 | 0.08 | 3,640,953 | 0.41 |
| 40001-50000 | 75 | 0.06 | 3,462,886 | 0.39 |
| 50001-100000 | 157 | 0.13 | 11,434,627 | 1.29 |
| 100001- 1000000 | 262 | 0.21 | 84,439,633 | 9.51 |
| 1000001 and above | 64 | 0.05 | 682,279,373 | 76.85 |
| TOTAL | 124,481 | 100.00 | 887,786,160 | 100.00 |

## Categories of shareholding as on 31st March 2012

| Category | No. of Share holders | No. of Shares Held | % of Shareholding |
|---|---|---|---|
| Tamil Nadu Industrial Development Corporation Ltd. | 1 | 247,476,720 | 27.88 |
| Tata Group Companies | 12 | 223,531,200 | 25.18 |
| FFI / FIIs / OCBs | 323 | 132,840,113 | 14.97 |
| Bodies Corporate | 1,985 | 21,658,146 | 2.43 |
| Institutional Investors | 43 | 11,208,358 | 1.26 |
| Mutual Funds | 68 | 29,080,715 | 3.28 |
| Nationalised Banks | 6 | 18,200 | - |
| Others | 122,043 | 221,972,708 | 25.00 |
| Total | 124,481 | 887,786,160 | 100.00 |

## Top ten shareholders:

The Company's top ten shareholders as at 31st March 2012 are as shown below:

| Sl. No. | Name | Holdings | % to total holding |
|---|---|---|---|
| 1. | TAMILNADU INDUSTRIAL DEVELOPMENT CORPORATION LTD | 247,476,720 | 27.88 |
| 2. | TATA SONS LIMITED | 96,345,411 | 10.85 |
| 3. | KALIMATI INVESTMENT COMPANY LIMITED | 77,555,840 | 8.74 |
| 4. | JHUNJHUNWALA RAKESH RADHESHYAM | 66,629,100 | 7.51 |
| 5. | JHUNJHUNWALA REKHA RAKESH | 22,116,120 | 2.49 |
| 6. | TATA INVESTMENT CORPORATION LTD | 17,225,640 | 1.94 |
| 7. | TATA CHEMICALS LIMITED | 13,826,180 | 1.56 |
| 8. | MATTHEWS PACIFIC TIGER FUND | 13,593,760 | 1.53 |
| 9. | FID FUNDS (MAURITIUS) LIMITED | 10,723,023 | 1.21 |
| 10. | TATA GLOBAL BEVERAGES LIMITED | 9,248,060 | 1.04 |

## STOCK CODE

| | | |
|---|---|---|
| Equity Shares - Physical form | Bombay Stock Exchange Ltd | : 500114 |
| | National Stock Exchange of India Ltd | : TITAN |
| Equity Shares - Demat form | NSDL / CDSL | : ISIN No. INE280A01028 |

The Aggregate Non-promoter / Public Shareholding of the Company as at March 31, 2012 is as shown below:

Number of Shares : 41,67,78,240 Shares

Percentage to total holding : 46.95%

### Dematerialisation of shares and liquidity

As on 31st March 2012, 96.76 % of the Company's Equity Capital was 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) Plot Nos. 3, 4 & 5 SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu<br>(b) Mohabewala Industrial Area, Dehradun 248 002, Uttaranchal<br>(i) Unit : Khasra No. 148D, 173B,176A and 176B<br>(ii) Unit : Khasra No. 148B, 149B<br>(c) Plot No. C1, C2,C3, Khasra No.37, Village Bantakheri, Tehsil - Roorkee, District - Haridwar, Uttaranchal<br>(d) Plot No. 10B, Khasra Nos. 150,151,152,153, Sector 2, Integrated Industrial Estate, SIDCUL, Pant Nagar 263 153, Udham Singh Nagar District, Uttarkhand |
| Precision Engineering Plants: | (a) No.15 B, Bommasandra Industrial Area, Hosur Road, Anekal Taluk, Bangalore 562 158, Karnataka<br>(b) Plot Nos. 27 & 28, SIPCOT Industrial Area, Hosur 635 126, Tamil Nadu |
| Jewellery Plants: | (a) 29, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu<br>(b) Khasra No. 238, Kuanwala Dehradun 248 001, Uttaranchal<br>(c) Plot No. 10A, Sector II E, SIDCUL, Pantnagar, Dist. Udham Singh Nagar, Uttarkhand |
| Prescription Eyewear Lens Laboratory: | Plot No. 27, Survey No.125, KIADB Industrial Area, Chikaballapur 562 101 Karnataka |

### Addresses for correspondence

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

## B. NON MANDATORY REQUIREMENTS

As far as the non-mandatory requirements are concerned, the Board has set up a Remuneration Committee to recommend appointment / re-appointment of Managing Director and Whole-Time Directors and to recommend / review remuneration of the Managing Director, Whole-time Directors and Non Executive Directors.

The Board has adopted a whistle-blower policy which enables the employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. The policy provides direct access to the Chairman of the Audit Committee under certain circumstances. The policy has been communicated to the employees.

There was no audit qualification in the Company's financial statements during the financial year 2011-12. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.



## Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49(V) of the Listing Agreement

April 30, 2012
The Board of Directors,
Titan Industries Limited
3, SIPCOT Industrial Complex, Hosur 635 126

### Certification to the Board pursuant to Clause 49(V) of the Listing Agreement

We, Bhaskar Bhat, Managing Director and S. Subramaniam, Chief Financial Officer, hereby certify that in respect of the Financial Year ended on March 31, 2012

1. we have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:-
   a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct;
3. we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal control, if any, of which we are aware and the steps taken or proposed to be taken to rectify the same;
4. we have indicated to the auditors and the Audit Committee : -
   a) significant changes, if any, in internal control over financial reporting during the year;
   b) significant changes, if any, in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
   c) instances of significant fraud, if any, wherein there has been involvement of management or an employee having a significant role in the Company's internal control system over financial reporting.

| | |
|---|---|
| Bhaskar Bhat | S Subramaniam |
| *Managing Director* | *Chief Financial Officer* |

## Declaration by the CEO under Clause 49 I (D) of the Listing Agreement regarding adherence to the code of conduct

In accordance with Clause 49 sub-clause I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2012.

*for* Titan Industries Limited

BHASKAR BHAT
*Managing Director*

25 June 2012

## 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 March 31, 2012, 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.

We 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 Deloitte Haskins & Sells.
Chartered Accountants
*(Registration No. 008072S)*

V. Srikumar
Partner
*(Membership No. 84494)*

Bangalore, 25th June 2012





# AUDITORS' REPORT

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of TITAN INDUSTRIES LIMITED ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both 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.
2. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
   (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 it appears from our examination of those books;
   (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   (e) 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, 2012;
      (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
*Chartered Accountants*
(Registration No. 008072S)

V. Srikumar
*Partner*
(Membership No. 84494)

Chennai, 30 April, 2012

# ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

i) Having regard to the nature of the Company's business/activities/results, clauses (iii) (f), (iii) (g), (xii), (xiii), (xiv) and (xx) of CARO are not applicable.

ii) In respect of fixed assets:

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

iii) In respect of its inventories:

a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.

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 were reasonable and adequate in relation to the size of the Company and the nature of its business.

c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification.

iv) a) During the year, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. In respect of unsecured loans, granted to such a party in earlier years, the maximum amount involved at any time during the year and the year end balance is Rs. 240.54 lakhs. The balance has been fully provided as no recoveries are expected and therefore clauses (iii) (b) to (d) of CARO are not applicable.

b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased/sold are of a special nature and suitable alternative sources are not readily available for obtaining comparable quotations/ prices, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in such internal control system.

vi) 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:

a) The particulars of contracts or arrangements referred to in Section 301 that need to be entered in the Register maintained under the said Section have been so entered.

b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, and having regard to our comments in paragraph (v) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time .

vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956.

viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

x) According to the information and explanations given to us in respect of statutory dues:

a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

b) There were no undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues in arrears as at $31^{st}$ March 2012, for a period of more than six months from the date they become payable.

c) Details of dues of Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited as on $31^{st}$ March, 2012 on account of any disputes are given below:

| Name of Statute | Nature of the Dues | Amount (Rs. in lakhs) | Period to which the amount relates | Forum where Dispute is pending |
|---|---|---|---|---|
| Income-tax Act, 1961 | Income tax | 2.39 | 1997-98 | High Court |
| | | 25.21 | 2002-03 | Income Tax Appellate Tribunal |
| Sales Tax Laws | Sales tax | 71.55 | 2000-01 | High Court |
| | | 176.54 | 2003-04, 2005-06 , 2008-09 | Additional Commissioner of Sales Tax |
| | | 210.80 | 2000-01, 2002-03, 2003-04, 2004-05, 2005-06 | Deputy Commissioner of Sales Tax |
| | | 32.56 | 2005-06 | Joint Commissioner (Appeals) of Sales Tax |
| | | 5.99 | 2004-05 | Assistant Commissioner of Sales Tax |
| | | 6.28 | 2010-11 | Commercial Tax Inspector of Sales Tax |
| The Customs Act, 1962 | Customs duty | 316.94 | 1989-94 | Supreme Court |
| The Central Excise Act, 1944 | Excise duty | 2,272.59 | May 2005 to March 2009 | Supreme Court |
| | | 0.42 | July 2001 to July 2002 | High Court |
| | | 285.88 | March 1987 to February 1990, April 1995 to October 1998 and 2001- 09 | Customs, Excise and Service Tax Appellate Tribunal |
| | | 108.73 | March 2002 to February 2003, July 2007 to February 2009, October 2009 to February 2010 and July 2009 to December 2010 | Commissioner of Central Excise (Appeals) |
| | | 7,030.25 | September 2005 to July 6, 2009 | Commissioner of Central Excise |
| | | 9.54 | July 1999 to November 1999 | Additional Commissioner of Central Excise |
| | | 421.38 | 1996 - 97, 1998-2001, 2004 – 07, April 2008 to March 2011 | Assistant Commissioner of Central Excise |

vi) The Company has neither accumulated lossses at the end of the financial year nor it has incurred cash losses during the current financial year and in the immediately preceding financial year.

vii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions and debenture holders.

viii) The Company has not given any guarantee for loans taken from banks or financial institutions.

ix) In our opinion and according to the information and explanations given to us, the term loan has been applied for the purpose for which it was obtained.

x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet we report that, funds raised on short term basis have not been used during the year for long term investment.

xi) The Company has not made any preferential allottment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

xii) As per the information and explanations given to us, the Company has created security in respect of debentures issued.

xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
*Chartered Accountants*
(Registration No. 008072S)

V. Srikumar
*Partner*
(Membership No. 84494)

Chennai, 30 April, 2012

## Balance Sheet as at 31 March 2012

(₹ lakhs)

| Particulars | Note No. | As at 31-03- 2012 | As at 31-03-2011 |
|---|---|---|---|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share capital | 2.1 | 8877.86 | 4438.93 |
| (b) Reserves and surplus | 2.2 | 136111.82 | 98099.03 |
| | | **144989.68** | 102537.96 |
| (2) Non-current liabilities | | | |
| (a) Long-term borrowings | 3 | 588.89 | 945.11 |
| (b) Deferred tax liabilities (Net) | 11 | – | 151.82 |
| (c) Other long-term liabilities | 4 | 1144.20 | 253.08 |
| (d) Long-term provisions | 5 | 5755.29 | 4152.38 |
| | | **7488.38** | 5502.39 |
| (3) Current liabilities | | | |
| (a) Trade payables | 6 | 175015.29 | 152270.09 |
| (b) Other current liabilities | 7 | 118790.76 | 95390.09 |
| (c) Short-term provisions | 8(a) | 23669.30 | 17855.60 |
| | | **317475.35** | 265515.78 |
| Total | | **469953.41** | 373556.13 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 9(a) | 35775.45 | 26956.62 |
| (ii) Intangible assets | 9(b) | 1097.06 | 1350.23 |
| (iii) Capital work-in-progress | | 2485.21 | 1664.28 |
| (b) Non-current investments | 10 | 1604.90 | 912.76 |
| (c) Deferred tax asset (Net) | 11 | 377.49 | – |
| (d) Long-term loans and advances | | | |
| (i) Capital advances (Unsecured and considered good) | | 577.30 | 271.35 |
| (ii) Other advances | 12 | 12216.78 | 11881.40 |
| | | **54134.19** | 43036.64 |
| (2) Current assets | | | |
| (a) Inventories | 13(a) | 287866.90 | 199382.87 |
| (b) Trade receivables | 14 | 16310.94 | 11367.89 |
| (c) Cash and bank balances | 15 | 96053.00 | 109649.90 |
| (d) Short-term loans and advances | 16 | 12325.08 | 8559.38 |
| (e) Other current assets | 17 | 3263.30 | 1559.45 |
| | | **415819.22** | 330519.49 |
| Total | | **469953.41** | 373556.13 |

See accompanying notes forming part of the financial statements.

In terms of our report attached
For DELOITTE HASKINS & SELLS
*Chartered Accountants*

V. Srikumar
*Partner*

Chennai, 30 April 2012

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

For and on behalf of the Board of Directors

N. Sundaradevan *Chairman*
Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
*Directors*





## Statement of Profit & Loss for the year ended 31 March 2012

(₹ lakhs)

| Particulars | Note No. | Current Year | Previous Year |
|---|---|---|---|
| I. Revenue from operations (gross) | 18 | 897085.87 | 657086.38 |
| Less: Excise duty | | 13248.03 | 4996.87 |
| Revenue from operations (net) | | 883837.84 | 652089.51 |
| II. Other Income | 19 | 9411.40 | 5607.63 |
| **III. Total Revenue (I +II)** | | **893249.24** | 657697.14 |
| IV. Expenses: | | | |
| Cost of materials and components consumed | 28(a) | 614508.16 | 434487.82 |
| Purchase of traded goods | 28(b) | 115088.28 | 84958.23 |
| (Increase)/ decrease in finished goods, work-in-progress and traded goods | 20 | (75185.13) | (50028.14) |
| Employee benefits expense | 21 | 39234.34 | 36513.00 |
| Finance costs | 34 | 4371.53 | 3451.73 |
| Depreciation and amortization expense | | 4489.62 | 3448.25 |
| Other expenses | 22 | 106898.55 | 84966.16 |
| Total Expenses | | **809405.35** | 597797.05 |
| V. Profit before tax (III - IV) | | **83843.89** | 59900.09 |
| VI. Tax expense: | | | |
| (1) Current tax | | 23890.00 | 16860.00 |
| (2) Deferred tax | | (529.31) | (323.67) |
| (3) Taxes of earlier years | | 467.61 | 322.26 |
| Total Tax | | 23828.30 | 16858.59 |
| VII. Profit after tax (V-VI) | | **60015.59** | 43041.50 |
| VIII. Earnings per equity share of ₹1 (2011 : ₹ 10) each: | | | |
| (1) Basic | 42 | 6.76 | 4.85 |
| (2) Diluted | | 6.76 | 4.85 |

See accompanying notes forming part of the financial statements.

In terms of our report attached
For DELOITTE HASKINS & SELLS
*Chartered Accountants*

V. Srikumar
*Partner*

Chennai, 30 April 2012

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

For and on behalf of the Board of Directors

N. Sundaradevan *Chairman*
Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
*Directors*

## Cash Flow Statement for the year ended 31 March 2012

(₹ lakhs)

| Particulars | Note No. | Current Year | Previous Year |
|---|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net profit before tax | | 83843.89 | 59900.09 |
| Adjustments for : | | | |
| – Depreciation / Amortisation | | 4489.62 | 3448.25 |
| – Unrealised exchange difference (net) | | 2918.16 | 141.45 |
| – Marked to Market loss | | 33.92 | 118.08 |
| – Loss on sale/ disposal/ scrapping of fixed assets (net) | | 225.91 | 180.81 |
| – Bad debts written off | | 720.64 | 48.32 |
| – Provision for doubtful debts / advances (net) | | (556.89) | (13.81) |
| – Interest income | | (9305.26) | (5511.17) |
| – Dividend income | | (0.44) | (1.14) |
| – Interest expense | | 4371.53 | 3451.73 |
| Operating profit before working capital changes | | 86741.08 | 61762.61 |
| Adjustments for : | | | |
| – (Increase)/decrease in sundry debtors | | (5103.52) | (1995.29) |
| – (Increase)/decrease in inventories | | (88484.03) | (65349.72) |
| – (Increase)/decrease in loans and advances | | (2846.54) | (2158.49) |
| – Increase/(decrease) in current liabilities and provisions | | 51029.34 | 130076.71 |
| Cash generated from operations | | 41336.33 | 122335.82 |
| – Direct taxes paid | | (25586.50) | (17224.32) |
| Net cash from operating activities | | **15749.83** | 105111.50 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Additions to fixed assets (including capital work in progress and advances on capital account) | | (13667.82) | (6456.88) |
| Proceeds from sale of fixed assets | | 150.87 | 84.97 |
| Purchase of investments- Others | | (1074.22) | (150.00) |
| Proceeds from redemption of investments | | – | 0.13 |
| Dividends received | | 0.44 | 1.14 |
| Interest received | | 7601.41 | 3972.75 |
| Net cash used in investing activities | | **(6989.32)** | (2547.89) |



## Cash Flow Statement *(Contd.)* for the year ended 31 March 2012

(₹ lakhs)

| Particulars | Note No. | Current Year | Previous Year |
|---|---|---|---|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (5807.24) | (542.22) |
| Dividends paid | | (11018.54) | (6615.83) |
| Tax on dividends paid | | (1800.26) | (1105.88) |
| Interest paid | | (4817.56) | (3428.75) |
| Net cash used in financing activities | | (23443.60) | (11692.68) |
| Net cash flows during the year (A+B+C) | | (14683.09) | 90870.93 |
| Cash and bank balances (opening balance) | | 109649.90 | 18671.84 |
| Add :Cash and bank balances acquired on amalgamation (Refer Note 23) | | 832.18 | – |
| Add : / ( Less) :Unrealised exchange (gain) / loss | | (64.36) | 42.77 |
| | | 110417.72 | 18714.61 |
| Cash and bank balances (closing balance) | | 96053.00 | 109649.90 |
| Add : / ( Less) :Unrealised exchange (gain) / loss | | (318.37) | (64.36) |
| | | 95734.63 | 109585.54 |
| Increase / (decrease) in cash and bank balances | | (14683.09) | 90870.93 |

See accompanying notes forming part of the financial statements.

In terms of our report attached
For DELOITTE HASKINS & SELLS
*Chartered Accountants*

V. Srikumar
*Partner*

Chennai, 30 April 2012

For and on behalf of the Board of Directors

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

N. Sundaradevan — *Chairman*

Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
— *Directors*

# Notes forming part of the Financial Statements for the year ended 31 March 2012

## Note 01 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on an accrual basis under the historical cost convention in accordance with the accounting principles generally accepted in India and materially comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 (as amended), and by the Institute of Chartered Accountants of India and with the relevant provisions of the Companies Act,1956.

The revised Schedule VI notified under the Companies Act, 1956, for preparation and presentation of financial statements has become applicable to the Company for the year ended March 31, 2012. The adoption of revised Schedule VI does not impact the recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on the presentation and disclosure of the financial statements. The Company has also reclassified the prior year figures in accordance with the requirements applicable for the current year.

i. Use of estimates: The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

ii. Revenue recognition: Revenue from sale of goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer which generally coincides when the goods are dispatched from the factory/ stock points / or delivered to customers as per the terms of the contract. Service revenue is recognised on rendering services.

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.

iii. Tangible fixed assets: All fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and all other attributable costs of bringing the assets to working condition for intended use.

Capital work-in-progress comprises the cost of fixed assets that are not ready for their intended use at the balance sheet date.

iv Depreciation: Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for the following, which are based on the useful life of the assets estimated by the management:

| | |
|---|---|
| Computers | – @ 25% instead of 16.21% |
| Vehicles | – @ 25% instead of 9.50% |
| Furniture & Fixtures | – @ 20% instead of 6.33% |

v. Intangible assets and amortisation: Trademarks are capitalised at acquisition cost including directly attributable cost and are amortised over a period of 120 months from the month of acquisition. The expected pattern of economic benefits from the use of trademarks is reviewed periodically and additional amortisation, if required, is provided.

vi. Foreign currency transactions: Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Foreign exchange rate fluctuations relating to monetary assets and liabilities (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 statement of profit and loss.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized 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.

vii. Derivative Accounting: The Company uses derivative financial instruments to manage risks associated with gold price fluctuations relating to certain highly probable forecasted transactions, foreign currency fluctuations relating to certain firm commitments and foreign currency and interest rate exposures relating to foreign currency loan. The Company applies the hedge accounting principles set out in Accounting Standard (AS) 30 - Financial Instruments: Recognition and Measurement and has designated derivative financial





Notes forming part of the Financial Statements for the year ended 31 March 2012

## Note 01 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

instruments taken for gold price fluctuations as 'cash flow' hedges relating to highly probable forecasted transactions. All such derivative financial instruments are supported by an underlying transaction and are not for trading or speculative purposes.

The use of derivative financial instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such instruments consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in hedging reserve and the ineffective portion is recognised immediately in the statement of profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in hedging reserve is retained until the forecast transaction occurs upon which it is recognized in the statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in hedging reserve is recognized immediately to the statement of profit and loss.

Changes in the fair value of derivative financial instruments that have not been designated as hedging instruments are recognised in the statement of profit and loss as they arise.

viii. Investments: All long term investments are valued at cost. Provision for diminution in value is made to recognise any decline, other than temporary, in the value of investments.

ix. Transfer to debenture redemption reserve is made pro-rata over the life of the debentures in terms of the requirements of the Companies Act, 1956.

x. Inventories: Inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows:

a) Gold is valued on first-in-first-out basis.
b) Consumable stores, loose tools, raw materials and components are valued on a moving weighted average rate.
c) Work-in-progress and manufactured goods are valued on full absorption cost method based on the average cost of production.
d) Traded goods are valued on a moving weighted average rate/ cost of purchases.

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

xii. Employee Benefits:

Short term employee benefits

All short term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences are recognised on an undiscounted basis and charged to the statement of profit and loss.

Defined Contribution plan

Company's contributions to the Superannuation Fund which is managed by a Trust and Pension Fund administered by Regional Provident Fund Commissioner are debited to the statement of profit and loss on an accrual basis.

Contribution to the Company's Provident Fund Trust is made at predetermined rates and debited to the statement of profit and loss on an accrual basis.

Defined Benefit Plan

Contribution to the Company's Gratuity Trust, liability towards pension of retired managing director and provision towards leave salary benefit is provided on the basis of an actuarial valuation using the projected unit credit method and is debited to the statement of profit and loss on an accrual basis. Actuarial gains and losses arising during the year are recognised in the statement of profit and loss.

## Notes forming part of the Financial Statements for the year ended 31 March 2012

### Note 01 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

xiii. Taxes on Income: Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

xiv. Segment accounting: Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Watch, Jewellery and Others, where 'Others' include Eye wear, Precision Engineering, Machine Building, Clocks, and Accessories.

Segment assets and liabilities include all operating assets and liabilities. Segment results include all related income and expenditure. Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

xv. Impairment of assets: Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the assets/ cash generating units. If any indication exists, an impairment loss is recognized when the carrying amount exceeds the greater of net selling price and value in use.

xvi. Provisions and Contingencies: A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes.

Contingent Assets are neither recognised nor disclosed in the financial statements.

### Note 2.1 SHARE CAPITAL

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. of shares in lakhs | Amount ₹lakhs | No. of shares in lakhs | Amount ₹lakhs |
| a) Authorised share capital | | | | |
| Equity share of ₹1 (2011: ₹10) each | 12000.00 | 12000.00 | 800.00 | 8000.00 |
| Redeemable cumulative preference shares of ₹100 each | 40.00 | 4000.00 | 40.00 | 4000.00 |
| b) Issued, subscribed and fully paid up share capital | | | | |
| Equity share of ₹1 (2011: ₹10) each fully paid up | 8877.86 | 8877.86 | 443.89 | 4438.93 |

c) Rights of shareholders :
The Company has only one class of equity shareholders. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting.



## Notes forming part of the Financial Statements for the year ended 31 March 2012

### Note 2.1 SHARE CAPITAL (CONTD.)

d) Reconciliation of the shares outstanding at the beginning and at the end of the year

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. lakhs | ₹lakhs | No. lakhs | ₹lakhs |
| **Equity shares** | | | | |
| At the beginning of the year | 443.89 | 4438.93 | 443.89 | 4438.93 |
| Add: Sub-division of shares | 3995.04 | – | – | – |
| Add : Issue of bonus shares | 4438.93 | 4438.93 | – | – |
| At the end of the year | 8877.86 | 8877.86 | 443.89 | 4438.93 |

e) Shareholders holding more than 5% shares in the Company *(No. in lakhs)*

| Name | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. of shares held | % total holding | No. of shares held | % total holding |
| Tamilnadu Industrial Development Corporation Limited | 2474.77 | 27.88 | 123.74 | 27.88 |
| Tata Group | | | | |
| Tata Sons Limited | 963.45 | 10.85 | 47.48 | 10.70 |
| Kalimati Investment Company Limited | 775.56 | 8.74 | 38.78 | 8.74 |
| Tata Investment Corporation Ltd | 172.26 | 1.94 | 8.61 | 1.94 |
| Tata Chemicals Ltd | 138.26 | 1.56 | 6.91 | 1.56 |
| Tata Global Beverages Ltd (formerly Tata Tea Ltd) | 92.48 | 1.04 | 4.62 | 1.04 |
| Ewart Investments Ltd | 49.64 | 0.56 | 2.48 | 0.56 |
| Tata International Ltd | 25.60 | 0.29 | 1.97 | 0.44 |
| Piem Hotels Ltd | 18.06 | 0.20 | 0.90 | 0.20 |
| Total - Tata Group | **2235.31** | **25.18** | 111.75 | 25.18 |
| Jhunjhunwala Rakesh Radheshyam | 666.29 | 7.51 | 33.05 | 7.45 |

### Note 2.2 RESERVES AND SURPLUS *(₹ lakhs)*

| | 2012 | 2011 |
|---|---|---|
| Capital reserve | 13.28 | 13.28 |
| Capital redemption reserve | | |
| As per last balance sheet | – | – |
| Add : On amalgamation (Refer Note 23) | 64.38 | – |
| | **64.38** | – |
| Share premium account | 13888.27 | 13888.27 |
| Debenture redemption reserve | | |
| As per last balance sheet | 2597.00 | 2069.00 |
| Add : Transfer from statement of profit and loss | – | 528.00 |
| Less: Transfer to general reserve | 2597.00 | – |
| | **–** | 2597.00 |
| Hedging reserve | | |
| As per last balance sheet | 1.62 | 45.90 |
| Add : Effects of variation in commodity prices on hedging instruments outstanding at the end of the year | 0.57 | 1.62 |
| Less : Transferred to statement of profit and loss | 1.62 | 45.90 |
| | **0.57** | 1.62 |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 2.2 RESERVES AND SURPLUS (CONDT.) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| General reserve | | |
| As per last balance sheet | 38337.34 | 24691.34 |
| Add : Transfer from debenture redemption reserve | 2597.00 | – |
| Add : On amalgamation (Refer Note 23) | 399.59 | – |
| Less : Utilised during the year for issuing bonus shares | 4438.93 | – |
| Add : Transfer from statement of profit and loss | 21631.00 | 13646.00 |
| | 58526.00 | 38337.34 |
| Surplus in the statement of profit and loss | | |
| Opening balance | 43261.52 | 27291.61 |
| Add : On amalgamation (Refer Note 23) | 29.84 | – |
| Add : profit for the year | 60015.59 | 43041.50 |
| | 103306.95 | 70333.11 |
| Less: | | |
| Transfer to debenture redemption reserve | – | 528.00 |
| Proposed dividend on equity shares | 15536.26 | 11097.33 |
| Tax on dividends | 2520.37 | 1800.26 |
| Transfer to general reserve | 21631.00 | 13646.00 |
| Net surplus in statement of profit and loss | 63619.32 | 43261.52 |
| Reserves and surplus | 136111.82 | 98099.03 |

Note 03 LONG-TERM BORROWINGS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Term loans | | |
| From banks - Secured | | |
| Foreign Currency loan | 588.89 | 945.11 |
| Total | 588.89 | 945.11 |

An amount of ₹542.22 lakhs (2011: ₹542.22 lakhs) of Foreign currency loan which is repayable within 12 months have been grouped under other current liabilities.

The above foreign currency loan aggregating ₹1131.11 lakhs (2011: ₹1487.33 lakhs) is secured by a first charge over the Company's present and future fixed (movable and immovable) assets and is repayable in 9 semi-annual installments starting February 2010.

Note 04 OTHER LONG-TERM LIABILITIES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Payables - capital goods | 1144.20 | 253.08 |
| | 1144.20 | 253.08 |

Note 05 LONG-TRM PROVISIONS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Provision for Leave salaries (Refer Note 31) | 5419.18 | 3840.66 |
| Provision for Pension (Refer Note 31) | 336.11 | 311.72 |
| | 5755.29 | 4152.38 |



## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 06

Trade payables include amounts due to micro enterprises and small enterprises as under: (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| i) Principal amounts unpaid | 238.48 | 86.54 |
| Interest due on above | – | – |
| | 238.48 | 86.54 |

ii) No interest payments have been made during the year.

iii) The above information regarding dues to Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Note 07 OTHER CURRENT LIABILITIES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Advances from customers {Refer note (a) below} | 95053.62 | 66826.18 |
| Interest accrued and not due on borrowings | – | 328.98 |
| Unclaimed dividends {Refer note (b) below} | 238.07 | 159.28 |
| Unclaimed matured fixed deposits | 4.55 | 5.95 |
| Foreign currency loan repayable within 12 months (Refer note 3) | 542.22 | 542.22 |
| 6.75% debentures repayable within 12 months {Refer note (c) below} | – | 5282.60 |
| Other Liabilities - Statutory dues | 4084.77 | 3431.14 |
| Other Liabilities - Others | 18867.53 | 18813.74 |
| | 118790.76 | 95390.09 |

a) Advances from customers include advances received of ₹85663.80 lakhs (2011: ₹58779.77 lakhs) towards sale of jewellery products under various sale initiatives / retail customer programmes.

b Current liabilities do not include any amount to be credited to Investor Education and Protection Fund except where there are pending legal cases amounting to ₹1.40 lakhs (2011: ₹1.39 lakhs) and therefore, amounts relating to the same could not be transferred.

c) The 6.75% debentures redeemable at par at the end of five years from the dates of allotment on May 12, 2006 and June 09, 2006 and secured by way of legal mortgage on the immovable properties and plant and machinery situated at Hosur were redeemed during the year.

Note 08 (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| a) Short-term provisions | | |
| Proposed dividend on equity shares | 15536.26 | 11097.33 |
| Tax on dividends | 2520.37 | 1800.26 |
| Provision for Gratuity ( Refer Note 31) | 892.02 | 1866.54 |
| Provision for Leave salaries (Refer Note 31) | 740.16 | 496.42 |
| Others {Refer note (c) below} | 3980.49 | 2595.05 |
| Total | 23669.30 | 17855.60 |

b) The Board of Directors, in their meeting on April 30, 2012, proposed a dividend of ₹1.75 per equity share. The proposal is subject to the approval of shareholders at the Annual General Meeting to be held on 31 July, 2012, and if approved, would result in a cash outflow of approximately ₹18056.63 lakhs inclusive of corporate dividend tax of ₹2520.37 lakhs.

Dividend recognized as distributions to equity shareholders for the year ended March 31, 2011 was ₹25 per share.

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 08 (Contd.)

c) Others include

(i) Provision for warranty - ₹ 373.95 lakhs (2011: ₹ 264.88 lakhs).

The Company gives warranty on all 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. Provision made and utilised/reversed during the year is ₹ 373.95 lakhs (2011: ₹ 264.88 lakhs) and ₹ 264.88 lakhs (2011: ₹ 228.48 lakhs) respectively.

(ii) Provision for Customer Loyalty programmes - ₹ 3606.54 lakhs (2011: ₹ 2330.17 lakhs)

The Company has a scheme of reward points on purchase of certain products by customers which can be redeemed at the time of future purchases. Provision is made based on past experience. Additional provision made and utilised/reversed during the year is ₹ 3787.51 lakhs (2011: ₹ 3311.74 lakhs) and ₹ 2511.14 lakhs (2011: ₹ 1969.01 lakhs) respectively.

Note 09

a) Tangible Assets

Gross Block

(₹ lakhs)

| Particulars | Gross Block | | | |
|---|---|---|---|---|
| | Cost as at April 1, 2011 | Additions | Deductions | Cost as at March 31, 2012 |
| Land -freehold | 227.19 | 588.41 | 0.16 | 815.44 |
| Land - leasehold | 526.60 | 949.28 | – | 1475.88 |
| Buildings | 6763.39 | 543.13 | 30.48 | 7276.04 |
| Plant, machinery and equipment | 45039.84 | 5643.36 | 1036.29 | 49646.91 |
| Furniture, fixtures and equipment | 6600.33 | 4942.40 | 423.73 | 11119.00 |
| Office equipment | 770.12 | 494.17 | 37.62 | 1226.67 |
| Vehicles | 959.97 | 271.31 | 84.86 | 1146.42 |
| **Total** | 60887.44 | **13432.06** | **1613.14** | **72706.36** |
| Previous Year | 56105.56 | 5757.80 | 975.92 | 60887.44 |

Tangible Assets - Depreciation and net block

(₹ lakhs)

| Particulars | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|
| | Upto March 31, 2011 | For the year | On deductions | As at March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| Land -freehold | – | – | – | – | 815.44 | 227.19 |
| Land - leasehold | – | – | – | – | 1475.88 | 526.60 |
| Buildings | 2099.01 | 194.29 | 6.04 | 2287.26 | 4988.78 | 4664.38 |
| Plant, machinery and equipment | 27534.13 | 1972.23 | 786.94 | 28719.42 | 20927.49 | 17505.71 |
| Furniture, fixtures and equipment | 3713.63 | 1774.93 | 349.89 | 5138.67 | 5980.33 | 2886.70 |
| Office equipment | 136.32 | 68.66 | 16.58 | 188.40 | 1038.27 | 633.80 |
| Vehicles | 447.73 | 226.34 | 76.91 | 597.16 | 549.26 | 512.24 |
| **Total** | 33930.82 | **4236.45** | **1236.36** | **36930.91** | **35775.45** | 26956.62 |
| Previous Year | 31445.88 | 3195.08 | 710.14 | 33930.82 | 26956.62 | |



## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 09 (Contd.)

b) Intangible assets

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Opening Gross Block | 6327.11 | 6327.11 |
| Additions during the year | – | – |
| Deductions during the year | – | – |
| Closing Gross Block | 6327.11 | 6327.11 |
| Opening Amortisation | 4976.88 | 4723.71 |
| Amortisation for the year | 253.17 | 253.17 |
| Deductions during the year | – | – |
| Total Amortisation | 5230.05 | 4976.88 |
| **Net Block** | **1097.06** | 1350.23 |

Note 10 NON-CURRENT INVESTMENTS

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| **Trade investments - unquoted** | | |
| **In subsidiary companies** | | |
| 19,00,000 (2011 : 19,00,000) fully paid equity shares of ₹10 each in Titan TimeProducts Limited | 237.70 | 237.70 |
| 3,35,020 (2011 : 3,35,020) fully paid equity shares of ₹ 10 each in Titan Properties Limited (Refer Note b) | 33.59 | 33.59 |
| Nil (2011 : 19,31,319) fully paid equity shares of ₹10 each in Tanishq (India) Limited * | – | 382.08 |
| Application Money towards equity in Favre Leuba AG | 1074.22 | – |
| | **1345.51** | 653.37 |
| **In associate company** | | |
| 15,00,000 (2011: 15,00,000) fully paid equity shares of ₹ 10 each in TVS Wind Power Limited {Refer Note (a) below} | 150.00 | 150.00 |
| | 150.00 | 150.00 |
| **Non-Trade investments - quoted** | | |
| 100 ( 2011 : 100) fully paid equity shares of ₹ 10 each in Timex Watches Limited | 0.01 | 0.01 |
| 1,000 ( 2011 : 1,000) fully paid equity shares of ₹ 10 each in National Radio Electronics Company Limited | 0.10 | 0.10 |
| 2,025 ( 2011 : 2,025) fully paid equity shares of ₹10 each in Tata Steel Limited | 4.62 | 4.62 |
| 6000 ( 2011 : 6000) fully paid equity shares of ₹1 each in Tata Global Beverages Limited | 2.34 | 2.34 |
| 560 ( 2011 : 560) fully paid equity shares of ₹10 each in Tata Chemicals Limited | 1.40 | 1.40 |
| 300 ( 2011 : 300) fully paid equity shares of ₹10 each in Trent Limited | 0.92 | 0.92 |
| 100 ( 2011 : 100) fully paid equity shares of ₹10 each in Titan Alloys Limited | 0.02 | 0.02 |
| 100 ( 2011: 100) fully paid equity shares of ₹10 each in Titan Foods and Fashions Limited | 0.01 | 0.01 |
| 100 ( 2011 : 100) fully paid equity shares of ₹10 each in Titan Biotech Limited | 0.02 | 0.02 |
| 100 ( 2011 : 100) fully paid equity shares of ₹10 each in Titan Securities Limited | 0.01 | 0.01 |
| | 9.45 | 9.45 |
| Less : Provision for diminution | 0.06 | 0.06 |
| | 9.39 | 9.39 |
| carried forward | 1504.90 | 812.76 |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 10 NON-CURRENT INVESTMENTS (Contd.) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Brought forward | 1504.90 | 812.76 |
| **Others** | | |
| 1,14,663 (2011: 1,14,663) fully paid equity shares of ₹ 50 each in The Central India Spinning and Weaving Mills Limited | – | – |
| 97,624 (2011: 97,624) fully paid equity shares of ₹ 25 each in Tata Mills Limited | – | – |
| 400 (2011: 400) fully paid equity shares of ₹ 25 each in The Central India Press Limited | – | – |
| 5,25,000 (2011: 5,25,000) fully paid equity shares of ₹ 10 each in Innoviti Embedded Solutions Pvt. Limited | 100.00 | 100.00 |
| | 100.00 | 100.00 |
| | 1604.90 | 912.76 |
| Aggregate amount of quoted investments | 9.39 | 9.39 |
| Aggregate amount of unquoted investments | 1595.51 | 903.37 |
| Market value of quoted investments | 21.63 | 24.10 |

* Shares cancelled on amalgamation

a) The Company has given an undertaking not to sell or encumber in any manner its investments in TVS Wind Power Limited in accordance with the Equity Participation agreement.

b) A Petition has been filed by the Company's subsidiary Titan Properties Limited as the Transferor Company, seeking sanction to the Scheme of Amalgamation with the Company on the appointed date i.e. 1 April 2011. No shares of the Company are to be issued pursuant to the Scheme. Based on the application made under section 391 of the Companies Act, 1956, the Chennai High Court having jurisdiction over the Transferor Company has granted dispensation of the meetings of shareholders and creditors of the Transferor Company. The final order sanctioning the said scheme of Amalgamation as aforesaid is awaited.

Note 11 DEFERRED TAX ASSET

Major components of deferred tax arising on account of timing differences are: (₹ lakhs)

| | 2011 | Tax effect for the year | 2012 |
|---|---|---|---|
| Deferred Tax (Liability) | | | |
| Fixed assets | (2349.70) | 10.07 | (2339.63) |
| **Sub-total** | **(2349.70)** | **10.07** | **(2339.63)** |
| Deferred Tax Asset | | | |
| Provision for doubtful debts | 241.89 | (180.60) | 61.29 |
| Employee benefits | 1337.76 | 591.23 | 1928.99 |
| Others | 618.23 | 108.61 | 726.84 |
| **Sub-total** | **2197.88** | **519.24** | **2717.12** |
| **Net Deferred Tax Asset / (Liability)** | (151.82) | 529.31 | 377.49 |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 12 OTHER ADVANCES UNDER LONG TERM LOANS AND ADVANCES

Unsecured and considered good (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Security deposits | 7012.49 | 5045.00 |
| Employee loans | 1032.11 | 870.44 |
| Other deposits | 523.87 | 747.21 |
| Tax payments net of provisions | 3648.31 | 5218.75 |
| | 12216.78 | 11881.40 |

Note 13 (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| a) Inventories | | |
| Raw materials | 49600.08 | 36069.08 |
| Raw materials - in transit | 174.16 | 507.40 |
| Work-in-progress {Refer (b) below} | 12100.02 | 8694.11 |
| Finished goods | 161953.04 | 115902.70 |
| Finished goods - in transit | 67.36 | – |
| Stock in trade | 62924.11 | 37262.59 |
| Store and spares | 533.78 | 456.55 |
| Loose tools | 514.35 | 490.44 |
| | 287866.90 | 199382.87 |
| b) Details of inventory of work-in-progress | | |
| Watches | 7627.75 | 6062.11 |
| Jewellery | 2929.07 | 1896.64 |
| Others | 1543.20 | 735.36 |
| | 12100.02 | 8694.11 |

Note 14 TRADE RECEIVABLES (UNSECURED) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| Considered good | 364.68 | 284.90 |
| Considered doubtful | 188.65 | 745.54 |
| | 553.33 | 1030.44 |
| Less : Provision for doubtful debts | 188.65 | 745.54 |
| | 364.68 | 284.90 |
| Other Trade Receivables | | |
| Considered good | 15946.26 | 11082.99 |
| | 16310.94 | 11367.89 |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 15 CASH AND BANK BALANCES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Cash and cash equivalents | | |
| a) Balance with banks | 7977.73 | 7280.77 |
| b) Cheques, drafts on hand | 881.36 | 385.42 |
| c) Cash on hand | 938.26 | 519.04 |
| d) Short-term deposits with banks | 11900.00 | – |
| | **21697.35** | 8185.23 |
| Other bank balances | | |
| a) Earmarked balances with banks | | |
| Unclaimed dividend | 236.67 | 157.89 |
| Unclaimed debenture interest | 15.75 | 3.55 |
| Share application money received for allotment of rights shares and due for refund | 3.23 | 3.23 |
| b) Fixed Deposits held as margin money against bank guarantee | 1100.00 | – |
| c) Short-term deposits with banks with more than three months maturity | 73000.00 | 101300.00 |
| | **74355.65** | 101464.67 |
| Balance with banks includes funds in transit - ₹ 2058.14 lakhs ( 2011: ₹ 1555.28 lakhs) | | |
| | **96053.00** | 109649.90 |

Note 16 SHORT-TERM LOANS AND ADVANCES (Unsecured and considered good, uniess otherwise stated) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Advances recoverable in cash or kind or for value to be received | | |
| From a subsidiary | 15.08 | 101.16 |
| From others | | |
| Advances to vendors | 2000.88 | 2638.69 |
| Security Deposits | 1471.93 | 1838.86 |
| Prepaid expenses | 1160.00 | 794.14 |
| Others | 4101.19 | 1815.60 |
| | 8734.00 | 7087.29 |
| Considered doubtful | 2224.32 | 2224.32 |
| | 10958.32 | 9311.61 |
| Less : Provision for doubtful loans and advances | 2224.32 | 2224.32 |
| | 8734.00 | 7087.29 |
| Tax payments net of provisions | 2799.33 | – |
| Balance with customs and excise authorities | 776.67 | 1370.93 |
| | **12325.08** | 8559.38 |

Note 17 OTHER CURRENT ASSETS (Unsecured and considered good, unless otherwise stated) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Interest accrued on deposits | 3263.30 | 1559.45 |
| | **3263.30** | 1559.45 |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 18 REVENUE FROM OPERATIONS (₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Sale of products | | |
| Manufactured goods | | |
| Watches | 110791.53 | 94278.74 |
| Jewellery | 583715.87 | 428433.12 |
| Others | 7215.27 | 5584.07 |
| | **701722.67** | 528295.93 |
| Traded goods | | |
| Watches | 40593.66 | 29575.08 |
| Jewellery | 111580.13 | 68185.01 |
| Others | 32330.89 | 24594.69 |
| | **184504.68** | 122354.78 |
| **Total - Sale of products (a)** | **886227.35** | 650650.71 |
| **Sale of tools and components (b)** | **1171.11** | 1246.12 |
| **Income from services provided (c)** | **289.91** | 269.41 |
| Other operating revenue | | |
| Sale of precious / semi-precious stones | 6547.24 | 3230.80 |
| Sale of gold | 2170.73 | 1168.05 |
| Scrap sales | 679.53 | 521.29 |
| **Total - Other operating revenue (d)** | **9397.50** | 4920.14 |
| Revenue from operations (gross) (a+b+c+d) | 897085.87 | 657086.38 |
| Less : Excise duty | 13248.03 | 4996.87 |
| **Revenue from operations (net)** | **883837.84** | 652089.51 |

Excise duty of ₹ 13248.03 lakhs (2011: ₹ 4996.87 lakhs) reduced from gross revenue from operations in the statement of profit and loss represents excise duty on sale of products.

Note 19 OTHER INCOME (₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Interest from staff loans, vendor advances and bank deposits | 9305.26 | 5511.17 |
| Dividends on long-term, Non-trade investments - Others | 0.44 | 1.14 |
| Miscellaneous income | 89.79 | 74.80 |
| Other non-operating income | 15.91 | 20.52 |
| | **9411.40** | 5607.63 |

Note 20 (INCREASE)/ DECREASE IN FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS (₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Closing stock | | |
| Finished goods | 162020.40 | 115902.70 |
| Work-in-progress | 12100.02 | 8694.11 |
| Stock-in-trade | 62924.11 | 37262.59 |
| | **237044.53** | 161859.40 |
| Opening stock | | |
| Finished goods | 115902.70 | 80794.06 |
| Work-in-progress | 8694.11 | 10897.68 |
| Stock-in-trade | 37262.59 | 20139.52 |
| | 161859.40 | 111831.26 |
| (Increase) / decrease in inventory | **(75185.13)** | (50028.14) |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 21 EMPLOYEE BENEFITS EXPENSE (₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Salaries, wages and bonus | 33617.09 | 31132.07 |
| Company's contribution to provident and other funds (Refer Note 31) | 1484.43 | 1210.62 |
| Welfare expenses | 3240.80 | 2303.77 |
| Gratuity (Refer Note 31) | 892.02 | 1866.54 |
| | 39234.34 | 36513.00 |

Note 22 OTHER EXPENSES (₹ lakhs)

| | | Current year | Previous year |
|---|---|---|---|
| Loose tools, stores and spare parts consumed | | 7988.96 | 8347.07 |
| Agency labour | | 3351.16 | 2783.53 |
| Power and fuel | | 2519.89 | 2128.72 |
| Repairs to buildings | | 361.14 | 178.21 |
| Repairs to plant and machinery | | 997.57 | 858.32 |
| Advertising | | 38142.33 | 30326.93 |
| Selling and distribution expenses | | 8194.45 | 7275.80 |
| Insurance | | 485.37 | 359.68 |
| Rent | | 11584.47 | 7481.84 |
| Rates and taxes (Refer Note 33) | | 11826.19 | 9120.02 |
| Travel | | 2129.17 | 1888.43 |
| Bad debts written off | | 720.64 | 48.32 |
| Provision for doubtful debts / advances | 163.75 | | 34.51 |
| Less : Provision for doubtful debts of earlier years written back | 720.64 | | 48.32 |
| | | (556.89) | (13.81) |
| Irrecoverable loans and advances written off | – | | 2952.60 |
| Less : Provision for loans and advances created earlier years | – | | 2952.60 |
| | | – | – |
| Loss on sale / disposal / scrapping of fixed assets (net) | | 225.91 | 180.81 |
| Gold price hedging costs (net) | | 305.90 | 114.34 |
| General Expenses * | | 18587.23 | 13681.94 |
| Directors' Fees | | 15.13 | 14.63 |
| Commission to Non Whole-time Directors | | 290.00 | 210.00 |
| Expenses capitalised | | (270.07) | (18.62) |
| | | 106898.55 | 84966.16 |

* Includes exchange gain (net) of ₹ 201.60 lakhs (2011: ₹ 254.67 lakhs)

Note 23

Pursuant to the Scheme of amalgamation of Tanishq (India) Limited (TQL) (wholly owned subsidiary of the Company carrying on trading activities) with the Company as sanctioned by the High Court of Karnataka, all assets and liabilities have been transferred to and vested in the Company retrospectively with effect from April 1, 2010.

The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS) 14 - Accounting for Amalgamations notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006. Accordingly, the assets, liabilities and reserves have been recorded at their respective book values in the accounts of the Company.



## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 23 (Contd.) (₹ lakhs)

| | |
|---|---|
| The assets and liabilities which have merged with the parent company are as under: | |
| Cash and bank balances | 832.18 |
| Loans and advances | 26.70 |
| Investments | 15.47 |
| Current liabilities | (0.57) |
| | 873.78 |

| | |
|---|---|
| The reserve and surplus which have been added to the parent company are as under: | |
| Capital redemption reserve | 64.38 |
| General reserve | 399.59 |
| Surplus in statement of profit and loss | 29.84 |
| | 493.81 |

Note 24

Contingent Liabilities not provided for - ₹ 15845.16 lakhs (2011: ₹ 5805.51 lakhs) comprising of the following:
Sales Tax - ₹ 543.25 lakhs (2011: ₹ 412.72 lakhs)
(relating to the applicability of rate of tax, computation of tax liability, submission of certain statutory forms)

Customs Duty - ₹ 316.94 lakhs (2011: ₹ 316.94 lakhs)
(relating to compliance with the terms of notification, export obligations)

Excise Duty - ₹ 10482.86 lakhs (2011: ₹ 3331.58 lakhs)
(relating to denial of exemption by amending the earlier notification, computation of the assessable value, denial of input credit on service tax and excise duty on jewellery)

Income Tax - ₹ 4027.21 lakhs (2011: ₹ 1289.78 lakhs)
(relating to disallowance of deductions claimed)

Others - ₹ 474.90 lakhs (2011: ₹ 454.49 lakhs)
(relating to miscellaneous claims)

The above amounts are based on the notice of demand or the Assessment Orders or notification by the relevant authorities, 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.

Note 25

Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 3271.38 lakhs (2011: ₹ 3500.99 lakhs).

Note 26

The Company had received show cause notice from the Excise authorities for ₹ 2016.93 lakhs without quantifying interest and penalty, relating to the methodology of allocation and apportionment of input service tax credit. The Company has been legally advised that the notice is not sustainable.

Note 27 Other Commitments

a) Non-fund based facilities availed of ₹ 21603.00 lakhs (2011: ₹ 25801.32 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. The security covered rank pari passu with the security for the cash credit facility.

b) Estimated amount of contracts remaining to be executed on revenue account and not provided for is ₹ 8845.89 lakhs (2011: ₹ 5302.06 lakhs).

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 28 *(₹ lakhs)*

| | Current year | Previous year |
|---|---|---|
| a) Cost of materials and components consumed: | | |
| Precious metals – Gold * | 521975.87 | 366608.74 |
| – Others | 1531.94 | 1013.07 |
| Brass | 1671.38 | 1237.18 |
| Steel | 1118.92 | 754.03 |
| Components | 61316.58 | 34533.09 |
| Precious and semi-precious stones ** | 24410.20 | 28572.69 |
| Sundry charges | 2483.27 | 1769.02 |
| | 614508.16 | 434487.82 |

* Includes gold sold costing ₹ 2106.12 lakhs (2011: ₹ 1027.45 lakhs)

** Includes precious and semi-precious stones sold costing ₹ 5700.57 lakhs (2011: ₹ 2603.69 lakhs)

| | Current year | Previous year |
|---|---|---|
| b) Purchase of traded goods: | | |
| Watches | 22907.51 | 16187.75 |
| Jewellery | 81755.34 | 60711.93 |
| Others | 10425.43 | 8058.55 |
| | 115088.28 | 84958.23 |

Note 29 VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS AND COMPONENTS CONSUMED AND THE PERCENTAGE OF EACH TO THE TOTAL CONSUMPTION: *(₹ lakhs)*

| | Current year | | Previous year | |
|---|---|---|---|---|
| | ₹ lakhs | % | ₹ lakhs | % |
| Imported | | | | |
| CIF Value | 415856.92 | 68 | 299870.36 | 69 |
| Customs duties | 6886.38 | 1 | 5803.44 | 1 |
| | 422743.30 | 69 | 305673.80 | 70 |
| Indigenous | 191764.86 | 31 | 128814.02 | 30 |
| | 614508.16 | 100 | 434487.82 | 100 |

Note 30 ANALYSIS OF IMPORTS ON CIF BASIS: *(₹ lakhs)*

| | Current year | Previous year |
|---|---|---|
| Raw materials and components | 394966.42 | 289957.68 |
| Stores and spares | 781.56 | 581.71 |
| Capital goods | 2264.41 | 412.57 |
| | 398012.39 | 290951.96 |

Note 31 EMPLOYEE BENEFITS *(₹ lakhs)*

| | Current year | Previous year |
|---|---|---|
| a. Defined Contribution Plans | | |
| i) The contributions recognized in the statement of profit and loss during the year are as under: | | |
| Defined Contribution Plan | | |
| Provident Fund | 823.62 | 669.06 |
| Superannuation Fund | 317.62 | 268.00 |
| Employee Pension Fund (EPF) | 343.19 | 273.56 |
| Total | 1484.43 | 1210.62 |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 31 EMPLOYEE BENEFITS (Contd.)

ii) Contributions are made to the Company's Employees Provident Fund Trust at predetermined rates in accordance with the Fund rules. The interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such shortfall as an expense. Based on the actuarial valuation, there is no shortfall in the interest payable by the Trust to the beneficiaries as on the balance sheet date.

b. Defined Benefit Plans

(i) Funded

The Company makes annual contributions to The Titan Industries Gratuity Fund. The scheme provides for lump sum payment to vested employees at retirement, death while in employment, or on termination of employment as per the Company's Gratuity Scheme. Vesting occurs upon completion of five years of service.

The following table sets out the funded status and amounts recognised in the Company's financial statements for Gratuity: *(₹ lakhs)*

| | | Current year | Previous year |
|---|---|---|---|
| I. | Net Asset / (Liability) recognized in the balance sheet | | |
| 1. | Present value of funded obligations | 8518.30 | 7292.47 |
| 2. | Fair Value of Plan Assets | (7626.28) | (5425.93) |
| 3. | (Deficit) / surplus | (892.02) | (1866.54) |
| 4. | Net Asset / Liability | | |
| | – Assets | | |
| | – Liabilities - Current | 892.02 | 1866.54 |
| II. | Expense recognized in the statement of profit and loss | | |
| 1. | Current Service Cost | 540.50 | 373.63 |
| 2. | Interest Cost | 643.32 | 452.67 |
| 3. | Expected Return on Plan Assets | (419.80) | (327.18) |
| 4. | Actuarial Losses/ (Gains) | 128.00 | 1364.12 |
| 5. | Past Service Cost | – | 3.30 |
| | Total expenses recognised under the head 'Gratuity' (Refer note 21) | 892.02 | 1866.54 |
| III. | Change in present value of obligation | | |
| 1. | Present value of Defined Benefit Obligation at the beginning of the year | 7292.47 | 5126.23 |
| 2. | Current Service Cost | 540.50 | 373.63 |
| 3. | Interest Cost | 643.32 | 452.67 |
| 4. | Actuarial Losses/ (Gains) | 156.22 | 1392.32 |
| 5. | Past Service Cost | – | 3.30 |
| 6. | Benefits Paid | (114.21) | (55.68) |
| 7. | Present value of Defined Benefit Obligation at the end of the year | 8518.30 | 7292.47 |
| IV | Change in fair value of Plan assets | | |
| 1. | Fair value of plan assets at the beginning of the year | 5425.93 | 4191.14 |
| 2. | Expected Return on Plan assets | 419.80 | 327.19 |
| 3. | Actuarial (Losses)/ Gains | 28.22 | 28.20 |
| 4. | Assets distributed on settlement | – | – |
| 5. | Contributions by employer | 1866.54 | 935.08 |
| 6. | Benefits Paid | (114.21) | (55.68) |
| 7. | Fair value of plan assets at the end of the year | 7626.28 | 5425.93 |
| | Actual Return on Plan assets | 448.02 | 355.39 |
| V | The major categories of Plan Assets as a percentage of total Plan Assets | | |
| 1. | Government of India Securities | 51% | 45% |
| 2. | Corporate bonds | 45% | 51% |
| 3. | Others | 4% | 4% |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 31 EMPLOYEE BENEFITS (Contd.)

VI. Experience Adjustments

(₹ lakhs)

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Defined Benefit Obligation | 8518.30 | 7292.47 | 5126.23 | 4039.92 | 3387.36 |
| Plan Assets | 7626.28 | 5425.93 | 4191.14 | 3569.57 | 2877.94 |
| Surplus / (Deficit) | (892.02) | (1866.54) | (935.09) | (470.35) | (509.42) |
| Experience adjustments on Plan Liabilities | 373.15 | 501.56 | 184.56 | 225.18 | 185.42 |
| Experience adjustments on Plan Assets | 28.22 | 28.20 | 9.78 | 82.95 | 4.29 |

VII. Principal actuarial assumptions

| | | |
|---|---|---|
| Discount Rate | 8.55% p.a | 8.35% p.a |
| Expected Rate of Return on Plan Assets | 7.50% p.a | 7.50% p.a |

VIII. The employees are assumed to retire at the age of 58 or 60 years.

IX. The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables.

Expected rate of return on plan assets is based on average yield on investments. The Company is expected to contribute ₹ 800.00 lakhs to the gratuity fund for the year ending 31 March 2013.

(ii) Unfunded

The defined benefit obligations which are provided for but not funded are as under:

(₹ lakhs)

| | Liability as on March 31, 2012 | Liability as on March 31, 2011 |
|---|---|---|
| Compensated absences / Leave salary | | |
| Non-current | 5419.18 | 3840.66 |
| Current | 740.16 | 496.42 |
| | 6159.34 | 4337.08 |
| Pension - Non-current | 336.11 | 311.72 |

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

Note 32

Auditors remuneration comprises of fees for audit of statutory accounts ₹ 102.00 lakhs (2011: ₹ 85.00 lakhs), taxation matters ₹ 31.29 lakhs (2011: ₹ 24.77 lakhs), audit of consolidated accounts ₹ 8.40 lakhs (2011: ₹ 7.00 lakhs), other services ₹ 27.88 lakhs (2011: ₹ 21.90 lakhs) and reimbursement of levies and expenses ₹ 17.44 lakhs (2011: ₹ 19.13 lakhs).

Note 33

Rates and Taxes include the following:

i) ₹ 1909.72 lakhs (2011: ₹ 1763.99 lakhs) being the difference in excise duty included in closing stock and opening stock of finished goods.

ii) ₹ 4180.50 lakhs (2011: ₹ 3650.94 lakhs) being the excise duty paid on watch components transferred from Hosur factory to Dehradun, Baddi, Roorkee and Pantnagar factories.

Note 34

Finance costs include gold on lease charges of ₹ 3834.04 lakhs (2011 : ₹ 2630.76 lakhs) and interest on income tax of ₹ 117.95 lakhs (2011: ₹ 68.23 lakhs).



## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 35

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

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Royalty | 79.77 | 298.33 |
| Professional and consultancy services | 838.33 | 508.88 |
| Interest | 122.99 | 169.58 |
| Others | 1624.75 | 2357.02 |

Note 36

| | Current year | Previous year |
|---|---|---|
| **Amount remitted by the Company in foreign currency on account of dividends** | | |
| (i) Number of Shareholders | 4 | 4 |
| (ii) Number of equity shares on which dividend was paid | 347120 | 17456 |
| (iii) Year to which the dividend related | 2010-11 | 2009-10 |
| (iv) Amount remitted (net of tax) (₹lakhs) | 4.34 | 2.62 |

Note 37 EARNINGS IN FOREIGN EXCHANGE

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Export of goods on FOB basis | 16047.57 | 12689.90 |
| Others | 35.37 | 25.04 |

Note 38

Revenue expenditure directly attributable to research and development is estimated at ₹ 330.26 lakhs (2011: ₹ 301.69 lakhs)

Note 39

a) The total of future minimum lease payments in respect of premises taken on lease under non-cancellable operating leases are as follows:

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| For a period not later than one year | 3759.31 | 3795.56 |
| For a period later than one year but not later than five years | 4380.91 | 3239.87 |
| For a period later than five years | – | – |
| Total | 8140.22 | 7035.43 |

b) The Company has taken the above operating leases for non-cancellable periods ranging from 1 year to 6 years. The leases are renewable by mutual consent.

c) Lease rentals recognised in the statement of profit and loss in respect of the above operating leases is ₹ 3542.66 lakhs (2011: ₹ 4101.83 lakhs).

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 40

a) Gold futures/forwards contracts outstanding as at the year end - 978 kgs, ₹ 27890.60 lakhs (2011: 26 Kgs, ₹ 547.51 lakhs)

b) The Company has an outstanding swap to hedge its foreign currency and interest rate exposures relating to foreign currency loan of US Dollars 2.22 million (2011: US Dollars 3.33 million) equivalent to ₹ 1131.11 lakhs (2011: ₹ 1487.33 lakhs).

The Company has Nil forward exchange contracts outstanding for US Dollars Nil equivalent to ₹ Nil (2011: 12 forward exchange contracts for US Dollars 1.75 million; equivalent to ₹ 779.68 lakhs), Nil forward exchange contract for Euros Nil equivalent to ₹ Nil (2011: 1 forward exchange contract for Euros 0.09 million equivalent to ₹ 53.98 lakhs) and Nil forward exchange contracts for HKD Nil equivalent to ₹ Nil (2011: 3 forward contracts for HKD 1.8 million equivalent to ₹ 102.98 lakhs) to hedge foreign currency risk of firm commitment of sales. Further, the Company also has 3 forward exchange contracts for US Dollars 8.70 million equivalent to ₹ 4457.60 lakhs (2011: 16 forward exchange contracts for US Dollars 22.83 million equivalent to ₹ 10185.30 lakhs), 3 forward exchange contracts for HKD 60 million equivalent to ₹ 3969.50 lakhs(2011: Nil), Nil forward exchange contract for in Swiss Francs Nil equivalent to ₹ Nil (2011: 1 forward exchange contract for in Swiss Francs 0.13 million equivalent to ₹ 61.41 lakhs) and six foreign exchange contracts for Japanese Yen 143.40 million equivalent to ₹ 918.18 lakhs (2011: Nil) for firm commitment of purchases.

Marked to Market loss of ₹ 33.92 lakhs (2011 : ₹ 118.08 lakhs) has been recognized in the statement of profit and loss on these outstanding contracts.

c) The foreign currency exposures that are not hedged by a derivative instrument or otherwise as at March 31, 2012 are given below:

i) Amounts receivable in foreign currency as at March 31, 2012 (Previous year figures are in brackets)

*(Amount in lakhs)*

| Nature of receivables | ₹ | Foreign currency |
|---|---|---|
| Export of goods | | |
| USD | 3046.08 (2087.15) | 59.87 (46.83) |
| GBP | 15.86 (18.45) | 0.19 (0.26) |
| HKD | 281.90 (176.24) | 43.04 (30.77) |
| EURO | 56.17 (97.86) | 0.83 (1.55) |

ii) Amounts payable in foreign currency as at March 31, 2012 (Previous year figures are in brackets)

*(Amount in lakhs)*

| Nature of payables | ₹ | Foreign currency |
|---|---|---|
| Import of goods and services | | |
| USD | 623.45 (471.12) | 12.25 (10.56) |
| EURO | 60.72 (60.91) | 0.99 (0.96) |
| HKD | 267.32 (376.89) | 40.75 (65.73) |
| CHF | 23.90 (121.08) | 0.42 (2.48) |
| JPY | 41.59 (7.36) | 66.87 (13.67) |
| GBP | 318.80 (5.03) | 3.91 (0.07) |
| SEK | 6.18 (4.89) | 0.81 (0.68) |
| SGD | 5.19 (2.43) | 0.13 (0.07) |





## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 41 RELATED PARTY DISCLOSURES

Names of related parties and description of relationship:

| | |
|---|---|
| a) Promoters | Tamilnadu Industrial Development Corporation Limited |
| | Tata Sons Limited |
| b) Subsidiaries | Titan TimeProducts Limited |
| | Titan Properties Limited |
| | Favre Leuba AG ( from 13 January 2012) |
| | Tanishq (India) Limited {amalgamated during the year (Refer note 23)} |
| c) Associate | TVS Wind Power Limited |
| d) Key Management Personnel | Mr. Bhaskar Bhat, Managing Director |

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

*(₹ lakhs)*

| SL. No. | Nature of transaction | Promoters | Subsidiaries | Associate | Key Management Personnel | Total |
|---|---|---|---|---|---|---|
| 1. | Purchase of components and raw materials | – (–) | 1713.45 (1497.61) | – (–) | – (–) | 1713.45 (1497.61) |
| 2. | Sale of components,finished goods and fixed assets | 0.02 (–) | 46.45 (42.05) | – (–) | – (0.31) | 46.47 (42.36) |
| 3. | Reimbursement of expenses | 2.03 (5.15) | – (–) | – (–) | – (–) | 2.03 (5.15) |
| 4. | Interest expense | 37.34 (37.34) | – (1.19) | – (–) | – (–) | 37.34 (38.53) |
| 5. | Interest income | – (–) | 2.81 (–) | – (–) | – (–) | 2.81 (–) |
| 6. | Rent paid | 49.64 (41.36) | – (–) | – (–) | – (–) | 49.64 (41.36) |
| 7. | Purchase of power | – (–) | – (–) | 188.14 (–) | – (–) | 188.14 (–) |
| 8. | Dividend paid | 4280.51 (2568.31) | – (–) | – (–) | – (–) | 4280.51 (2568.31) |
| 9. | Commission and sitting fees to non whole–time directors | 80.64 (58.99) | – (–) | – (–) | – (–) | 80.64 (58.99) |
| 10. | Brand equity subscription | 1379.08 (1065.30) | – (–) | – (–) | – (–) | 1379.08 (1065.30) |
| 11. | Recovery of expenses | – (–) | 18.78 (16.39) | – (–) | – (–) | 18.78 (16.39) |
| 12. | Payment towards rendering of services | 63.31 (55.33) | – (–) | – (–) | – (–) | 63.31 (55.33) |
| 13. | Recovery towards rendering of services | – (–) | 98.46 (83.66) | – (–) | – (–) | 98.46 (83.66) |
| 14. | Managerial remuneration | – (–) | – (–) | – (–) | 320.18 (301.45) | 320.18 (301.45) |
| 15. | Redemption of 6.75% Debentures | 553.16 (–) | – (–) | – (–) | – (–) | 553.16 (–) |
| 16 | Subscription to Share capital / Application money | – (–) | 1074.22 (–) | – (150.00) | – (–) | 1074.22 (150.00) |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

### Note 41 RELATED PARTY DISCLOSURES (Contd.)

Balance as on balance sheet date

(₹ lakhs)

| SL. No. Nature of transaction | Promoters | Subsidiaries | Associate | Key Management Personnel | Total |
|---|---|---|---|---|---|
| **Debit balance** | | | | | |
| Titan TImeProducts Limited | – | 21.04 | – | – | 21.04 |
| | (–) | (101.93) | (–) | (–) | (101.93) |
| Total Debit balance | – | 21.04 | – | – | 21.04 |
| | (–) | (101.93) | (–) | (–) | (101.93) |
| **Credit balance** | | | | | |
| Tata Sons Ltd | 948.10 | – | – | – | 948.10 |
| | (624.15) | (–) | (–) | (–) | (624.15) |
| Tamilnadu Industrial Development Corporation Limited | 77.18 | – | – | – | 77.18 |
| | (55.66) | (–) | (–) | (–) | (55.66) |
| Titan Properties Limited | – | 0.24 | – | – | 0.24 |
| | (–) | (–) | (–) | (–) | (–) |
| TVS Wind Power Limited | – | – | 3.94 | – | 3.94 |
| | (–) | (–) | (–) | (–) | (–) |
| Mr. Bhaskar Bhat | – | – | – | 195.82 | 195.82 |
| | (–) | (–) | (–) | (154.97) | (154.97) |
| Total Credit balance | 1025.28 | 0.24 | 3.94 | 195.82 | 1225.28 |
| | (679.81) | (–) | (–) | (154.97) | (834.78) |

The above includes the following material related party transactions

(₹ lakhs)

| Nature of transaction | Category | Name | Amount |
|---|---|---|---|
| (a) Purchase of components and raw materials | Subsidiary | Titan TimeProducts Limited | 1713.45 |
| | | | (1497.61) |
| (b) Dividend paid | Promoter | Tamilnadu Industrial Development Corporation Limited | 3093.46 |
| | | | (1856.08) |
| | Promoter | Tata Sons Limited | 1187.05 |
| | | | (712.23) |
| (c) Brand Equity Subscription | Promoter | Tata Sons Limited | 1379.08 |
| | | | (1065.30) |
| (d) Redemption of 6.75% Debentures | Promoter | Tata Sons Limited | 553.16 |
| | | | (–) |
| (e) Subscription to Share capital / Application Money | Subsidiary | Favre Leuba A G | 1074.22 |
| | | | (–) |
| | Associate | TVS Wind Power Limited | – |
| | | | (150.00) |





## Notes forming part of the Financial Statements for the year ended 31 March 2012

### Note 42 EARNINGS PER SHARE

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

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Net profit after tax | 60015.59 | 43041.50 |
| a) Weighted average number of equity shares | 887786160 | 44389308 |
| b) i) Nominal value of shares (₹) | 1 | 10 |
| ii) Earnings per share - Basic and diluted (₹) | 6.76 | 4.85 |

Pursuant to the approval of the shareholders through postal ballot, the Board of Directors of the Company at its Meeting held on 14 June 2011 had approved the sub-division of its equity share of the face value of ₹ 10 each into 10 (ten) equity shares of ₹1 each and also for the capitalisation of an amount of ₹ 4438.93 lakhs from General reserve account of the Company towards issue and allotment as fully paid-up bonus shares in the ratio of 1 (one) equity share for every existing equity share held by the equity shareholders on the Record date i.e., 24 June 2011.

Consequently, the Earnings per Share (EPS) has been adjusted as required under AS-20 Earnings Per Share.

### Note 43 SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2012

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

(₹ lakhs)

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Net sales/income | 152007.71 | 698981.71 | 32848.42 | – | 883837.84 |
| (There is no inter–segment revenue) | (126515.13) | (501202.30) | (24372.08) | (–) | (652089.51) |
| **Segment Result** | | | | | |
| Before interest, other income and taxes. | 20708.36 | 62321.31 | (–)481.45 | (–)3744.20 | 78804.02 |
| | (18492.82) | (44018.28) | (–1820.00) | (–2946.91) | (57744.19) |
| Add : Other Income | 968.23 | 7434.20 | 32.95 | 976.02 | 9411.40 |
| | (679.09) | (4278.98) | (14.32) | (635.24) | (5607.63) |
| Profit before interest and taxes | 21676.59 | 69755.51 | (–)448.50 | (–)2768.18 | 88215.42 |
| | (19171.91) | (48297.26) | (–1805.68) | (–2311.67) | (63351.82) |
| Less : Interest (net) | | | | | 4371.53 |
| | | | | | (3451.73) |
| Profit before taxes | | | | | 83843.89 |
| | | | | | (59900.09) |
| Taxes | | | | | 23828.30 |
| | | | | | (16858.59) |
| Profit after taxes | | | | | 60015.59 |
| | | | | | (43041.50) |

## Notes forming part of the Financial Statements for the year ended 31 March 2012

Note 43 SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2012 *(CONTD.)*

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

*(₹ lakhs)*

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|---|---|---|---|---|
| Other Information | | | | | |
| Segment Assets | 81867.22 | 329918.98 | 24144.36 | 33645.36 | 469575.92 |
| | (69742.23) | (261636.01) | (18348.20) | (23829.69) | (373556.13) |
| Segment Liabilities | 31467.54 | 266055.95 | 7037.29 | 19271.84 | 323832.62 |
| | (31929.23) | (211168.30) | (6991.78) | (14007.11) | (264096.42) |
| Capital expenditure | 4368.18 | 7535.64 | 1837.26 | 511.91 | 14252.99 |
| | (2697.32) | (1717.99) | (683.26) | (1268.56) | (6367.13) |
| Depreciation/ amortisation | 1767.34 | 1606.66 | 862.54 | 253.08 | 4489.62 |
| | (1568.77) | (1048.90) | (768.78) | (61.80) | (3448.25) |
| Non cash expenses other than depreciation/ amortisation | 174.26 | 2820.57 | 84.33 | 36.67 | 3115.83 |
| | (–) | (578.70) | (–) | (161.96) | (740.66) |

Total unallocable liabilities exclude

*(₹ lakhs)*

| | 2012 | 2011 |
|---|---|---|
| Long-term borrowings | 588.89 | 945.11 |
| Foreign currency loan repayable within 12 months | 542.22 | 542.22 |
| 6.75% debentures repayable within 12 months | – | 5282.60 |
| Deferred tax liability / (asset) (Net) | (377.49) | 151.82 |

Note 44 SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2012 *(CONTD.)*

a) Secondary geographical segmentss (Previous year figures are in brackets)

| | India | Others | Total |
|---|---|---|---|
| Revenue | 867616.00 | 16221.84 | 883837.84 |
| | (639324.95) | (12764.56) | (652089.51) |

The operating facilities of the Company are commonly employed for both the domestic and export business, hence it is not possible to report segment assets and capital expenditure by geographical segments.

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

Note 44

The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year classification.

For and on behalf of the Board of Directors

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

N. Sundaradevan *Chairman*

Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
*Directors*

Chennai, 30 April 2012





## Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary companies

| | | | | |
|---|---|---|---|---|
| 1. | Name of Subsidiary | Titan TimeProducts Ltd | Titan Properties Ltd | Favre Leuba A.G. |
| 2. | Financial year of the Subsidiary | 31st March 2012 | 31st March 2012 | 31st March 2012 |
| 3. | Share of the Subsidiary held by Titan Industries Limited on the above date : | | | |
| | a) Number of shares and face value<br>*Application Money pending allotment of shares - ₹ 1074.22 lakhs | 1,900,000 equity shares of ₹ 10 each (fully paid up) | 335,020 equity shares of ₹ 10 each (fully paid up) | * |
| | b) Extent of Holding | 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 31st March 2012 | Nil | Nil | Nil |
| | b) Not dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2012 | ₹ 10,293,551 | ₹ 6,500,638 | ₹ (–) 3,034,852 |
| 5. | Net aggregate amount of profit/(loss) for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of Titan Industries Limited | | | |
| | a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2012 | Nil | Nil | Nil |
| | b Not dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2012 | ₹ 42,471,714 | ₹ 56,045,546 | – |

For and on behalf of the Board of Directors

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

N. Sundaradevan *Chairman*

Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
*Directors*

Bangalore, 25 June 2012

## Statement Pursuant to exemption granted under Section 212(8) of the Companies Act, 1956, relating to Subsidiary companies as at 31 March 2012

(₹ in lakhs)

| Name of Subsidiary | Titan TimeProducts Ltd | Titan Properties Ltd | Favre Leuba A.G. |
|---|---|---|---|
| (a) Share Capital | 1,90,00,000 | 3,350,200 | –* |
| (b) Reserves | 58,617,809 | 62,370,856 | (3,034,852) |
| (c) Total Assets | 135,643,510 | 75,185,481 | 104,386,780 |
| (d) Total Liabilities | 58,025,701 | 9,464,425 | – |
| (e) Income | 259,054,691 | 21,240,449 | – |
| (f) Profit before tax | 14,592,345 | 9,407,638 | (3,034,852) |
| (g) Taxes | 4,298,794 | 2,907,000 | – |
| (h) Profit after tax | 10,293,551 | 6,500,638 | (3,034,852) |
| (i) Proposed Dividend | Nil | Nil | Nil |

* Share application money pending allotment ₹ 1074.22 lakhs

For and on behalf of the Board of Directors

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

N. Sundaradevan *Chairman*

Ishaat Hussain
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K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
*Directors*

Bangalore, 25 June 2012





## AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF TITAN INDUSTRIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of TITAN INDUSTRIES LIMITED ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in an associate company accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

3. The financial statements of an associate company in respect of which the Group's share of loss of Rs. 14.37 lakhs for the year ended 31st March, 2012 is reflected in the Consolidated Financial Statements on the basis of unaudited financial information provided by the Management of the associate company.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company and its subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2012;

   (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and

   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS
*Chartered Accountants*
(Registration No. 008072S)

V. Srikumar
*Partner*
(Membership No. 84494)

Chennai, 30 April, 2012

## Consolidated Balance Sheet as at 31 March 2012

(₹ lakhs)

| Particulars | Note No. | As at 31-03-2012 | As at 31-03-2011 |
|---|---|---|---|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share capital | 4.1 | 8877.86 | 4438.93 |
| (b) Reserves and surplus | 4.2 | 137214.04 | 99122.98 |
| | | 146091.90 | 103561.91 |
| (2) Non-current liabilities | | | |
| (a) Long-term borrowings | 5.1 | 588.89 | 945.11 |
| (b) Deferred tax liabilities (Net) | 13(b) | – | 208.80 |
| (c) Other long-term liabilities | 6 | 1145.30 | 278.77 |
| (d) Long-term provisions | 7 | 5932.72 | 4277.14 |
| | | 7666.91 | 5709.82 |
| (3) Current liabilities | | | |
| (a) Short-term borrowings | 5.2 | – | 49.77 |
| (b) Trade payables | 8 | 175291.68 | 152619.04 |
| (c) Other current liabilities | 9 | 118860.48 | 96045.66 |
| (d) Short-term provisions | 10 | 23677.54 | 17863.84 |
| | | 317829.70 | 266578.31 |
| Total | | 471588.51 | 375850.04 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 11(a) | 36304.90 | 27492.03 |
| (ii) Intangible assets | 11(b) | 2087.13 | 1350.23 |
| (iii Capital work-in-progress | | 2485.21 | 1664.28 |
| (b) Non-current investments | 12 | 243.87 | 258.24 |
| (c) Deferred tax asset (Net) | 13(b) | 349.77 | – |
| (d) Long-term loans and advances | 14 | 12817.24 | 12160.66 |
| (2) Current assets | | | |
| (a) Inventories | 15 | 288201.95 | 199811.68 |
| (b) Trade receivables | 16 | 16519.44 | 11763.00 |
| (c) Cash and bank balances | 17 | 96709.48 | 110988.54 |
| (d) Short-term loans and advances | 18 | 12591.76 | 8783.66 |
| (e) Other current assets | 19 | 3277.76 | 1577.72 |
| | | 417300.39 | 332924.60 |
| Total | | 471588.51 | 375850.04 |

See accompanying notes forming part of the financial statements.

In terms of our report attached
For DELOITTE HASKINS & SELLS
*Chartered Accountants*

V. Srikumar
*Partner*

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

For and on behalf of the Board of Directors

N. Sundaradevan — *Chairman*

Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
— *Directors*

Chennai, 30 April 2012



## Statement of Consolidated Profit & Loss for the year ended 31 March 2012

(₹ lakhs)

| Particulars | Note No. | Current Year | Previous Year |
|---|---|---|---|
| I. Revenue from operations (gross) | 20 | 898314.55 | 658503.61 |
| Less: Excise duty | | 13471.78 | 5190.01 |
| Revenue from operations (net) | | 884842.77 | 653313.60 |
| II. Other Income | 21 | 9447.46 | 5679.71 |
| **III. Total Revenue (I +II)** | | **894290.23** | 658993.31 |
| IV. Expenses: | | | |
| Cost of materials and components consumed | | 614008.68 | 434208.88 |
| Purchase of traded goods | | 115088.28 | 84958.23 |
| (Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods | 22 | (75075.15) | (49865.30) |
| Employee benefits expense | 23 | 39774.87 | 36951.42 |
| Financial costs | 32 | 4373.14 | 3454.12 |
| Depreciation and amortization expense | | 4561.59 | 3511.17 |
| Other expenses | 24 | 107510.51 | 85453.63 |
| Total Expenses | | 810241.92 | 598672.15 |
| V. Profit before tax (III - IV) | | 84048.31 | 60321.16 |
| VI. Tax expense: | | | |
| (1) Current tax | | 23989.31 | 17008.06 |
| (2) Deferred tax | | (558.57) | (325.45) |
| (3) Taxes of earlier years | | 467.61 | 324.97 |
| Total Tax | | 23898.35 | 17007.58 |
| VII. Profit before share of loss of associate (V-VI) | | 60149.96 | 43313.58 |
| Less: Share of loss of associate | 37 | 14.37 | 1.15 |
| VIII. Net profit | | 60135.59 | 43312.43 |
| IX. Earnings per equity share of ₹1 (2011 : ₹10) each: | 35 | | |
| (1) Basic | | 6.77 | 4.88 |
| (2) Diluted | | 6.77 | 4.88 |

See accompanying notes forming part of the financial statements.

In terms of our report attached
For DELOITTE HASKINS & SELLS
*Chartered Accountants*

V. Srikumar
*Partner*

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

For and on behalf of the Board of Directors

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V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
— *Directors*

Chennai, 30 April 2012

## Consolidated Cash Flow Statement for the year ended 31 March 2012

(₹ lakhs)

| Particulars | Note No. | Current Year | Previous Year |
|---|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net profit before tax | | 84048.31 | 60321.16 |
| Adjustments for : | | | |
| – Depreciation / Amortisation | | 4561.59 | 3511.17 |
| – Unrealised exchange difference (net) | | 2919.65 | 143.75 |
| – Marked to Market loss | | 33.92 | 118.08 |
| – Loss on sale/ disposal/ scrapping of fixed assets (net) | | 235.32 | 185.64 |
| – Bad debts / advances written off | | 725.21 | 58.91 |
| – Provision for doubtful debts/ advances | | (554.37) | (16.73) |
| – Interest income | | (9341.29) | (5584.13) |
| – Dividend income | | (0.44) | (1.14) |
| – Interest expense | | 4373.14 | 3454.12 |
| Operating profit before working capital changes | | 87001.04 | 62190.83 |
| Adjustments for : | | | |
| – (Increase)/decrease in sundry debtors | | (4917.63) | (2285.29) |
| – (Increase)/decrease in inventories | | (88390.27) | (65269.83) |
| – (Increase)/decrease in loans and advances | | (2921.84) | (2071.62) |
| – Increase/(decrease) in current liabilities and provisions | | 50855.77 | 130172.07 |
| Cash generated from operations | | 41627.07 | 122736.16 |
| – Direct taxes paid | | (25681.71) | (17404.54) |
| Net cash from operating activities | | 15945.36 | 105331.62 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Additions to fixed assets(including capital work in progress and advances on capital account) | | (14777.56) | (6517.35) |
| Proceeds from sale of fixed assets | | 150.86 | 85.50 |
| Purchase of investments- Others | | – | (150.00) |
| Proceeds from redemption of investments | | – | 50.13 |
| Dividends received | | 0.44 | 1.14 |
| Interest received | | 7641.25 | 4034.84 |
| Net cash used in investing activities | | (6985.01) | (2495.74) |

## Consolidated Cash Flow Statement *(Contd.)* for the year ended 31 March 2012

(₹ lakhs)

| Particulars | Note No. | Current Year | Previous Year |
|---|---|---|---|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from new borrowings | | – | 12.12 |
| Repayment of borrowings | | (5857.01) | (542.22) |
| Dividends paid | | (11018.54) | (6615.83) |
| Tax on dividends paid | | (1800.26) | (1105.88) |
| Interest paid | | (4817.98) | (3432.33) |
| Net cash used in financing activities | | (23493.79) | (11684.14) |
| Net cash flows during the year (A+B+C) | | (14533.44) | 91151.74 |
| Cash and bank balances (opening balance) | | 110988.54 | 19729.68 |
| Add / ( Less) :Unrealised exchange (gain) / loss | | (64.39) | 42.73 |
| | | 110924.15 | 19772.41 |
| Cash and bank balances (closing balance) | | 96709.48 | 110988.54 |
| Add / ( Less) :Unrealised exchange (gain) / loss | | (318.77) | (64.39) |
| | | 96390.71 | 110924.15 |
| Increase / (decrease) in cash and bank balances | | (14533.44) | 91151.74 |

See accompanying notes forming part of the financial statements.

In terms of our report attached
For DELOITTE HASKINS & SELLS
*Chartered Accountants*

V. Srikumar
*Partner*

Chennai, 30 April 2012

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

For and on behalf of the Board of Directors

N. Sundaradevan — *Chairman*

Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
— *Directors*

# Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

## Note 01 BASIS OF CONSOLIDATION

The Consolidated Financial Statements relates to Titan Industries Limited ("the Company"), its subsidiary companies and an associate company. The Company and its subsidiaries constitute the "Group". The Consolidated Financial Statements have been prepared on the following basis:

The Financial Statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and unrealised profits or losses as per Accounting Standard (AS) 21 – Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules, 2006 (as amended). The excess of the Company's portion of equity of the subsidiaries as at the date of its investment over the cost of its investment is treated as Capital Reserve on Consolidation. The excess of cost to the Company of its investment over the Company's portion of equity as at the date of investment is treated as Goodwill on Consolidation.

Investment in associate company is accounted for using equity method as per AS 23 – "Accounting for Investments in Associates in Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006 (as amended).

The subsidiary companies which are included in the consolidation and the Company's holdings therein are as under:

| Name of the Company | Country of incorporation | Ownership interest 31-03-2012 | Ownership interest 31-03-2011 |
|---|---|---|---|
| Titan TimeProducts Limited | India | 100% | 100% |
| Titan Properties Limited | India | 100% | 100% |
| Tanishq (India) Limited(*) | India | – | 100% |
| Favre Leuba A.G. (from 13 January 2012) | Switzerland | 100% | – |

(*) Amalgamated during the year (Refer note 25)

The Associate Company which is included in the consolidation and the Company's holdings therein are as under:

| Name of the Company | Country of incorporation | Ownership interest 31-03-2012 | Ownership interest 31-03-2011 |
|---|---|---|---|
| TVS Wind Power Limited | India | 26.79% | 26.79% |

The financial statements of the subsidiary companies and the associate company included in the consolidation are drawn up to the same reporting date as that of the Company i.e. 31 March 2012.The financial statements of all subsidiaries included in consolidation except Favre Leuba A.G. are audited. The figures used in consolidation of Favre Leuba A.G. and for equity accounting of the investment in the associate company are unaudited.

## Note 02 THE PARTICULARS OF INVESTMENT MADE DURING THE YEAR IN A SUBSIDIARY COMPANY ARE AS FOLLOWS:

*(₹ lakhs)*

| Name of the Company | Year ended | Original cost of investment | Amount of Goodwill/ (-) Capital Reserve in Original Cost |
|---|---|---|---|
| Favre Leuba A.G. | 31st March 2012 | 1074.22 | – |

## Note 03 ACCOUNTING POLICIES

The financial statements have been prepared on an accrual basis under the historical cost convention in accordance with the accounting principles generally accepted in India and materially comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 (as amended), and by the Institute of Chartered Accountants of India.

i) Use of estimates: The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.





# Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

## Note 03 ACCOUNTING POLICIES (Contd.)

ii) Revenue recognition: Revenue from sale of goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer which generally coincides when the goods are dispatched from the factory/ stock points / or delivered to customers as per the terms of the contract. Service revenue is recognised on rendering services.

Revenue from sale of property is recognised on percentage of completion method.

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.

iii) Tangible fixed assets: All fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and all other attributable costs of bringing the assets to working condition for intended use.

Capital work-in-progress comprises the cost of fixed assets that are not ready for their intended use at the balance sheet date.

iv) Depreciation: Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for the following, which are based on the useful life of the assets estimated by the management:

| | |
|---|---|
| Computers | – @ 25% instead of 16.21% |
| Vehicles | – @ 25% instead of 9.50% |
| Furniture & Fixtures | –@ 20% instead of 6.33% |

v) Intangible assets and amortisation: Trademarks are capitalised at acquisition cost including directly attributable cost and are amortised over a period of 120 months from the month of acquisition. The expected pattern of economic benefits from the use of trademarks is reviewed periodically and additional amortisation, if required, is provided.

vi) Foreign currency transactions:

a) Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities (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 statement of profit and loss.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized 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.

b) In case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at exchange rate prevailing on the date of transactions. Exchange difference arising out of these transactions are charged to the statement of profit and loss account.

vii) Derivative Accounting: The Company uses derivative financial instruments to manage risks associated with gold price fluctuations relating to certain highly probable forecasted transactions, foreign currency fluctuations relating to certain firm commitments and foreign currency and interest rate exposures relating to foreign currency loan. The Company applies the hedge accounting principles set out in Accounting Standard (AS) 30 - Financial Instruments: Recognition and Measurement and has designated derivative financial instruments taken for gold price fluctuations as 'cash flow' hedges relating to highly probable forecasted transactions. All such derivative financial instruments are supported by an underlying transaction and are not for trading or speculative purposes.

The use of derivative financial instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such instruments consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in hedging reserve and the ineffective portion is recognised immediately in the statement of profit and loss.

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 03 ACCOUNTING POLICIES (Contd.)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in hedging reserve is retained until the forecast transaction occurs upon which it is recognized in the statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in hedging reserve is recognized immediately to the statement of profit and loss.

Changes in the fair value of derivative financial instruments that have not been designated as hedging instruments are recognised in the statement of profit and loss as they arise.

viii) Investments: All long term investments are valued at cost. Provision for diminution in value is made to recognise any decline, other than temporary, in the value of investments.

ix) Transfer to debenture redemption reserve is made pro-rata over the life of the debentures in terms of the requirements of the Companies Act, 1956.

x) Inventories: Inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows:

a) Gold is valued on first-in-first-out basis.
b) Consumable stores, loose tools, raw materials and components are valued on a moving weighted average rate.
c) Work-in-progress and manufactured goods are valued on full absorption cost method based on the average cost of production.
d) Traded goods are valued on a moving weighted average rate/ cost of purchases.

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

xii) Employee benefits:

Short term employee benefits

All short term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences are recognised on an undiscounted basis and charged to the statement of profit and loss.

Defined Contribution plan

Company's contributions to the Superannuation Fund which is managed by a Trust and Pension Fund administered by Regional Provident Fund Commissioner are debited to the statement of profit and loss on an accrual basis.

Contribution to the Company's Provident Fund Trust is made at predetermined rates and debited to the statement of profit and loss account.

Contribution to Provident Fund and Pension Fund (of a subsidiary) are made at predetermined rates to the Regional Provident Fund Commissioner and debited to the statement of profit and loss account on an accrual basis.

Defined Benefit Plan:

Contribution to the Company's Gratuity Trust, liability towards pension of retired managing director and provision towards leave salary benefit is provided on the basis of an actuarial valuation using the projected unit credit method and is debited to statement of profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognised in the statement of profit and loss account.

xiii) Taxes on Income: Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

xiv) Segment accounting: Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.





## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 03 ACCOUNTING POLICIES (Contd.)

The Group's primary segments consist of Watches, Jewellery and Others, where 'Others' include Eye wear, Precision Engineering, Machine Building and Clocks.

Segment assets and liabilities include all operating assets and liabilities. Segment results include all related income and expenditure. Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

xv) Impairment of assets: Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the assets/ cash generating units. If any indication exists, an impairment loss is recognized when the carrying amount exceeds the greater of net selling price and value in use.

xvi) Provisions and Contingencies: A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes.

Contingent Assets are neither recognised nor disclosed in the financial statements.

Note 4.1 SHARE CAPITAL

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. of shares in lakhs | Amount ₹lakhs | No. of shares in lakhs | Amount ₹lakhs |
| a) Authorised share capital | | | | |
| Equity share of ₹1 ( 2011: ₹10) each | 12000.00 | 12000.00 | 800.00 | 8000.00 |
| Redeemable cumulative preference shares of ₹100 each | 40.00 | 4000.00 | 40.00 | 4000.00 |
| b) Issued, subscribed and fully paid up share capital | | | | |
| Equity share of ₹1 ( 2011: ₹10) each fully paid up | 8877.86 | 8877.86 | 443.89 | 4438.93 |

c) Rights of shareholders :

The Company has only one class of equity shareholders. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting.

d) Reconciliation of the shares outstanding at the beginning and at the end of the year

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. lakhs | ₹lakhs | No. lakhs | ₹lakhs |
| Equity shares | | | | |
| At the beginning of the year | 443.89 | 4438.93 | 443.89 | 4438.93 |
| Add: Sub-division of shares | 3995.04 | – | – | – |
| Add : Issue of bonus shares | 4438.93 | 4438.93 | – | – |
| At the end of the year | 8877.86 | 8877.86 | 443.89 | 4438.93 |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

### Note 4.1 SHARE CAPITAL (Contd.)

e) Shareholders holding more than 5% shares in the Company (No. in lakhs)

| Name | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. of shares held | % total holding | No. of shares held | % total holding |
| Tamilnadu Industrial Development Corporation Limited | 2474.77 | 27.88 | 123.74 | 27.88 |
| Tata Group | | | | |
| Tata Sons Limited | 963.45 | 10.85 | 47.48 | 10.70 |
| Kalimati Investment Company Limited | 775.56 | 8.74 | 38.78 | 8.74 |
| Tata Investment Corporation Ltd | 172.26 | 1.94 | 8.61 | 1.94 |
| Tata Chemicals Ltd | 138.26 | 1.56 | 6.91 | 1.56 |
| Tata Global Beverages Ltd (formerly Tata Tea Ltd) | 92.48 | 1.04 | 4.62 | 1.04 |
| Ewart Investments Ltd | 49.64 | 0.56 | 2.48 | 0.56 |
| Tata International Ltd | 25.60 | 0.29 | 1.97 | 0.44 |
| Piem Hotels Ltd | 18.06 | 0.20 | 0.90 | 0.20 |
| Total - Tata Group | 2235.31 | 25.18 | 111.75 | 25.18 |
| Jhunjhunwala Rakesh Radheshyam | 666.29 | 7.51 | 33.05 | 7.45 |

### Note 4.2 RESERVES AND SURPLUS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| a) Capital reserve | 13.28 | 13.28 |
| b) Capital reserve on consolidation | | |
| As per last Balance sheet | 65.48 | 65.48 |
| Less : On amalgamation | 30.06 | – |
| | 35.42 | 65.48 |
| c) Capital redemption reserve | | |
| As per last Balance sheet | 10.00 | 10.00 |
| Add : On amalgamation (Refer Note 25) | 64.38 | – |
| | 74.38 | 10.00 |
| d) Share premium Account | 13888.27 | 13888.27 |
| e) Debenture redemption Reserve | | |
| As per last Balance Sheet | 2597.00 | 2069.00 |
| Add : Transfer from statement of profit and loss | – | 528.00 |
| Less: Transfer to general reserve | 2597.00 | – |
| | – | 2597.00 |
| f) Hedging Reserve | | |
| As per last Balance Sheet | 1.62 | 45.90 |
| Add : Effects of variation in commodity prices on hedging instruments outstanding at the end of the year | 0.57 | 1.62 |
| Less : Transferred to statement of profit and loss | 1.62 | 45.90 |
| | 0.57 | 1.62 |
| g) General Reserve | | |
| As per last balance sheet | 38337.34 | 24691.34 |
| Add : Transfer from debenture redemption reserve | 2597.00 | – |
| Add : On amalgamation (Refer Note 25) | 399.59 | – |
| Less : Utilised during the year for issuing bonus shares | 4438.93 | – |
| Add : Transfer from statement of profit and loss | 21631.00 | 13646.00 |
| | 58526.00 | 38337.34 |





## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

### Note 4.2 RESERVES AND SURPLUS (Contd.) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| h) Surplus in the statement of profit and loss | | |
| Opening Balance | 44209.99 | 27969.15 |
| Add : Profit for the year | 60135.59 | 43312.43 |
| Add : On amalgamation | 18.17 | – |
| | 104363.75 | 71281.58 |
| Less: | | |
| Transfer to debenture redemption reserve | – | 528.00 |
| Proposed dividend on equity shares | 15536.26 | 11097.33 |
| Tax on dividends | 2520.37 | 1800.26 |
| Transfer to general reserve | 21631.00 | 13646.00 |
| Net surplus in statement of profit and loss | 64676.12 | 44209.99 |
| Reserves and surplus | 137214.04 | 99122.98 |

### Note 5.1 LONG-TERM BORROWINGS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Term loans | | |
| From banks - Secured | | |
| Foreign Currency loan | 588.89 | 945.11 |
| | 588.89 | 945.11 |

An amount of ₹ 542.22 lakhs (2011: ₹ 542.22 lakhs) of Foreign currency loan which is repayable within 12 months have been grouped under other current liabilities.

The above foreign currency loan aggregating ₹ 1131.11 lakhs (2011: ₹ 1487.33 lakhs) is secured by a first charge over the Company's present and future fixed (movable and immovable) assets and is repayable in 9 semi-annual installments starting February 2010.

### Note 5.2 SHORT-TERM BORROWINGS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Loans repayable on demand | | |
| – from banks - Secured* | – | 49.77 |
| | – | 49.77 |

* Cash credit account secured by hypothecation of inventories, spares and book debts both present and future.

### Note 06 OTHER LONG-TERM LIABILITIES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Payables - capital goods | 1145.30 | 278.77 |
| | 1145.30 | 278.77 |

### Note 07 LONG-TERM PROVISIONS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Provision for retiring gratuities (Refer Note 30) | 115.01 | 82.35 |
| Provision for Leave salaries (Refer Note 30) | 5481.60 | 3883.07 |
| Provision for Pension (Refer Note 30) | 336.11 | 311.72 |
| | 5932.72 | 4277.14 |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 08

Trade Payables include amounts due to micro enterprises and small enterprises as under:

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| i) Principal amounts unpaid | 238.48 | 86.54 |
| Interest due on above | – | – |
| | 238.48 | 86.54 |

ii) No interest payments have been made during the year.

iii) The above information regarding dues to Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Note 09 OTHER CURRENT LIABILITIES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Advances from customers {Refer Note (a) below} | 95074.62 | 66,896.61 |
| Interest accrued and not due on borrowings | – | 327.79 |
| Unearned revenue | 21.57 | 139.21 |
| Unclaimed dividends | 238.07 | 159.28 |
| Unclaimed matured fixed deposits | 4.55 | 5.95 |
| Foreign currency loan repayable within 12 months {Refer Note 5.1} | 542.22 | 542.22 |
| 6.75% debentures repayable within 12 months {Refer note (b) below} | – | 5265.02 |
| Statutory dues | 4096.55 | 3442.23 |
| Deferred income through group transaction | – | 449.96 |
| Other Liabilities - Others | 18882.90 | 18817.39 |
| | 118860.48 | 96045.66 |

a) Advances from customers include advances received of ₹ 85663.80 lakhs (2011: ₹ 58779.77 lakhs) towards sale of jewellery products under various sale initiatives / retail customer programmes.

b) The 6.75% debentures redeemable at par at the end of five years from the dates of allotment on May 12, 2006 and June 09, 2006 and secured by way of legal mortgage on the immovable properties and plant and machinery situated at Hosur were redeemed during the year.

Note 10 (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| a) Short-term provisions | | |
| Proposed Dividend on equity shares | 15536.26 | 11097.33 |
| Tax on dividends | 2520.37 | 1800.26 |
| Provision for gratuity (Refer Note 30) | 895.58 | 1871.84 |
| Provision for leave salaries (Refer Note 30) | 744.84 | 499.36 |
| Others {Refer note (c) below} | 3980.49 | 2595.05 |
| Total | 23677.54 | 17863.84 |

b) The Board of Directors, in their meeting on April 30, 2012, proposed a dividend of ₹1.75 per equity share. The proposal is subject to the approval of shareholders at the Annual General Meeting to be held on 26 July, 2012, and if approved, would result in a cash outflow of approximately ₹18056.63 lakhs inclusive of corporate dividend tax of ₹2520.37 lakhs.

Dividend recognized as distributions to equity shareholders for the year ended March 31, 2011 was ₹25 per share.

c) Others include

(i) Provision for warranty - ₹373.95 lakhs (2011: ₹264.88 lakhs).

The Company gives warranty on all products except jewellery, undertaking to repair or replace the items that fail to perform





## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 10 (Contd.)

satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Provision made and utilised/reversed during the year is ₹373.95 lakhs (2011: ₹ 264.88 lakhs) and ₹264.88 lakhs (2011: ₹228.48 lakhs) respectively.

(ii) Provision for Customer Loyalty programmes - ₹3606.54 lakhs (2011: ₹2330.17 lakhs)

The Company has a scheme of reward points on purchase of certain products by customers which can be redeemed at the time of future purchases. Provision is made based on past experience. Additional provision made and utilised/reversed during the year is ₹3787.51 lakhs (2011: ₹3311.74 lakhs) and ₹2511.14 lakhs (2011: ₹1969.01 lakhs) respectively.

Note 11

a) Tangible Assets

Gross Block (₹ lakhs)

| Particulars | Gross Block | | | |
|---|---|---|---|---|
| | Cost as at April 1, 2011 | Additions | Deductions | Cost as at March 31, 2012 |
| Land -freehold | 227.19 | 588.41 | 0.16 | 815.44 |
| Land - leasehold | 541.96 | 949.28 | – | 1491.24 |
| Buildings | 6979.71 | 547.44 | 30.48 | 7496.67 |
| Plant, machinery and equipment | 46052.87 | 5691.82 | 1082.30 | 50662.39 |
| Furniture, fixtures and equipment | 6631.05 | 4947.99 | 424.18 | 11154.86 |
| Office equipment | 810.62 | 510.70 | 40.14 | 1281.18 |
| Vehicles | 980.27 | 271.83 | 87.79 | 1164.31 |
| Total | 62223.67 | 13507.47 | 1665.05 | 74066.09 |
| Previous Year | 57412.66 | 5845.78 | 1034.77 | 62223.67 |

Tangible Assets - Depreciation and net block (₹ lakhs)

| Particulars | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|
| | Upto March 31, 2011 | For the year | Deductions | As at March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| Land -freehold | – | – | – | 815.44 | 227.19 | |
| Land - leasehold | 9.68 | 0.51 | – | 10.19 | 1481.05 | 532.28 |
| Buildings | 2206.09 | 201.59 | 6.04 | 2401.64 | 5095.03 | 4773.62 |
| Plant, machinery and equipment | 28175.44 | 2029.98 | 826.32 | 29379.10 | 21283.29 | 17877.43 |
| Furniture, fixtures and equipment | 3737.53 | 1776.99 | 350.31 | 5164.21 | 5990.65 | 2893.52 |
| Office equipment | 150.03 | 71.05 | 17.36 | 203.72 | 1077.46 | 660.59 |
| Vehicles | 452.87 | 228.30 | 78.84 | 602.33 | 561.98 | 527.40 |
| Total | 34731.64 | 4308.42 | 1278.87 | 37761.19 | 36304.90 | 27492.03 |
| Previous Year | 32237.27 | 3258.00 | 763.63 | 34731.64 | 27492.03 | |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 11 (Contd.)

b) Intangible assets

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Opening Gross Block | 6327.11 | 6327.11 |
| Additions during the year | 990.07 | – |
| Deductions during the year | – | – |
| Closing Gross Block | **7317.18** | 6327.11 |
| Opening Amortisation | 4976.88 | 4723.71 |
| Amortisation for the year | 253.17 | 253.17 |
| **Total Amortisation** | **5230.05** | 4976.88 |
| **Net Block** | **2087.13** | 1350.23 |

Note 12 NON-CURRENT INVESTMENTS (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| **Trade investments - unquoted** | | |
| **In associate companies** | | |
| Carrying amount of investment in TVS Wind Power Limited {Refer Note (a) below and note 37} | 134.48 | 148.85 |
| **Non-Trade investments - quoted** | | |
| 100 (2011 : 100) fully paid equity shares of ₹10 each in Timex Watches Limited | 0.01 | 0.01 |
| 1,000 (2011 : 1,000) fully paid equity shares of ₹10 each in National Radio Electronics Company Limited | 0.10 | 0.10 |
| 2,025 (2011 : 2,025) fully paid equity shares of ₹10 each in Tata Steel Limited | 4.62 | 4.62 |
| 6000 (2011 : 6000) fully paid equity shares of ₹1 each in Tata Global Beverages Limited | 2.34 | 2.34 |
| 560 (2011 : 560) fully paid equity shares of ₹10 each in Tata Chemicals Limited | 1.40 | 1.40 |
| 300 (2011 : 300) fully paid equity shares of ₹10 each in Trent Limited | 0.92 | 0.92 |
| 100 (2011 : 100) fully paid equity shares of ₹10 each in Titan Alloys Limited | 0.02 | 0.02 |
| 100 (2011: 100) fully paid equity shares of ₹10 each in Titan Foods and Fashions Limited | 0.01 | 0.01 |
| 100 (2011 : 100) fully paid equity shares of ₹10 each in Titan Biotech Limited | 0.02 | 0.02 |
| 100 (2011 : 100) fully paid equity shares of ₹10 each in Titan Securities Limited | 0.01 | 0.01 |
| | **9.45** | 9.45 |
| Less : Provision for diminution | 0.06 | 0.06 |
| | **9.39** | 9.39 |
| **Non-Trade investments -Unquoted** | | |
| 5,25,000 lakh (2011: 5,25,000 lakh) fully paid equity shares of ₹10 each in Innoviti Embedded Solutions Private Limited | 100.00 | 100.00 |
| | **243.87** | 258.24 |
| Aggregate amount of quoted investments | 9.39 | 9.39 |
| Aggregate amount of unquoted investments | 234.48 | 248.85 |
| Market value of quoted investments | 21.63 | 24.10 |



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 12 NON-CURRENT INVESTMENTS (Contd.)

a) The Company has given an undertaking not to sell or encumber in any manner its investments in TVS Wind Power Limited in accordance with the Equity Participation agreement.

b) A Petition has been filed by the Company's subsidiary Titan Properties Limited as the Transferor Company, seeking sanction to the Scheme of Amalgamation with the Company on the appointed date i.e. 1 April 2011. No shares of the Company are to be issued pursuant to the Scheme. Based on the application made under section 391 of the Companies Act, 1956, the Chennai High Court having jurisdiction over the Transferor Company has granted dispensation of the meetings of shareholders and creditors of the Transferor Company. The final order sanctioning the said scheme of Amalgamation as aforesaid is awaited.

Note 13

a) Deferred tax asset/liability

(₹ lakhs)

| | 2011 | Tax effect for the year | 2012 |
|---|---|---|---|
| **Deferred Tax (Liability)** | | | |
| Fixed assets | (2447.83) | 18.66 | (2429.17) |
| **Sub Total** | (2447.83) | **18.66** | **(2429.17)** |
| **Deferred Tax Asset** | | | |
| Provision for doubtful debts/advances | 241.89 | (179.02) | 62.87 |
| Employee benefits | 1378.66 | 608.32 | 1986.98 |
| Others | 618.48 | 110.61 | 729.09 |
| **Sub Total** | 2239.03 | **539.91** | **2778.94** |
| **Net deferred tax (liability)/ asset** | (208.80) | **558.57** | **349.77** |

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| **b) Classified on company wise basis:** | | |
| i) Deferred tax asset | 377.49 | – |
| ii) Deferred tax liability | (27.72) | (208.80) |
| **Net deferred tax asset/ (liability)** | **349.77** | (208.80) |

Note 14 LONG TERM LOANS AND ADVANCES (Unsecured and considered good unless otherwise stated) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Capital advances | 600.90 | 273.21 |
| Less: Provision for doubtful advances | 2.07 | – |
| | **598.83** | 273.21 |
| Other advances: | | |
| – Security deposits | 7013.40 | 5049.34 |
| – Employee loans | 1032.83 | 871.00 |
| – Other deposits | 523.87 | 748.36 |
| – Tax payments, net of provisions | 3648.31 | 5218.75 |
| | **12817.24** | 12160.66 |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 15 INVENTORIES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Raw materials | 49776.62 | 36244.71 |
| Raw materials - in Transit | 210.47 | 532.70 |
| Work-in-progress | 12118.14 | 8716.83 |
| Contract work-in-progress | 93.14 | 102.45 |
| Finished goods | 161954.50 | 115990.57 |
| Finished goods - In transit | 57.70 | – |
| Stock in trade | 62924.11 | 37262.59 |
| Store and spares | 552.92 | 471.39 |
| Loose tools | 514.35 | 490.44 |
| | **288201.95** | 199811.68 |

Note 16 TRADE RECEIVABLES (Unsecured) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| Considered good | 367.70 | 296.09 |
| Considered doubtful | 189.23 | 745.54 |
| | **556.93** | 1041.63 |
| Less : Provision for doubtful debts | 189.23 | 745.54 |
| | **367.70** | 296.09 |
| Other Trade Receivables | | |
| Considered good | 16151.74 | 11466.91 |
| | **16519.44** | 11763.00 |

Note 17 CASH AND BANK BALANCES (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Cash and cash equivalents | | |
| a) Balance with banks* | 8119.05 | 7369.11 |
| b) Cheques, drafts on hand | 881.36 | 385.42 |
| c) Cash in hand | 938.42 | 519.34 |
| d) Short term deposits with banks | 12320.00 | 1050.00 |
| | **22258.83** | 9323.87 |
| Other bank balances | | |
| a) Earmarked balances with banks | | |
| Unclaimed dividend | 236.67 | 157.89 |
| Unclaimed debenture interest | 15.75 | 3.55 |
| Share application money received for allotment of rights shares and due for refund | 3.23 | 3.23 |
| b) Fixed Deposits held as margin money against bank guarantee | 1100.00 | – |
| c) Short term deposits with banks with more than three months maturity | 73095.00 | 101500.00 |
| | **74450.65** | 101664.67 |
| | **96709.48** | 110988.54 |

* Includes Funds in transit - ₹ 2058.14 lakhs (2011: ₹ 1555.28 lakhs)

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 18 SHORT-TERM LOANS AND ADVANCES (Unsecured and considered good, unless otherwise stated) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Advances recoverable in cash or kind or for value to be received | | |
| Advances to vendors | 2005.29 | 2676.89 |
| Security Deposits | 1471.93 | 1838.86 |
| Prepaid expenses | 1174.72 | 802.08 |
| Others | 4118.82 | 1818.46 |
| | 8770.76 | 7136.29 |
| Considered doubtful | 2226.54 | 2226.67 |
| | 10997.30 | 9362.96 |
| Less : Provision for doubtful loans and advances | 2226.54 | 2226.67 |
| | 8770.76 | 7136.29 |
| Tax payments, net of provisions | 3034.88 | 239.65 |
| Balance with customs and excise authorities | 786.12 | 1407.72 |
| | **12591.76** | 8783.66 |

Note 19 OTHER CURRENT ASSETS (Unsecured and considered good, unless otherwise stated) (₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Interest accrued on deposits | 3277.76 | 1577.72 |
| | **3277.76** | 1577.72 |

Note 20 REVENUE FROM OPERATIONS (₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Sale of products | | |
| Manufactured goods | | |
| Watches | 111798.78 | 94278.74 |
| Jewellery | 583715.87 | 428433.12 |
| Others | 7215.27 | 6464.95 |
| | **702729.92** | 529176.81 |
| Traded goods | | |
| Watches | 40593.66 | 29575.08 |
| Jewellery | 111580.13 | 68185.01 |
| Others | 32330.89 | 24594.69 |
| | **184504.68** | 122354.78 |
| **Total - Sale of products (a)** | **887234.60** | 651531.59 |
| **Sale of tools and components (b)** | **1171.11** | 1246.12 |
| **Income from services provided (c)** | **289.91** | 269.41 |
| Other operating revenue | | |
| Sale of precious / semi-precious stones | 6547.24 | 3230.80 |
| Sale of gold | 2170.73 | 1168.05 |
| Scrap sales | 724.09 | 520.73 |
| Others | 176.87 | 536.91 |
| **Total - Other operating revenue (d)** | **9618.93** | 5456.49 |
| **Revenue from operations (gross) (a+b+c+d)** | **898314.55** | 658503.61 |
| Less : Excise duty | 13471.78 | 5190.01 |
| **Revenue from operations (Net)** | **884842.77** | 653313.60 |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

### Note 21 OTHER INCOME

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Interest from staff loans, vendor advances and bank deposits | 9341.29 | 5584.13 |
| Dividends on long-term, Non-trade investments - Others | 0.44 | 1.14 |
| Miscellaneous Income | 89.82 | 73.92 |
| Other non-operating income | 15.91 | 20.52 |
| | **9447.46** | 5679.71 |

### Note 22 (INCREASE)/ DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Closing stock | | |
| Finished goods | 162012.20 | 115990.57 |
| Work-in-progress | 12118.14 | 8716.83 |
| Stock-in-trade | 62924.11 | 37262.59 |
| Contract work-in-progress | 93.14 | 102.45 |
| | **237147.59** | 162072.44 |
| Opening stock | | |
| Finished goods | 115990.57 | 80846.33 |
| Work-in-progress | 8716.83 | 10903.73 |
| Stock-in-trade | 37262.59 | 20139.52 |
| Contract work-in-progress | 102.45 | 317.56 |
| | **162072.44** | 112207.14 |
| (Increase) / decrease in inventory | **(75075.15)** | (49865.30) |

### Note 23 EMPLOYEE BENEFITS EXPENSE

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Salaries, wages and bonus | 34078.84 | 31506.66 |
| Company's contribution to provident and other funds (Refer Note 30) | 1503.83 | 1228.73 |
| Welfare expenses | 3269.26 | 2330.62 |
| Gratuity (Refer Note 30) | 922.94 | 1885.41 |
| | **39774.87** | 36951.42 |





## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

### Note 24 OTHER EXPENSES

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Loose tools, stores and spare parts consumed | 8097.60 | 8439.65 |
| Agency labour | 3351.16 | 2783.53 |
| Power and fuel | 2551.74 | 2163.19 |
| Repairs to buildings | 373.00 | 196.21 |
| Repairs to plant and machinery | 1044.54 | 890.67 |
| Repairs and maintenance-Others | 45.12 | 42.32 |
| Advertising | 38142.33 | 30326.93 |
| Selling and distribution expenses | 8194.45 | 7275.80 |
| Insurance | 488.33 | 363.33 |
| Rent | 11584.80 | 7482.38 |
| Rates and taxes | 11831.07 | 9123.27 |
| Travel | 2150.67 | 1906.65 |
| Bad debts/deposits/advances written off | 725.21 | 58.91 |
| Provision for doubtful debts / advances | 166.27 | 34.51 |
| Less : Provision for doubtful debts of earlier years written back | 720.64 | 51.24 |
| | **(554.37)** | (16.73) |
| Irrecoverable loans and advances written off | – | 2952.60 |
| Less : Provision for loans and advances created earlier years | – | 2952.60 |
| | – | – |
| Loss on sale / disposal / scrapping of fixed assets (net) | 235.32 | 185.64 |
| Gold price hedging costs (net) | 305.90 | 114.34 |
| General Expenses* | 18907.89 | 13910.99 |
| Directors Fees | 15.82 | 15.17 |
| Directors commission | 290.00 | 210.00 |
| Expenses capitalised | (270.07) | (18.62) |
| | **107510.51** | 85453.63 |

* Includes exchange gain (net) of ₹ 196.16 lakhs (2011: ₹ 265.45 lakhs)

### Note 25

Pursuant to the Scheme of amalgamation of Tanishq (India) Limited (TQL) (wholly owned subsidiary of the Company carrying on trading activities) with the Company as sanctioned by the High Court of Karnataka, all assets and liabilities have been transferred to and vested in the Company retrospectively with effect from April 1, 2010.

The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS) 14 - Accounting for Amalgamations notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006. Accordingly, the assets, liabilities and reserves have been recorded at their respective book values in the accounts of the Company.

(₹ lakhs)

| | |
|---|---|
| The assets and liabilities which have merged with the parent company are as under: | |
| Cash and bank balances | 832.18 |
| Loans and advances | 26.70 |
| Investments | 15.47 |
| Current liabilities | (0.57) |
| | **873.78** |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 25 (Contd.) (₹ lakhs)

| The reserve and surplus which have been added to the parent company are as under: | |
|---|---|
| Capital redemption reserve | 64.38 |
| General reserve | 399.59 |
| Surplus in statement of profit and loss | 29.84 |
| | 493.81 |

Note 26

Contingent Liabilities not provided for - ₹ 15845.16 lakhs (2011: ₹ 5805.51 lakhs) comprising of the following:
Sales Tax - ₹543.25 lakhs (2011: ₹412.72 lakhs)

(relating to the applicability of rate of tax, computation of tax liability, submission of certain statutory forms)
Customs Duty - ₹316.94 lakhs (2011: ₹316.94 lakhs)

(relating to compliance with the terms of notification, export obligations)
Excise Duty - ₹10482.86 lakhs (2011: ₹3331.58 lakhs)

(relating to denial of exemption by amending the earlier notification, computation of the assessable value, denial of input credit on service tax and excise duty on jewellery)

Income Tax - ₹4027.21 lakhs (2011: ₹1289.78 lakhs)
(relating to disallowance of deductions claimed)

Others - ₹474.90 lakhs (2011: ₹454.49 lakhs)
(relating to miscellaneous claims)

The above amounts are based on the notice of demand or the Assessment Orders or notification by the relevant authorities, 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.

Note 27

Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 3355.21 lakhs (2011: ₹ 3578.34 lakhs).

Note 28

The Company had received show cause notice from the Excise authorities for ₹2016.93 lakhs without quantifying interest and penalty, relating to the methodology of allocation and apportionment of input service tax credit. The Company has been legally advised that the notice is not sustainable.

Note 29 Other Commitments

a. Non-fund based facilities availed of ₹ 21609.09 lakhs (2011: ₹ 25807.41 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. The security covered rank pari passu with the security for the cash credit facility.

b. Estimated amount of contracts remaining to be executed on revenue account and not provided for is ₹ 9136.79 lakhs(2011: ₹ 5399.16 lakhs).



## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 30 EMPLOYEE BENEFITS

a. Defined Contribution Plans

i) The contributions recognized in the statement of profit and loss during the year are as under:

(₹ lakhs)

| | Current year | Previous year |
|---|---|---|
| Superannuation Fund | 317.62 | 268.00 |
| Employee Pension Fund (EPF) | 343.19 | 273.56 |
| Provident Fund | 843.02 | 687.17 |
| | 1503.83 | 1228.73 |

ii) Contributions are made to the Company's Employees Provident Fund Trust at predetermined rates in accordance with the Fund rules. The interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such shortfall as an expense. Based on the actuarial valuation, there is no shortfall in the interest payable by the Trust to the beneficiaries as on the balance sheet date.

b. Defined Benefit Plans

(i) Funded

The Company makes annual contributions to The Titan Industries Gratuity Fund. The scheme provides for lump sum payment to vested employees at retirement, death while in employment, or on termination of employment as per the Company's Gratuity Scheme. Vesting occurs upon completion of five years of service.

The gratuity benefit of the subsidiary is not funded.

**The following table sets out the funded status and amounts recognised in the Titan Group's financial statements as at 31 March 2012 for Gratuity.**

(₹ lakhs)

| | Current year | | Previous year | |
|---|---|---|---|---|
| | Funded | Unfunded | Funded | Unfunded |
| **I. Net Asset / (Liability) recognized in the balance sheet** | | | | |
| 1. Present value of funded obligations | 8518.30 | 118.57 | 7292.47 | 87.65 |
| 2. Fair Value of Plan Assets | (7626.28) | – | (5425.93) | – |
| 3. (Deficit) / surplus | (892.02) | (118.57) | (1866.54) | (87.65) |
| 4. Net Asset / Liability | | | | |
| – Assets | | | | |
| – Liabilities (current) | 892.02 | 3.56 | 1866.54 | 5.30 |
| – Liabilities (non-current) | – | 115.01 | – | 82.35 |
| **II. Expense recognized in the statement of profit and loss** | | | | |
| 1. Current Service Cost | 540.50 | 5.31 | 373.63 | 2.58 |
| 2. Interest Cost | 643.32 | 7.63 | 452.67 | 5.90 |
| 3. Expected Return on Plan Assets | (419.80) | – | (327.18) | – |
| 4. Actuarial Losses/ (Gains) | 128.00 | 17.98 | 1364.12 | 2.60 |
| 5. Past Service Cost | – | – | 3.30 | 7.79 |
| Total expenses recognised under the head "Gratuity" (Refer note 23) | 892.02 | 30.92 | 1866.54 | 18.87 |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 30 EMPLOYEE BENEFITS *(Contd.)*

The following table sets out the funded status and amounts recognised in the Titan Group's financial statements as at 31 March 2012 for Gratuity *(Contd.)*.

*(₹ lakhs)*

| | Current year | | Previous year | |
|---|---|---|---|---|
| | Funded | Unfunded | Funded | Unfunded |
| **III. Change in present value of obligation** | | | | |
| 1. Present value of Defined Benefit Obligation at the beginning of the year | 7292.47 | 87.65 | 5126.23 | 68.78 |
| 2. Current Service Cost | 540.50 | 5.31 | 373.63 | 2.58 |
| 3. Interest Cost | 643.32 | 7.63 | 452.67 | 5.90 |
| 4. Actuarial Losses/ (Gains) | 156.22 | 17.98 | 1392.32 | 2.60 |
| 5. Past Service Cost | – | – | 3.30 | 7.79 |
| 6. Benefits Paid | (114.21) | – | (55.68) | – |
| 7. Present value of Defined Benefit Obligation at the end of the year | 8518.30 | 118.57 | 7292.47 | 87.65 |
| **IV. Change in fair value of Plan assets** | | | | |
| 1. Fair value of plan assets at the beginning of the year | 5425.93 | – | 4191.14 | – |
| 2. Expected Return on Plan assets | 419.80 | – | 327.19 | – |
| 3. Actuarial (Losses)/ Gains | 28.22 | – | 28.20 | – |
| 4. Assets distributed on settlement | – | – | – | – |
| 5. Contributions by employer | 1866.54 | – | 935.08 | – |
| 6. Benefits Paid | (114.21) | – | (55.68) | – |
| 7 Fair value of plan assets at the end of the year | 7626.28 | – | 5425.93 | – |
| Actual Return on Plan assets | 448.02 | – | 355.39 | – |
| **V. The major categories of Plan Assets as a percentage of total Plan Assets** | | | | |
| 1. Government of India Securities | 51% | 45% | | |
| 2. Corporate bonds | 45% | 51% | | |
| 3. Others | 4% | 4% | | |

VI. Experience Adjustments

*(₹ lakhs)*

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Defined Benefit Obligation | 8636.87 | 7380.12 | 5195.01 | 4105.61 | 3434.40 |
| Plan Assets | 7626.28 | 5425.93 | 4191.14 | 3569.57 | 2877.94 |
| Surplus / (Deficit) | (1010.59) | (1954.19) | (1003.87) | (536.04) | (556.46) |
| Experience adjustments on Plan Liabilities | 372.87 | 504.82 | 182.86 | 232.18 | 185.14 |
| Experience adjustments on Plan Assets | 28.22 | 28.20 | 9.78 | 82.95 | 4.29 |

VII. Principal actuarial assumptions

| | | |
|---|---|---|
| Discount Rate | 8.55% p.a | 8.35% p.a |
| Expected Rate of Return on Plan Assets | 7.50% p.a | 7.50% p.a |

VIII. The employees are assumed to retire at the age of 58 or 60 years.

IX. The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables.

Expected rate of return on plan assets is based on average yield on investments. The Company is expected to contribute ₹ 800.00 lakhs to the gratuity fund for the year ending 31 March 2013.





## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 30 EMPLOYEE BENEFITS *(Contd.)*

(ii) Unfunded

The defined benefit obligations which are provided for but not funded are as under:

*(₹ lakhs)*

| | Liability as on March 31, 2012 | Liability as on March 31, 2012 |
|---|---|---|
| Compensated absences / Leave salary | | |
| Non-current | 5481.60 | 3883.07 |
| Current | 744.84 | 499.36 |
| | 6226.44 | 4382.43 |
| Pension - Non-current | 336.11 | 311.72 |

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

Note 31

Auditors remuneration comprises of fees for audit of statutory accounts ₹ 111.25 lakhs (2011: ₹ 93.00 lakhs), taxation matters ₹ 33.84 lakhs (2011: ₹ 28.36 lakhs), audit of consolidated accounts ₹ 8.40 lakhs (2011: ₹ 7.00 lakhs), other services ₹ 27.88 lakhs (2011: ₹ 21.90 lakhs) and reimbursement of levies and expenses ₹ 17.53 lakhs (2011: ₹ 19.75 lakhs).

Note 32 RATES AND TAXES INCLUDE THE FOLLOWING

Finance costs include gold on lease charges of ₹ 3834.04 lakhs ( 2011 : ₹ 2630.76 lakhs) and interest on income tax of ₹ 117.95 lakhs ( 2011: ₹ 68.23 lakhs).

Note 33

a) Gold futures/forwards contracts outstanding as at the year end - 978 kgs, ₹ 27890.60 lakhs (2011: 26 Kgs, ₹ 547.51 lakhs)

b) The Company has an outstanding swap to hedge its foreign currency and interest rate exposures relating to foreign currency loan of US Dollars 2.22 million (2011: US Dollars 3.33 million) equivalent to ₹ 1131.11 lakhs (2011: ₹ 1487.33 lakhs).

The Company has Nil forward exchange contracts outstanding for US Dollars Nil equivalent to ₹ Nil (2011: 12 forward exchange contracts for US Dollars 1.75 million; equivalent to ₹ 779.68 lakhs), Nil forward exchange contract for Euros Nil equivalent to ₹ Nil (2011: 1 forward exchange contract for Euros 0.09 million equivalent to ₹ 53.98 lakhs) and Nil forward exchange contracts for HKD Nil equivalent to ₹ Nil (2011: 3 forward contracts for HKD 1.8 million equivalent to ₹ 102.98 lakhs) to hedge foreign currency risk of firm commitment of sales. Further, the Company also has 3 forward exchange contracts for US Dollars 8.70 million equivalent to ₹ 4457.60 lakhs (2011: 16 forward exchange contracts for US Dollars 22.83 million equivalent to ₹ 10185.30 lakhs), 3 forward exchange contracts for HKD 60 million equivalent to ₹ 3969.50 lakhs(2011: Nil), Nil forward exchange contract for in Swiss Francs Nil equivalent to ₹ Nil (2011: 1 forward exchange contract for in Swiss Francs 0.13 million equivalent to ₹ 61.41 lakhs) and six foreign exchange contracts for Japanese Yen 143.40 million equivalent to ₹ 918.18 lakhs (2011: Nil) for firm commitment of purchases.

Marked to Market loss of ₹ 33.92 lakhs (2011 : ₹ 118.08 lakhs) has been recognized in the statement of profit and loss on these outstanding contracts.

# Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 33 (Contd.)

c) The foreign currency exposures that are not hedged by a derivative instrument or otherwise as at March 31, 2012 are given below:

i) Amounts receivable in foreign currency as at March 31, 2012 (Previous year figures are in brackets)

*(Amount in lakhs)*

| Nature of receivables | ₹ | Foreign currency |
|---|---|---|
| Export of goods | | |
| USD | 3099.35 | 60.92 |
| | (2102.89) | (47.89) |
| GBP | 15.86 | 0.19 |
| | (18.45) | (0.26) |
| HKD | 281.90 | 43.04 |
| | (176.24) | (30.77) |
| EURO | 75.38 | 1.11 |
| | (158.22) | (2.50) |

*(Amount in lakhs)*

| | ₹ | Foreign currency |
|---|---|---|
| Loans and advances | | |
| USD | 2.64 | 0.05 |
| | (0.22) | (9.68) |
| EURO | 2.27 | 0.03 |
| | (0.12) | (7.39) |
| SGD | 0.05 | 0.001 |
| | (-) | (-) |

ii) Amounts payable in foreign currency as at March 31, 2012 (Previous year figures are in brackets)

*(Amount in lakhs)*

| Nature of payables | ₹ | Foreign currency |
|---|---|---|
| Import of goods and services | | |
| USD | 672.42 | 13.21 |
| | (519.79) | (11.65) |
| EURO | 65.90 | 0.97 |
| | (73.41) | (1.16) |
| HKD | 267.32 | 40.75 |
| | (376.89) | (65.73) |
| CHF | 23.90 | 0.42 |
| | (121.08) | (2.48) |
| JPY | 51.39 | 82.62 |
| | (7.36) | (13.67) |
| GBP | 318.80 | 3.91 |
| | (5.03) | (0.07) |
| SEK | 6.18 | 0.81 |
| | (4.89) | (0.68) |
| SGD | 5.19 | 0.13 |
| | (2.43) | (0.07) |





# Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 34 RELATED PARTY DISCLOSURES

Names of related parties and description of relationship:

| | |
|---|---|
| a) Promoters | Tamilnadu Industrial Development Corporation Ltd. |
| | Tata Sons Ltd. |
| b) Associate | TVS Wind Power Ltd |
| c) Key Management Personnel | Mr. Bhaskar Bhat, Managing Director |

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

*(₹ lakhs)*

| SL. No. | Nature of transaction | Promoters | Associate | Key Management Personnel | Total |
|---|---|---|---|---|---|
| 1. | Sale of components and finished goods and fixed assets | 0.02 | – | – | 0.02 |
| | | (–) | (–) | (0.31) | (0.31) |
| 2. | Reimbursement of expenses | 2.03 | – | – | 2.03 |
| | | (5.15) | (–) | (–) | (5.15) |
| 3. | Interest expense | 37.34 | – | – | 37.34 |
| | | (37.34) | (–) | (–) | (37.34) |
| 4. | Rent paid | 49.64 | – | – | 49.64 |
| | | (41.36) | (–) | (–) | (41.36) |
| 5. | Purchase of power | – | 188.14 | – | 188.14 |
| | | (–) | (–) | (–) | (–) |
| 6. | Dividend paid | 4280.51 | – | – | 4280.51 |
| | | (2568.31) | (–) | (–) | (2568.31) |
| 7. | Commission and sitting fees to non whole–time directors | 80.64 | – | – | 80.64 |
| | | (58.99) | (–) | (–) | (58.99) |
| 8. | Brand equity subscription | 1379.08 | – | – | 1379.08 |
| | | (1065.30) | (–) | (–) | (1065.30) |
| 9. | Payment towards rendering of services | 63.31 | – | – | 63.31 |
| | | (55.33) | (–) | (–) | (55.33) |
| 10. | Managerial remuneration | – | – | 320.18 | 320.18 |
| | | (–) | (–) | (301.45) | (301.45) |
| 11. | Redemption of 6.75% Debentures | 553.16 | – | – | 553.16 |
| | | (–) | (–) | (–) | (–) |
| 12. | Subscription to Share capital | – | – | – | – |
| | | (–) | (150.00) | (–) | (150.00) |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

### Note 34 RELATED PARTY DISCLOSURES (Contd.)

Balance as on balance sheet date

(₹ lakhs)

| Balance as on balance sheet date | Promoters | Associate | Key Management Personnel | Total |
|---|---|---|---|---|
| Credit balance | | | | |
| Tata Sons Ltd | 948.10 | – | – | 948.10 |
| | (624.15) | (–) | (–) | (624.15) |
| Tamilnadu Industrial Development Corporation Limited | 77.18 | – | – | 77.18 |
| | (55.66) | (–) | (–) | (55.66) |
| TVS Wind Power Limited | – | 3.94 | – | 3.94 |
| | (–) | (–) | (–) | (–) |
| Mr.Bhaskar Bhat | – | – | 195.82 | 195.82 |
| | (–) | (–) | (154.97) | (154.97) |
| Total Credit balance | 1025.28 | 3.94 | 195.82 | 1225.04 |
| | (679.81) | (–) | (154.97) | (834.78) |

The above includes the following material related party transactions

(₹ lakhs)

| Nature fo transaction | Category | Name | Amount |
|---|---|---|---|
| (a) Dividend paid | Promoter | Tamilnadu Industrial Development Corporation Ltd | 3093.46 (1856.08) |
| | Promoter | Tata Sons Ltd | 1187.05 (712.23) |
| (b) Brand Equity Subscription | Promoter | Tata Sons Ltd | 1379.08 (1065.30) |
| (c) Redemption of 6.75% Debentures | Promoter | Tata Sons Limited | 553.16 (–) |

### Note 35 EARNINGS PER SHARE

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

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Net profit after tax (₹ lakhs) | 60135.59 | 43312.43 |
| a) Weighted average number of equity shares (No. Lakhs) | 8877.86 | 443.89 |
| b) i) Nominal value of shares (₹) | 1 | 10 |
| ii) Earnings per share - Basic and diluted (₹) | 6.77 | 4.88 |

Pursuant to the approval of the shareholders through postal ballot, the Board of Directors of the Company at its Meeting held on 14 June 2011 had approved the sub-division of its equity share of the face value of ₹ 10 each into 10 (ten) equity shares of ₹1 each and also for the capitalisation of an amount of ₹ 4438.93 lakhs from General reserve account of the Company towards issue and allotment as fully paid-up bonus shares in the ratio of 1 (one) equity share for every existing equity share held by the equity shareholders on the Record date i.e., 24 June 2011.





## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

### Note 36 SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2012

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

(₹ lakhs)

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Net sales/income | 152835.76 | 698981.71 | 32848.42 | 176.88 | 884842.77 |
| (There is no inter-segment revenue) | (127218.49) | (501202.30) | (24372.08) | (520.73) | (653313.60) |
| Segment Result | | | | | |
| Before interest, other income and taxes | 20821.82 | 62321.31 | (-)481.45 | (-)3687.69 | 78973.99 |
| | (18612.37) | (44018.28) | (-1820.00) | (-2715.08) | (58095.57) |
| Add : Other Income | 971.56 | 7434.20 | 32.95 | 1008.75 | 9447.46 |
| | (679.73) | (4278.98) | (14.32) | (706.68) | (5679.71) |
| Share of loss of associate | – | – | – | 14.37 | 14.37 |
| | (–) | (–) | (–) | (1.15) | (1.15) |
| Profit before interest and taxes | 21793.38 | 69755.51 | (-) 448.50 | (-)2693.31 | 88407.08 |
| | (19292.10) | (48297.26) | (–1805.68) | (–2009.55) | (63774.13) |
| Less : Interest (net) | | | | | 4373.14 |
| | | | | | (3454.12) |
| Profit before taxes | | | | | 84033.94 |
| | | | | | (60320.01) |
| Taxes | | | | | 23898.35 |
| | | | | | (17007.58) |
| Profit after taxes | | | | | 60135.59 |
| | | | | | (43312.43) |
| Other Information | | | | | |
| Segment Assets | 84139.42 | 329918.98 | 24144.36 | 33035.98 | 471238.74 |
| | (71030.81) | (261636.01) | (18348.20) | (24835.02) | (375850.04) |
| Segment Liabilities | 31905.99 | 266055.95 | 7037.29 | 19366.27 | 324,365.50 |
| | (32481.41) | (211168.30) | (6991.78) | (14667.91) | (265309.40) |
| Capital expenditure | 5433.66 | 7535.64 | 1837.26 | 511.91 | 15318.47 |
| | (2785.31) | (1717.99) | (683.26) | (1268.56) | (6455.12) |
| Depreciation/ amortisation | 1839.31 | 1606.66 | 862.54 | 253.08 | 4561.59 |
| | (1631.69) | (1048.90) | (768.78) | (61.80) | (3511.17) |
| Non cash expenses other than depreciation/ amortisation | 180.62 | 2820.57 | 84.33 | 38.89 | 3124.41 |
| | (10.36) | (578.70) | (–) | (161.96) | (751.02) |

**Total unallocable liabilities exclude**

(₹ lakhs)

| | 2012 | 2011 |
|---|---|---|
| Long-term borrowings | 588.89 | 945.11 |
| Foreign currency loan repayable within 12 months | 542.22 | 542.22 |
| 6.75% debentures repayable within 12 months | – | 5,282.60 |
| Deferred tax liability / (asset) (Net) | (349.77) | 208.80 |

b) **Secondary geographical segmentss** (Previous year figures are in brackets)

| | India | Others | Total |
|---|---|---|---|
| Revenue | 868438.89 | 16403.88 | 884842.77 |
| | (640409.58) | (12904.02) | (653313.60) |

## Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2012

Note 36 SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2012 *(Contd.)*

The operating facilities of the Company are commonly employed for both the domestic and export business, hence it is not possible to report segment assets and capital expenditure by geographical segments.

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

Note 37 THE PARTICULARS OF INVESTMENTS MADE IN THE ASSOCIATE COMPANY ARE AS BELOW

Previous year figures are in brackets

*(₹ lakhs)*

| Name of the associate | Original cost of investment | Amount of Goodwill (-) Capital Reserve in original cost | Cumulative share of post acquisition profits | Carrying cost of investments |
|---|---|---|---|---|
| TVS Wind Power Limited | 150.00<br>(150.00) | –<br>– | (15.52)<br>(–1.15) | 134.48<br>(148.85) |

Note 38

Statement pursuant to exemption granted under Section 212(8) of the companies Act, 1956 relating to Subsidiary companies as at 31 March 2012.

*(₹ lakhs)*

| Name of Subsidiary | Titan TimeProducts Ltd | Titan Properties Ltd | Favre Leuba A.G. |
|---|---|---|---|
| (a) Share Capital | 190.00 | 33.50 | –* |
| (b) Reserves | 586.18 | 623.71 | (30.35) |
| (c) Total Assets | 1356.44 | 751.85 | 1043.87 |
| (d) Total Liabilities | 580.26 | 94.64 | – |
| (e) Income | 2590.55 | 212.40 | – |
| (f) Profit before tax | 145.92 | 94.08 | (30.35) |
| (g) Taxes | 42.99 | 29.07 | – |
| (h) Profit after tax | 102.93 | 65.01 | (30.35) |
| (i) Proposed Dividend | – | – | – |

* Share application money pending allotment ₹ 1074.22 lakhs

Note 39

a) The figures pertaining to subsidiary companies have been reclassified , where necessary, to bring them in line with the parent company's financial statements.

b) The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year classification.

For and on behalf of the Board of Directors

Bhaskar Bhat
*Managing Director*

S.Subramaniam
*Chief Financial Officer*

A.R.Rajaram
*Head-Legal & Company Secretary*

N. Sundaradevan — *Chairman*

Ishaat Hussain
T K Balaji
K Dhanavel
C.G.Krishnadas Nair
Vinita Bali
V Parthasarathy
R Poornalingam
Hema Ravichandar
Das Narayandas
— *Directors*

Chennai, 30 April 2012





# Shareholders' Information

## Quick Information

- Number of equity shareholders – 1,24,481
- Number of equity shares held – 88,77,86,160
- Stock exchanges in which the equity shares are listed:
  Bombay Stock Exchange Limited (BSE).
  National Stock Exchange of India Limited (NSE).
- 96.76% of the Company's equity capital is held in dematerialized form with NSDL and CSDL.
- TSR Darashaw Limited is the Registrar and Transfer Agents (R & TA) of the Company.
- Non Promoter/Public Shareholding as on 31st March 2012 – 416,778,240 amounting to 46.95%.

## Investor Grievances handling Mechanism

Investor service matters are being handled by TSR Darashaw Limited. They have branches across the country and discharge investor service functions efficiently, effectively and expeditiously. The Company has an established mechanism for investor service and grievance handling, with TSR Darashaw Limited.

## Suggestions to shareholders

### Open Demat Account and dematerialize your shares

In the best interest of the investors it is suggested to convert their physical holdings of securities into demat holdings. By holding securities in demat form helps investors to get immediate transfer of securities. Stamp duty would not be payable on transfer of shares held in demat form. Risks associated with physical certificates such as forged transfers, fake certificates and bad deliveries can be avoided.

### Dematerialization of shares

Trading in the shares of the Company is compulsory in dematerialized form for all investors. The Company has, therefore, enlisted its shares with both the depositories, viz, NSDL and CDSL. This means that one has the option to hold and trade in the shares of the Company in electronic form.

### What Is Dematerialisation of shares?

Dematerialisation is a process by which the physical share certificates of an investor are taken back by the Company and an equivalent number of securities are credited in electronic form at the request of the investor. An investor will have to first open an account with a Depository Participant and then request for the dematerialisation of his share certificates through the Depository Participant so that the dematerialised holdings can be credited into that account. This is very similar to opening a Bank Account.

### What is a Depository?

A depository is an organisation which holds securities (like shares, debentures, bonds, government securities, mutual fund units etc.) of investors in electronic form at the request of the investors through a registered Depository Participant. It also provides services related to transactions in securities.

### How many Depositories are registered with SEBI?

At present two Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are registered with SEBI.

### Is a depository similar to a bank?

It can be compared with a bank, which holds the funds for depositors. A Bank – Depository analogy is given in the following table:

| Bank | Depository |
|---|---|
| Holds funds in an account | Holds securities in an account |
| Transfers funds between accounts on the instruction of the account holder | Transfers securities between accounts on the instruction of the BO account holder |
| Facilitates transfer without having to handle money | Facilitates transfer of ownership without having to handle securities |
| Facilitates safekeeping of money | Facilitates safekeeping of securities |

### Who is a Depository Participant?

A Depository Participant (DP) is an agent of the depository through which it interfaces with the investor and provides depository services. Public financial institutions, scheduled commercial banks, foreign banks operating in India with the approval of the Reserve Bank of India, state financial corporations, custodians, stock-brokers, clearing corporations /clearing houses, NBFCs and Registrar to an Issue or Share Transfer Agent complying with the requirements prescribed by SEBI can be registered as DP. Banking services can be availed through a branch whereas depository services can be availed through a DP.

Is it compulsory for every investor to open a beneficial owner (BO) account to trade in the capital market?

In view of the convenience of trading in dematerialised mode, it is advisable to have a beneficial owner (BO) account for trading at the exchanges.

### Benefits of Demat

- Reduces risks involved in holding physical certificated, e.g., loss, theft, mutilation, forgery, etc.
- Ensures transfer settlements and reduces delay in registration of shares.
- Ensures faster communication to investors.
- No stamp duty is paid on transfer of shares.
- Provides more acceptability and liquidity of securities.
- Faster settlement cycles and payouts.
- Postal delays and loss of shares in transit is prevented.
- Periodic status reports and information available on internet.
- Easy portfolio monitoring.

### What is the procedure to dematerialize the shares?

- Open an account with a Depository Participant (DP) of your choice by filling up an Account Opening Form.
- Fill up and submit a Dematerialization Request Form (DRF) provided by the DP duly signed by all the holders and surrender the physical shares intended to be dematted to the DP. The DP upon receipt of the shares will issue you an acknowledgement and will send an electronic request to the Company/ Registrars and Transfer Agents of the Company through the Depository for confirmation of demat.
- The DP will simultaneously surrender the DRF and the shares to the Company / Registrars and Transfer Agents of the Company with a covering letter requesting the Company to confirm demat.
- The Registrars and Transfer Agents of the Company, after necessary verification of the documents received from the DP, will cancel the physical shares and confirm demat to the Depository.
- This confirmation will be passed on by the Depository to the DP which holds your account. After receiving this confirmation from the Depository, the DP will credit your account with the number of shares dematerialized.
- The DP will hold the shares in the dematerialized form thereafter on your behalf. And you will become the beneficial owner of these dematerialized shares.

### Can odd lots be dematerialized?

Yes, odd lot share certificates can also be dematerialized.

### Why should an investor give his bank account details at the time of BO account opening?

Bank account details are necessary for the protection of interest of investors. When any cash or non cash corporate benefits such as rights or bonus or dividend is announced for a particular scrip, depositories provide to the concerned issuer /it's RTA, the details of the investors, their electronic holdings as on record / book closure date for reckoning the entitlement of corporate benefit.

The disbursement of cash benefits such as dividend is credited directly by the Issuer/it's RTA to the beneficiary owner through the ECS (Electronic Clearing Service wherever available) facility or by issuing warrants on which bank account details are printed for places where ECS facility is not available. The bank account number is mentioned on the dividend and warrant to avoid any fraudulent misuse. The bank account details will be those which are mentioned in account opening form or modified details that had been intimated subsequently by the investor to the DP.

### Can multiple accounts be opened?

Yes. An investor can open more than one account in the same name with the same DP and also with different DPs. For all the accounts, investor has to strictly comply with KYC norms including Proof of Identity, Proof of Address requirements as stipulated by SEBI and also provide PAN number. The investor has to show the original PAN card at the time of opening of demat account.

### Does the investor have to keep any minimum balance of securities in his account?

No.

### Can investor close his demat account with one DP and transfer all securities to another account with another DP?

Yes. The investor can submit account closure request to his DP in the prescribed form. The DP will transfer all the securities lying in the account, as per the instruction, and close the demat account.

### Do dematerialised shares have distinctive numbers?

Dematerialised shares do not have any distinctive numbers. These shares are fungible, which means that all the holdings of a particular security will be identical and interchangeable

### Can electronic holdings be converted back into physical certificates?

Yes. The process is called rematerialisation. If one wishes to get back his securities in the physical form he has to fill in the RRF (Remat Request Form) and request his DP for rematerialisation of the balances in his securities account.

### What is the procedure to rematerialise the shares?

- Shareholders should submit duly filled in rematerialisation request form (RPF) to the concerned DP.
- DP intimates the relevant Depository of the request through the system.
- DP submits RRF to the company's R&TA.
- Depository confirms rematerialisation request to the company's R&TA.
- The company's R&TA updates accounts and prints certificate(s) and informs the depository.
- Depository updates the beneficiary account of the shareholder by deleting the shares so rematerialized. Share certificate(s) is dispatched to the shareholder.

### What is ISIN?

ISIN (International Securities Identification Number) is a unique 12 digit alpha-numeric identification number allotted for a security (e.g.- Titan's ISIN No. INE280A01028). Equity-fully paid up, equity-partly paid up, equity with differential voting /dividend rights issued by the same issuer will have different ISINs.

### How does one know that the DP has updated the account after each transaction?

The DP provides a Transaction Statement periodically, which gives details of current balances and various transactions made through the depository account. If desired, DP may provide the Transaction Statement at intervals shorter than the stipulated ones, probably at a cost.

### At what frequency will the investor receive his Transaction Statement from his DP?

DPs have to provide transaction statements to their clients once in a month, if there is any transaction and if there is no transaction, then once in a quarter.

DPs also provide transaction statement in electronic form under digital signature subject to their entering into a legally enforceable arrangement with the BOs to this effect.

## Nomination Facility

### What is Nomination Facility?

Section 109A of the Companies Act, 1956 provides the facility of nomination to shareholders. This facility is useful for individuals holding shares in sole name. In the case of joint holding of shares by individuals, nomination will be effective only in the event of the death of all joint holders.

### How to appoint a nominee?

Investors, who are holding shares in single name, are advised to avail of the nomination facility with the R&TA. However if the shares are held in demat form, nomination facility has to be registered with the concerned DP directly, as per the format prescribed by the DP.

### Who can appoint nominee?

Individuals holding shares in single name or joint names can appoint nominees. In case of joint shareholding, joint holders together have to appoint the nominee. Non-individuals including society, trust, body corporate, karta of Hindu Undivided Family, holder of power of attorney cannot nominate.

### Who can be appointed as a nominee & who cannot be appointed as a nominee?

Individual can be appointed as a nominee. Minor can be appointed as a nominee.

A Trust, Society, body corporate, partnership firm Karta of a HUF or a power of attorney holder cannot be nominees.

### Can joint shareholders deem to be nominee(s) to the shares?

Joint shareholders are not deemed to be the nominee(s).However joint shareholders may, together appoint a nominee. In the event of death of any one of the joint holders, surviving joint holder/s of shares is/are the only person(s) recognized under the law as holder(s) of the shares.

### Rights of the nominee

The nominee is entitled to all the rights of the deceased shareholder to the exclusion of all other persons. In the event of death of a shareholder, all the rights of the shareholder shall vest with the nominee. In case of joint shareholding, all t he rights shall vest with the nominee only in the event of death of all the joint shareholders.

### Consolidate multiple portfolios

It is suggested that all the investors to consolidate their shareholding held in multiple portfolios. It would facilitate reduction of time and efforts to monitor multiple portfolios. It also avoids multiple tracking of corporate benefits.

## Dividends

### Payment of dividend:

The dividend is paid in two modes. They are:

(1) National Electronic Clearing Service (NECS).

(2 Physical dispatch of Dividend Warrant

### What is National Electronic Clearing Service Facility?

NECS facility is centralized version of ECS facility. National Electronic Clearing Service (NECS) was introduced during September 2008 for centralized processing of repetitive and bulk payment instructions. The service aims to centralize the Electronic Clearing Service (ECS) operation and bring in uniformity and efficiency to the system. The system takes advantage of the centralized accounting system in banks. NECS (Credit) would facilitate multiple credits to beneficiary accounts destination branch at participating centre against a single debit of the account of a user with the sponsor bank. NECS (Debit) would facilitate multiple debits to destination account holders against single credit to user account. The branches participating in NECS can be located anywhere in the country.

As per directive from Securities and Exchange Board of India (SEBI), the Company has been using the Electronic Clearing Service of the Reserve Bank of India (RBI) at designated locations, for payment of dividend to shareholders holding shares in dematerialized form. The service was extended by the Company also to shareholders holding shares in physical form, who chose to avail of the same. In this system, the investor's bank account is directly credited with the dividend amount.

As per RBI's notification, with effect from 1st October 2009, the remittance of money through ECS has been replaced by National Electronic Clearing Service (NECS). NECS operates on the new and unique bank account number allotted by banks post implementation of the Core Banking Solutions (CBS). Pursuant to implementation of CBS, your bank account number may have undergone a change, which is required to be communicated by you to your Depository Participant (in case of shareholders holding shares in dematerialised form) or to the Company's Share Transfer Agent (in case of shareholders holding shares in physical form, in which case the communication may be made in the Mandate Form which had been mailed to the shareholders.

Shareholders holding shares in physical form who have not yet opted for the ECS Mandate Facility, are urged to avail of the NECS Mandate Facility as this not only protects a shareholder against fraudulent interception and encashment of dividend warrants but also eliminated dependence on the postal system, loss / damage of dividend warrants in transit and correspondence relating to revalidation / issue of duplicate dividend warrants.

Kindly ensure that the above instructions are under your signature (which should be as per specimen registered with the Depository Participant / Company) and are communicated before commencement of the book closure date, to facilitate receipt of dividend. Please note that if your new bank account number is not informed as aforesaid, payment of your dividend to your old bank account number may either be rejected or returned. Shareholders are requested to refer to the NECS Mandate Form mailed to them by the Company.

### Benefits of NECS Facility

- The shareholder need not visit his bank for depositing the paper instruments which he would have otherwise received had he not opted for ECS Credit.
- The shareholder need not be apprehensive of loss/theft of physical instruments or the likelihood of fraudulent encashment thereof.
- Cost effective.
- Prompt credit to bank account of the shareholder through electronic clearing.

### How to avail NECS Facility?

Investors holding shares in physical form can send the NECS Mandate form, duly filled in, to the Company's R&TA. However, if shares are held in dematerialized form, NECS mandate form has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP. It is to be noted that NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions. Shareholders are requested to provide the new Bank Account Number allotted by the banks post implementation of CBS, along with a copy of cheque relating to the concerned account, to the R&TA of the Company in case you hold shares in physical form and to the concerned depository participant in case you hold shares in demat form.

### Unpaid Dividend

Members may please note that pursuant to Section 205C of 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. Periodic intimation in this regard is sent to the concerned shareholders. Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to the Investor Education and Protection Fund:-

| Financial year ended | Date of declaration of Dividend | Last date for claiming unpaid dividend |
|---|---|---|
| 31.03.2004 | August 31, 2004 | August 30, 2011 |
| 31.03.2005 | August 31, 2005 | August 30, 2012 |
| 31.03.2006 | August 21, 2006 | August 20, 2013 |
| 31.03.2007 | July 27, 2007 | July 26, 2014 |
| 31.03.2008 | July 31, 2008 | July 30, 2015 |
| 31.03.2009 | July 27, 2009 | July 26, 2016 |
| 31.03.2010 | July 27, 2010 | July 26, 2017 |
| 31.03.2011 | July 28, 2011 | July 27, 2018 |





## Financial Statistics - Balance Sheet

(₹ Crores)

| BALANCE SHEET | 1987-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | 96-97 | 97-98 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Share Capital - Preference | - | - | - | - | - | - | - | 7.50 | 10.00 | 33.00 | 37.50 |
| 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 |
| Deferred tax liability | - | - | - | - | - | - | - | - | - | - | - |
| Loans | 37.76 | 42.45 | 57.86 | 66.52 | 75.46 | 114.43 | 151.15 | 191.63 | 303.34 | 368.14 | 381.80 |
| **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** |
| 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 |
| Investments | 0.03 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 14.92 | 21.82 | 28.32 | 27.00 | 27.00 |
| Defered tax asset | | | | | | | | | | | |
| Inventories | 8.17 | 14.94 | 29.93 | 62.65 | 71.63 | 86.39 | 101.85 | 112.07 | 152.54 | 226.19 | 172.67 |
| Debtors | 0.24 | 2.41 | 3.27 | 4.03 | 5.65 | 14.06 | 14.32 | 33.58 | 77.85 | 78.10 | 83.25 |
| 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 |
| 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 |
| 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 |
| Less: Current Liabilites & Provisions | 8.78 | 14.75 | 31.58 | 65.65 | 75.74 | 36.04 | 49.23 | 61.79 | 79.04 | 76.48 | 58.10 |
| 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 |
| Deferred revenue expenditure | - | - | - | - | - | - | - | - | - | - | - |
| **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** |

| BALANCE SHEET | 98-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share Capital - Equity | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 44.39 | 44.39 | 44.39 | 44.39 |
| Share Capital - Preference | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | - | - | - | - |
| Reserves and Surplus | 116.07 | 118.56 | 125.09 | 82.42 | 80.19 | 82.85 | 94.97 | 150.30 | 283.06 | 391.78 | 506.85 | 679.99 |
| Deferred tax liability | - | - | - | 44.58 | 41.59 | 35.14 | 29.32 | 23.75 | 17.44 | 24.71 | 18.18 | 4.75 |
| Loans | 395.48 | 409.92 | 422.01 | 443.28 | 467.05 | 406.71 | 318.02 | 267.92 | 247.01 | 257.89 | 175.41 | 72.79 |
| **SOURCES OF FUNDS - Total** | **593.83** | **610.76** | **629.38** | **652.56** | **671.11** | **606.98** | **524.59** | **524.25** | **591.89** | **718.77** | **744.83** | **801.93** |
| Net fixed assets | 236.63 | 223.80 | 211.16 | 200.90 | 191.75 | 177.36 | 174.91 | 196.02 | 267.12 | 282.45 | 294.00 | 274.92 |
| Investments | 27.00 | 25.12 | 23.09 | 24.62 | 37.09 | 27.58 | 27.02 | 27.02 | 27.02 | 47.39 | 7.66 | 7.63 |
| Defered tax asset | | | | | | | | | | | | |
| Inventories | 172.19 | 183.44 | 146.23 | 124.82 | 141.92 | 164.12 | 271.62 | 374.39 | 677.48 | 1,021.09 | 1,202.69 | 1,340.33 |
| Debtors | 101.40 | 121.05 | 159.04 | 207.75 | 186.38 | 148.16 | 77.09 | 90.12 | 92.06 | 96.45 | 106.22 | 93.61 |
| Cash and bank balances | 5.04 | 17.53 | 27.51 | 17.33 | 23.99 | 26.85 | 44.01 | 38.29 | 50.73 | 51.91 | 54.69 | 186.72 |
| Loans and Advances | 121.45 | 115.48 | 150.67 | 197.40 | 217.08 | 193.69 | 172.14 | 143.96 | 65.54 | 99.17 | 114.13 | 183.06 |
| Total Current Assets | 400.08 | 437.50 | 483.45 | 547.30 | 569.37 | 532.82 | 564.86 | 646.76 | 885.81 | 1,268.62 | 1,477.73 | 1,803.71 |
| Less: Current Liabilites & Provisions | 69.88 | 79.93 | 91.52 | 126.45 | 173.27 | 164.09 | 266.60 | 359.86 | 592.26 | 879.70 | 1,034.57 | 1,284.33 |
| Net Current Assets | 330.20 | 357.57 | 391.93 | 420.86 | 396.10 | 368.73 | 298.26 | 286.91 | 293.55 | 388.93 | 443.16 | 519.38 |
| Deferred revenue expenditure | - | 4.27 | 3.20 | 6.18 | 46.17 | 33.31 | 24.40 | 14.31 | 4.21 | - | - | - |
| **APPLICATION OF FUNDS - Total** | **593.83** | **610.76** | **629.38** | **652.56** | **671.11** | **606.98** | **524.59** | **524.25** | **591.89** | **718.77** | **744.83** | **801.93** |

(₹ Crores)

| BALANCE SHEET | 2010-11 | 2011-12 |
|---|---|---|
| Share Capital - Equity | 44.39 | 88.78 |
| Reserves and Surplus | 980.99 | 1,361.12 |
| Deferred tax liability | 1.52 | - |
| Non-current liabilities | 53.50 | 74.88 |
| Current liabilities | 2,655.16 | 3,174.75 |
| **EQUITY AND LIABILITIES** | **3,735.56** | 4,699.53 |
| Non-current assets | | |
| Net fixed assets | 299.71 | 393.58 |
| Investments | 9.13 | 16.05 |
| Defered tax asset | | 3.77 |
| Long term loans & advances | 121.53 | 127.94 |
| Current assets | | |
| Inventories | 1,993.83 | 2,878.67 |
| Debtors | 113.68 | 163.11 |
| Cash and bank balances | 1,096.50 | 960.53 |
| Short-term loans and advances | 85.59 | 123.25 |
| Other current assets | 15.59 | 32.63 |
| **ASSETS** | **3,735.56** | 4,699.53 |

# Financial Statistics - Profit & Loss Account

(₹ Crores)

| PROFIT & LOSS ACCOUNT | 1987-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | 96-97 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Jewellery | - | - | - | - | - | - | - | 0.09 | 0.20 | 0.37 |
| Clocks, sunglasses, etc. | - | - | - | - | - | - | - | - | 0.67 | 3.64 |
| Sales Income | 16.80 | 27.59 | 74.06 | 106.26 | 155.01 | 191.21 | 226.23 | 282.49 | 350.72 | 408.52 |
| Expenditure | 16.40 | 21.09 | 59.02 | 79.29 | 119.94 | 156.25 | 183.78 | 223.93 | 276.19 | 320.73 |
| Interest | 1.36 | 3.51 | 6.51 | 11.82 | 17.72 | 18.46 | 16.16 | 21.80 | 34.22 | 56.40 |
| Depreciation/Amortisation | 0.85 | 2.16 | 3.98 | 6.57 | 6.74 | 7.23 | 9.78 | 13.11 | 15.68 | 16.52 |
| Operating Profit | (1.81) | 0.83 | 4.55 | 8.58 | 10.61 | 9.27 | 16.51 | 23.65 | 24.63 | 14.87 |
| Add: Other Income | 2.11 | 0.45 | 0.56 | 0.52 | 0.49 | 1.60 | 2.58 | 1.44 | 2.94 | 12.93 |
| Less: Exceptional Item | - | - | - | - | - | - | - | - | - | - |
| Profit Before Taxes | 0.30 | 1.28 | 5.11 | 9.10 | 11.10 | 10.87 | 19.09 | 25.09 | 27.57 | 27.80 |
| Taxes | 0.04 | 0.21 | 0.78 | - | - | - | - | - | - | 3.58 |
| **Profit After Taxes** | **0.26** | **1.07** | **4.33** | **9.10** | **11.10** | **10.87** | **19.09** | **25.09** | **27.57** | **24.22** |
| Equity Dividend (%) | - | - | 15% | 18% | 20% | 22% | 25% | 30% | 33% | 33% |
| Equity Dividend (Rs.) | - | - | 3.60 | 4.83 | 5.37 | 6.89 | 10.57 | 12.69 | 13.95 | 13.95 |
| Employee costs (excluding VRS) | 1.03 | 1.56 | 3.98 | 6.24 | 8.19 | 12.84 | 17.89 | 22.62 | 32.20 | 48.13 |
| % to Sales Income | 6.1% | 5.7% | 5.4% | 5.9% | 5.3% | 6.7% | 7.9% | 8.0% | 9.2% | 11.8% |
| Advertising | 1.85 | 2.07 | 5.61 | 8.38 | 9.52 | 13.16 | 16.06 | 20.22 | 29.62 | 36.01 |
| % to Sales Income | 11.0% | 7.5% | 7.6% | 7.9% | 6.1% | 6.9% | 7.1% | 7.2% | 8.4% | 8.8% |

| PROFIT & LOSS ACCOUNT | 97-98 | 98-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales volumes (nos in lakhs) | | | | | | | | | | | | | |
| Watches | 43.53 | 51.11 | 58.54 | 66.76 | 61.77 | 60.02 | 68.38 | 73.19 | 83.36 | 89.64 | 102.86 | 96.93 | 110.36 |
| Jewellery | 1.20 | 1.68 | 3.00 | 7.21 | 6.05 | 13.72 | 8.70 | 4.32 | 5.70 | 7.20 | 11.39 | 13.65 | 14.22 |
| Clocks, sunglasses, etc. | 3.05 | 4.30 | 3.29 | 1.62 | 0.51 | 0.41 | 2.39 | 4.84 | 5.05 | 5.29 | 6.97 | 9.29 | 15.20 |
| Sales Income | 442.06 | 482.04 | 630.33 | 696.90 | 724.78 | 797.90 | 958.52 | 1,134.66 | 1,481.37 | 2,136.46 | 3,041.09 | 3,847.72 | 4,703.12 |
| Expenditure | 357.20 | 393.48 | 550.62 | 614.19 | 639.32 | 726.03 | 862.49 | 1,019.50 | 1,327.42 | 1,938.01 | 2,790.70 | 3,551.23 | 4,308.17 |
| Interest | 52.96 | 51.92 | 50.88 | 47.84 | 46.27 | 41.35 | 37.62 | 30.92 | 24.84 | 20.42 | 20.14 | 29.43 | 25.42 |
| Depreciation/Amortisation | 18.82 | 20.14 | 20.40 | 20.93 | 23.28 | 21.14 | 21.47 | 19.61 | 19.66 | 25.59 | 29.73 | 41.76 | 60.08 |
| Operating Profit | 13.08 | 16.50 | 8.43 | 13.94 | 15.91 | 9.38 | 36.94 | 64.63 | 109.45 | 152.44 | 200.53 | 225.30 | 309.46 |
| Add: Other Income | 3.16 | 2.41 | 13.01 | 11.63 | 2.24 | 10.40 | 2.09 | 2.73 | 2.43 | 3.22 | 1.77 | 5.26 | 11.86 |
| Less: Exceptional Item | - | - | - | - | - | (10.00) | (25.00) | (35.00) | (25.00) | (24.00) | - | - | - |
| Profit Before Taxes | 16.24 | 18.91 | 21.44 | 25.57 | 18.16 | 9.78 | 14.03 | 32.36 | 86.88 | 131.65 | 202.30 | 230.56 | 321.32 |
| Taxes | 1.60 | 1.87 | 2.16 | 2.09 | 5.06 | 3.57 | 2.84 | 7.41 | 13.26 | 37.52 | 52.04 | 71.59 | 70.99 |
| **Profit After Taxes** | **14.64** | **17.04** | **19.28** | **23.48** | **13.09** | **6.21** | **11.19** | **24.95** | **73.62** | **94.13** | **150.27** | **158.96** | **250.32** |
| Equity Dividend (%) | 25% | 26% | 26% | 26% | 15% | 10% | 10% | 20% | 30% | 50% | 80% | 100% | 150% |
| Equity Dividend (Rs.) | 10.57 | 10.99 | 10.99 | 10.99 | 6.34 | 4.23 | 4.23 | 8.46 | 13.32 | 22.19 | 35.51 | 44.39 | 66.58 |
| Employee costs (excluding VRS) | 48.91 | 54.04 | 72.17 | 74.07 | 76.32 | 71.57 | 84.98 | 95.73 | 109.13 | 157.04 | 189.16 | 233.40 | 274.49 |
| % to Sales Income | 11.1% | 11.2% | 11.4% | 10.6% | 10.5% | 9.0% | 8.9% | 8.4% | 7.4% | 7.4% | 6.2% | 6.1% | 5.8% |
| Advertising | 20.04 | 27.36 | 41.69 | 40.10 | 36.55 | 47.44 | 59.82 | 76.89 | 101.31 | 133.82 | 151.55 | 181.36 | 211.15 |
| % to Sales Income | 4.5% | 5.7% | 6.6% | 5.8% | 5.0% | 5.9% | 6.2% | 6.8% | 6.8% | 6.3% | 5.0% | 4.7% | 4.5% |

# Financial Statistics - Statement of Profit & Loss

(₹ Crores)

| STATEMENT OF PROFIT & LOSS | 2010-11 | 2011-12 |
|---|---|---|
| Sales volumes (nos in lakhs) | | |
| Watches | 135.98 | 156.94 |
| Jewellery | 15.52 | 17.09 |
| Clocks, sunglasses, etc. | 26.89 | 33.12 |
| Revenue from operations | 6,570.86 | 8,970.86 |
| Expenditure | 5,958.94 | 8,137.92 |
| Interest | 34.52 | 43.72 |
| Depreciation/Amortisation | 34.48 | 44.90 |
| Operating Profit | 542.93 | 744.32 |
| Add: Other Income | 56.08 | 94.11 |
| Less: Exceptional Item | - | - |
| Profit Before Taxes | 599.00 | 838.44 |
| Taxes | 168.58 | 238.28 |
| Profit After Taxes | 430.42 | 600.16 |
| Equity Dividend (%) | 250% | 175% |
| Equity Dividend (Rs.) | 110.97 | 155.36 |
| Employee costs (excluding VRS) | 365.13 | 392.34 |
| % to Sales Income | 5.6% | 4.4% |
| Advertising | 303.27 | 381.42 |
| % to Sales Income | 4.6% | 4.3% |





# Notes

## Notes

**TITAN INDUSTRIES**
3, SIPCOT Industrial Complex,
Hosur 635 126


*The Goldplus Nano car adorned with 5000 years of Indian jewellery-making tradition, travelled across 30 cities promoting Goldplus, the mass market jewellery brand*