

# TITAN WATCHES LIMITED

SEVENTH ANNUAL REPORT

1990-91

## Directors

**A.L. Mudaliar** Chairman  
**Xerxes Desai** Vice Chairman & Managing Director  
**J.J. Bhabha**  
**V. Chandrlekha**  
**Ishaat Hussain**  
**F. Perret**  
**T.K. Balaji**  
**P.K. Dave**  
**A.S. Gore**  
**A.C. Mukherji**  
**A.N. Palwankar**  
**B. Chandran**  
**Dara P. Mehta** (Alternate Director to F. Perret)

## Executives

**A.K. Manchanda** Executive Vice President  
**I.K. Amitha** Senior Vice President – Operations  
**C. Gaudot** Technical Advisor  
**R.C. Hari Rao** Vice President – Manufacturing  
**K.S. Oberoi** Vice President – Administration  
**M.N. Ramdas** Vice President – Finance & Company Secretary

## Bankers

Canara Bank  
ANZ Grindlays Bank

## Auditors

A.F. Ferguson & Co.  
Chartered Accountants

## Registered Office

3, SIPCOT Industrial Complex  
Hosur 635 126

## Share Department

Tata Share Registry Limited  
Army & Navy Building  
148, Mahatma Gandhi Road  
Bombay 400 001

# Notice

The Seventh Annual General Meeting of Titan Watches Limited will be held at the Registered Office of the Company, at 3, SIPCOT Industrial Complex, Hosur 635 126, on Tuesday, 24 September 1991, at 4.00 p.m. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31 March 1991 and the Balance Sheet as at that date.
2. To declare a dividend on equity shares.
3. To appoint Directors in place of Mr. F. Perret, Mr. A.S. Gore and Mr. P.K. Dave who retire by rotation and are eligible for reappointment.
4. To appoint a Director in place of Mr. B. Chandran who holds office upto the date of this Annual General Meeting in terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, who offers himself for reappointment and in respect of whom the Company has received notices in writing from some Members proposing his candidature for the office of Director.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED that in supersession of resolution no. 4 passed at the Annual General Meeting of the Company held on Monday, 6 August 1990, the consent of the Company be and is hereby accorded pursuant to the provisions of section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company borrowing moneys for and on behalf of the Company, from time to time, moneys for the purposes of the Company, amounting in the aggregate to a sum not exceeding Rs. 250 crores (Rupees two hundred and fifty crores) (excluding temporary loans obtained from the Company's bankers in the ordinary course of business), notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by the Company (excluding temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

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

"RESOLVED that A.F. Ferguson & Co. be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting to audit the accounts of the Company for the financial year 1991-92 on a remuneration of Rs. 2 lakhs plus out of pocket, travelling and living expenses."

## Notes :

- (a) The relative explanatory statements pursuant to section 173 of the Companies Act, 1956, in respect of the business under item nos. 4 to 6 above, are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

- (c) The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 3 September 1991 to Tuesday, 17 September 1991, both days inclusive.
- (d) The dividend on shares as recommended by the Directors for the year ended 31 March 1991, if declared at the Meeting, will be payable on or after 30 September 1991, in accordance with the resolution to be passed by the Shareholders of the Company, to those Members whose names stand on the Register of Members of the Company as on 17 September 1991.
- (e) Members who are resident individuals as per the Income Tax Act, 1961, and who would receive a dividend of more than Rs. 2,500/- and estimate that the total income during the financial year ending 31 March 1992, to be less than the minimum amount liable to income tax, may file the tax exemption certificates or declarations in Form 15 G (in duplicate), to receive the dividend payment without deduction of tax at source. The tax exemption certificates/declarations in Form 15 G should be filed with the Company's Registrars and Share Transfer Agents on or before 17 September 1991, at the following address :

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

- (f) Members are also requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, at the aforesaid address before 17 September 1991 :
- (i) the changes, if any, in their registered addresses alongwith the pin code number.  
(ii) the permanent Income-Tax Account Number allotted to them by the Income-Tax authorities.
- (g) For the convenience of Members, the Company will be providing a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 2 p.m. from Queens Statue (Cubbon Park main entrance), Bangalore, and bring the Members back to Bangalore after the Meeting.
- (h) As per the amended provisions of the Companies Act, the Abridged Balance Sheet and Profit and Loss Account are being sent to all Shareholders of the Company. Any Shareholder interested in receiving a copy of the Unabridged Balance Sheet and Profit and Loss Account should write to the Secretarial Department at the Registered Office of the Company.

The Unabridged Balance Sheet and Profit and Loss Account are available for inspection at the Registered Office of the Company and will also be placed before the Annual General Meeting for adoption/approval.

Registered Office :

3, SIPCOT Industrial Complex  
Hosur 635 126  
14 August 1991

By Order of the Board of Directors,

M.N. Ramdas  
Vice President – Finance  
& Company Secretary

# Supplementary Notice

Notice is hereby given that at the Seventh Annual General Meeting of the Company to be held at the Registered Office of the Company, at 3, SIPCOT Industrial Complex, Hosur 635 126, on Tuesday, 24 September 1991, at 4.00 p.m., which has been convened by Notice dated 14 August 1991, the following business will also be taken up for consideration :

To consider the appointment of Mr. Inder Chand Agarwal as a Director of the Company, who has, by his letter dated 20 July 1991, conveyed his intention to propose himself for appointment as a Director of the Company.

## Explanatory Statement

(As required under section 173 of the Companies Act, 1956).

Mr. Inder Chand Agarwal, stated to be the holder of 100 equity shares of the Company, by his letter dated 20 July 1991, has given notice under section 257 of the Companies Act, 1956, of his intention to propose himself for appointment as a Director of the Company.

Mr. Inder Chand Agarwal's proposal is being circulated as required by law. It must, however, be made clear that it is not the Management's intention to support the Resolution.

Registered Office :

3, SIPCOT Industrial Complex  
Hosur 635 126  
19 August 1991

By Order of the Board of Directors,

M.N. Ramdas  
Vice President – Finance  
& Company Secretary

# Annexure to Notice

1. As required by section 173 of the Companies Act, 1956, the following explanatory statements set out all material facts relating to the business mentioned under item nos. 4 to 6 of the accompanying Notice dated 14 August 1991.
2. Item no. 4 : Mr. B. Chandran was appointed as a Director of the Company on 23 November 1990 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. C. Shanmukham. In terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, Mr. B. Chandran holds office up to the date of the forthcoming Annual General Meeting being the date up to which Mr. C. Shanmukham would have held office had he not resigned.

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

Mr. B. Chandran may be deemed to be interested in this item of business as it relates to his appointment.

3. Item no. 5 : Section 293(1)(d) of the Companies Act, 1956, requires the consent of the Company in General Meeting for borrowing moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. In terms of resolution no. 4 passed by the Company at the Annual General Meeting held on 6 August 1990, the Company had accorded its consent to the Board of Directors borrowing up to a limit of Rupees one hundred and fifty crores (excluding temporary loans obtained from the Company's bankers in the ordinary course of business).

As the Company may have to borrow sums in excess of Rupees one hundred and fifty crores, it is necessary that the existing limit of Rupees one hundred and fifty crores be increased. It is proposed to increase the borrowing limit to Rupees two hundred and fifty crores (excluding temporary loans obtained from the Company's bankers in the ordinary course of business).

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

4. Item no. 6 : Since the shareholding pattern of the Company is such that the provisions of section 224A of the Companies Act, 1956, are applicable, the reappointment of A.F. Ferguson & Co. as Auditors of the Company is required to be made by a special resolution.

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

Registered Office :

3, SIPCOT Industrial Complex  
Hosur 635 126  
14 August 1991

By Order of the Board of Directors,

M.N. Ramdas  
Vice President – Finance  
& Company Secretary

# Annexure to the Directors' Report

Information as per section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director' Report for the year ended 31 March 1991.

Name	Designation	Age	Gross Rs.	Net Rs.	Qualification	Experience	Last employment held	Commencement of employment.
Amitha I.K.	Senior Vice President – Operations	64	2,09,080	1,29,324	B.E. (Mech.), PG (Prec. Engg.)	41	HMT Ltd.	Jul-85
Desai Xerxes	Vice Chairman & Managing Director	54	3,46,706	2,39,132	M.A. (Oxon.)	31	Tata Press Ltd.	Jan-86
Hari Rao R.C.	Vice President – Manufacturing	59	1,81,188	1,06,590	B.E. (Mech.), PG (Ind. Engg.)	34	HMT Ltd.	Oct-85
Manchanda A.K.	Executive Vice President	43	2,01,972	1,06,976	M.Stat., Dip. SQC & OR	23	Tata Press Ltd.	Jan-86
Oberoi K.S.	Vice President – Administration	45	1,51,539	85,020	M.A.	24	Tata Tea Ltd.	Jul-86
Ramdas M.N.	Vice President - Finance & Company Secretary	40	1,68,831	91,824	B.Com. (Hons.), LL.B., ACS	16	Tata Press Ltd.	Jan-86
Ravi Kant	Vice President – Marketing	47	1,61,908	1,05,084	M.Sc., B.Tech.	25	Kinetic Engineering Ltd.	Dec-86
Singh Vijay	Marketing Controller	34	1,48,606	85,170	B.A. (Hons.), MMS	14	Tata Chemicals Ltd.	Aug-88

Notes :

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

On behalf of the Board of Directors,

A.L. Mudaliar  
Chairman

Bangalore, 19 August 1991

# Directors' Report

## To the Members of Titan Watches Limited

The Directors are pleased to present the Seventh Annual Report and Audited Statement of Accounts for the year ended 31 March 1991.

### Profit

The Company has performed satisfactorily during the year, with income rising from Rs. 74.62 crores in the previous year to Rs. 106.78 crores, and profit after tax rising from Rs. 4.33 crores to Rs. 9.10 crores.

Profits have increased significantly despite the adverse economic and market conditions which prevailed throughout the year, including the disturbed law-and-order situation in many parts of the country, severe inflationary pressures and a fall in consumer spending on durables and personal products.

	Rupees in lakhs	
	1990-91	1989-90
Gross profit .....	2748.39	1560.40
Interest .....	1181.55	650.85
Depreciation .....	656.68	398.28
Profit before taxes .....	910.16	511.27
Provision for taxes .....	-	78.00
Profit after taxes .....	910.16	433.27
Provision for taxes in respect of earlier years, no longer required .....	0.93	-
Profit brought forward .....	73.73	127.79
Amount available for appropriation .....	984.82	561.06
Appropriations :		
Debenture redemption reserve .....	57.00	102.33
Investment allowance reserve .....	41.75	-
Proposed dividend .....	483.20	360.00
Transfer to general reserve .....	70.00	25.00
Balance carried forward .....	332.87	73.73
	984.82	561.06

## Dividend

The Directors are pleased to recommend the payment of dividend at the enhanced rate of 18%, subject to deduction of tax, if approved by the Shareholders at the Annual General Meeting.

The dividend will be paid on the increased share capital after the conversion of part 'A' of the 12.5% convertible debentures (1989) on 31 March 1990.

## Finance

The Company plans to raise substantial additional funds during the current year to finance its capital expenditure programme and increased level of operations. The Company had announced plans to raise Rs. 32 crores through a convertible debenture rights issue. However, in the light of the changing economic scenario in the country and the opportunities before the Company, the Management is presently examining other capital-issue alternatives, the size, nature and terms of which are being worked out.

Keeping in mind the long term plans of your Company, the Directors propose to raise borrowing limits from Rs. 150 crores to Rs. 250 crores.

## Manufacturing

During the year under review, the manufacturing capacity for movement components and watches was progressively stepped up from the original capacity of 2 million to a level of 3 million per annum. The Company produced approximately 2.4 million sets of movement components, 0.91 million cases and 2.03 million watches.

The quality of the Company's products continues to be high. The number of models on offer now exceeds 600. Several new movements are being developed incorporating additional functions. A major effort has been mounted to reduce costs and to increase output levels which will enable the Company to increase production well beyond the 3 million level.

While we now make all the components initially planned for manufacture, local sourcing of certain components, most of which we were earlier not allowed to make, has been below expectations necessitating a fall back on imports. In order to make good this lacuna, the Company has firmed up plans for internalising the manufacture of certain parts in addition to intensifying its domestic vendor development activities. As a result, the level of imports should fall significantly further over the next one year. This programme will also result in lower costs, better quality and more timely deliveries.

## New Activities

Your Company is establishing a new joint sector company in Goa under the name Titan Time Products Limited in partnership with the Economic Development Council of Goa, Daman & Diu Limited for the manufacture of Electronic Circuit Blocks (ECBs), the basic timekeeping device in a quartz watch. Production will start in early 1992.

Work has also started on establishing capability for the manufacture of stepping motors, production of which is scheduled to commence in 1992.

Work has started on the manufacture of jewellery watches and the feasibility of manufacturing jewellery articles other than watches is being examined.

The Company is acquiring 20 acres of land for its expansion and diversification programme in very close proximity to the present plant.

The Company has started the planning of a new manufacturing operation at Noida, near Delhi, in association with Timex. Timex is a large producer of watches with a strong manufacturing base and is the largest selling brand in the US with a 20% share of the market.

The Timex facilities will produce an attractive, sturdy and reliable range of affordable watches. The Titan and Timex product ranges, as also the manufacturing capabilities, will be complementary to each other. Titan will manufacture all the precision metal components needed for Timex movements. Titan will source certain appearance parts from Timex. The two companies will operate in a coordinated manner in product development, marketing and distribution.

The Timex project is estimated to cost approximately Rs. 125 crores and Timex products, under appropriate new brand names, are expected to reach the market in mid 1992. Titan and other Tata companies will take upto 40% of the equity of the new Company, Timex Watches Limited, and the foreign associates will subscribe to a like amount.

## Sales

During the year the Company performed remarkably well, selling 18,33,404 watches in adverse market and economic conditions. Titan sales registered an increase of almost 50% over the previous year while the sales of all other brands put together virtually stagnated.

On the other hand, there has been a disturbing new development in the emergence of a "grey market" for watches based on imported Citizen movements and imitation appearance parts of poor quality. While this does not constitute an immediate threat to the Company, it will need to be dealt with speedily in the long term interests of the industry. The "grey market" sales of substandard quartz analog watches in the current year are estimated by some experts at 10 million pieces.

Exports were below expectations largely because of highly competitive conditions in the world market. A major export strategy is presently under implementation with several new export initiatives being launched by the Company.

## Employees

The Company now employs 2070 persons, of whom over 1800 work in Hosur. In a significant development, employee forums have been created at the Hosur plant where issues concerning work, leisure, welfare and other subjects of common interest are discussed and decided upon, devoid of external interventions, in a friendly, constructive and rational manner.

Planning work has started for a major housing project and about 65 acres of land have already been acquired about 7 kilometres from the plant. The property will be developed by the Company and individual plots sold to employees who will construct their own houses with commercial guidance and technical support from the Company.

## Prospects

During the current year, we expect to sell about 2.5 million watches, including a much larger quantity than last year in the export market, and, in addition export atleast 0.5 million movements. In many ways, 1991-92 will be a year for consolidating the gains of the previous years, as we move rapidly towards capacity production and sales.

## Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company continues to receive from the Governments of India and Tamil Nadu, the participating financial institutions, the Company's bankers and the watch trade.

## Directors

Mr. F. Perret, Mr. A.S. Gore and Mr. P.K. Dave retire by rotation and are eligible for reappointment.

Mr. B. Chandran was appointed as a Director on 23 November 1990 to fill the casual vacancy caused by the resignation of Mr. C. Shanmukham. In terms of the Articles of Association and the Companies Act, 1956, Mr. B. Chandran holds office upto the forthcoming Annual General Meeting. The Company has received notices from some Members signifying their intention to propose Mr. B. Chandran as a candidate for the office of Director.

## Particulars of Employees

Information required to be provided under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.

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

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

## Auditors

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

On behalf of the Board of Directors,

Bangalore, 19 August 1991

A.L. Mudaliar  
Chairman

# Annexure to the Directors' Report

(Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs)

## A. Conservation of Energy

1. The manufacturing facility is designed to be energy-efficient by locating the power sub-station at the centre of gravity of the loads and the high-load machines close to it. Capacitors have been installed to improve the power utilisation factor.

A solar water heating system with a capacity to supply 10 kilolitres of hot water (at 70 degrees centigrade) per day, is being installed with an investment of Rs. 10 lakhs. This will result in a saving in power consumption of 180,000 kWh per annum.

Use of engineering plastics, as an alternative to metal formed components which involve higher energy-input processes, is being investigated.

2. It has been possible to achieve an average power factor of 0.9, a diversity factor of 0.45 during the year and savings in power consumption to the extent of about 40,000 units per month.

## B. Technology Absorption

### (a) Research & Development

1. R&D activities are carried out in the following areas :

- Design of new watch movements and cases.
- Design modifications to improve manufacturing processes/productivity.
- Design and fabrication of specific machines required for manufacturing shops like Hook Milling machine, Bench Milling machine, Tumbling machine, etc., and of specific jigs, fixtures and productivity aids previously imported.
- Development of equipment required for testing the product reliability.

2. The benefit of R&D activities have been in the nature of improved product quality, higher productivity, import substitution and cost reduction, as also in development of new products presently not available from any other manufacturer in India.
3. The R&D activities are inextricably linked with various operations of the Company and the expenditure on R&D is not separately monitored.

**(b) Technology absorption, adaptation and innovation :**

1. The Company has completed the indigenisation process at a very fast rate, effecting considerable savings in foreign exchange. A number of product improvements have been made, several of which have been adopted by the collaborators, France Ebauches.
2. The benefits derived from quick absorption have been in the form of improved quality, higher productivity and lower costs.
3. The Company imported knowhow for the manufacture of quartz analog wrist watches and wrist watch components in 1986-87 and the technology has been fully absorbed.

**C. Foreign Exchange earned and used**

The Company earned Rs. 102.70 lakhs in foreign exchange and used Rs. 3276.05 lakhs.

On behalf of the Board of Directors,

A.L. Mudaliar  
Chairman

Bangalore, 19 August 1991

# Auditors' Report

## To the Members of Titan Watches Limited

We have audited the attached balance sheet of Titan Watches Limited as at 31 March 1991 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above :
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
  - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view :
    - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 1991; and
    - (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.  
Chartered Accountants

H.L. Shah  
Partner

Bangalore, 29 June 1991

# Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Watches Limited on the Accounts for the year ended 31 March 1991.

1. The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets. Most of the fixed assets have been physically verified by the management during the year. As explained to us, no serious discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals. The stocks in possession of third parties have been verified by the management with reference to certificates obtained from them and/or other relevant documents.
4. The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not significant and have been properly dealt with in the books of account.
6. In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 of the Companies Act, 1956.
9. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in the payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and comparable alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials (including components), plant and machinery, equipment and other assets, and for the sale of goods.
11. In our opinion and according to the information and explanations given to us and, having regard to our comments in 10 above, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services as available with the Company, or the prices at which transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. As explained to us, no provision is considered necessary.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted.
14. As explained to us, the Company's operations do not generate any by-products and in our opinion, reasonable records have been maintained by the Company for the sale of scrap.
15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
16. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products.
17. According to the records of the Company, provident fund and employees state insurance dues have generally been regularly deposited during the period with the appropriate authorities. There are no overdue amounts outstanding as at 31 March 1991.
18. There are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty as at 31 March 1991 which are outstanding for a period of more than six months from the date they became payable.
19. In our opinion and according to the information and explanations given to us, personal expenses have not been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of its service activities, the Company has a reasonable system of recording receipts, issues and consumption of components and stores commensurate with its size and the nature of its business. The system provides for a reasonable allocation of materials to the relative jobs but it is not considered necessary by the management to allocate man-hours consumed to relative jobs. In our opinion, there is a reasonable system for authorisation at proper levels, and adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of stores to jobs.

For A.F. Ferguson & Co.  
Chartered Accountants

H.L. Shah  
Partner

Bangalore, 29 June 1991

# Balance Sheet

as at 31 March 1991

Sources of funds	Schedule	Rupees in lakhs	
		31-3-1991	31-3-1990
<b>Shareholders' funds</b>			
Share capital .....	A	<b>2684.46</b>	2683.97
Reserves and surplus .....	B	<b>642.18</b>	211.06
Convertible portion of 12.5% debentures .....		<b>568.91</b>	568.91
<b>Loan funds</b>			
Secured loans .....	C	<b>5914.34</b>	5753.55
Unsecured loans .....	D	<b>168.54</b>	-
<b>Total</b> .....		<b><u>9978.43</u></b>	<u>9217.49</u>
 <b>Application of funds</b>			
<b>Fixed assets</b> .....			
Gross block, at cost .....	E	<b>9702.67</b>	8591.57
Less : Depreciation .....		<b>1374.00</b>	719.17
Net block .....		<b>8328.67</b>	7872.40
Advances on capital account and capital work in progress, at cost .....		<b>279.80</b>	93.39
		<b>8608.47</b>	7965.79
<b>Investments</b> .....	F	<b>6.00</b>	6.00
<b>Current assets, loans and advances</b>			
Inventories .....	G	<b>6264.84</b>	2993.20
Sundry debtors .....		<b>403.00</b>	326.93
Cash and bank balances .....		<b>222.59</b>	96.00
Loans and advances .....		<b>1038.05</b>	451.04
		<b>7928.48</b>	3867.17
<b>Less :</b>			
<b>Current liabilities and provisions</b>			
Current liabilities .....	H	<b>6081.32</b>	2261.47
Provisions .....		<b>483.20</b>	360.00
		<b>6564.52</b>	2621.47
Net current assets .....		<b>1363.96</b>	1245.70
<b>Total</b> .....		<b><u>9978.43</u></b>	<u>9217.49</u>

Notes

K

Per our report attached

For and on behalf of the Board,

For A.F. Ferguson & Co.  
Chartered Accountants

A.L. Mudaliar

Chairman

H.L. Shah  
Partner

M.N. Ramdas  
Vice President - Finance  
& Company Secretary

Xerxes Desai Vice Chairman & Managing Director

Bangalore, 29 June 1991

Hosur, 27 June 1991

# Profit and Loss Account

for the year ended 31 March 1991

Income	Schedule	Rupees in lakhs	
		Current Year	Previous Year
Sales .....		<b>10626.04</b>	7405.56
Other income .....	I	<b>51.91</b>	56.17
<b>Total</b> .....		<b><u>10677.95</u></b>	<u>7461.73</u>
<b>Expenditure</b>			
Operating and other expenses .....	J	<b>7929.56</b>	5901.33
Depreciation .....		<b>656.68</b>	398.28
Interest .....		<b>1181.55</b>	650.85
<b>Total</b> .....		<b><u>9767.79</u></b>	<u>6950.46</u>
<b>Profit for the year</b> .....		<b>910.16</b>	511.27
<b>Taxes</b> .....		-	78.00
<b>Profit after taxes</b> .....		<b>910.16</b>	433.27
Provision for taxes in respect of earlier years, no longer required .....		<b>0.93</b>	-
Profit brought forward .....		<b>73.73</b>	127.79
<b>Amount available for appropriation</b> .....		<b>984.82</b>	561.06
<b>Appropriations</b>			
Transfer to debenture redemption reserve .....		<b>57.00</b>	102.33
Transfer to investment allowance reserve account .....		<b>41.75</b>	-
Proposed dividend (subject to deduction of tax) .....		<b>483.20</b>	360.00
Transfer to general reserve .....		<b>70.00</b>	25.00
		<b><u>651.95</u></b>	<u>487.33</u>
<b>Balance carried to balance sheet</b> .....		<b><u>332.87</u></b>	<u>73.73</u>
Notes	K		

Per our report attached

For A.F. Ferguson & Co.  
Chartered Accountants

H.L. Shah  
Partner

Bangalore, 29 June 1991

M.N. Ramdas  
Vice President - Finance  
& Company Secretary

A.L. Mudaliar

Xerxes Desai Vice Chairman & Managing Director

Hosur, 27 June 1991

For and on behalf of the Board,

Chairman

# Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-1991	31-3-1990
<b>“A” Share capital</b>		
<b>Authorised</b>		
3,50,00,000 equity shares of Rs. 10 each .....	<u>3500.00</u>	<u>3500.00</u>
<b>Issued and subscribed</b>		
2,68,44,550 (1990 : 2,68,34,750) equity shares of Rs. 10 each, fully paid up .....	2684.46	2683.48
Nil (1990 : 9,800) equity shares of Rs. 10 each, fully called up .....	-	0.98
<b>Less : unpaid allotment money @ Rs. 5 per share .....</b>	<u>-</u>	<u>0.49</u>
	<u>-</u>	<u>0.49</u>
	<u>2684.46</u>	<u>2683.97</u>
 <b>“B” Reserves and surplus</b>		
<b>Capital reserve</b>		
As per last balance sheet .....	10.00	10.00
Surplus on re-issue of forfeited shares and debentures	<u>3.23</u>	-
	13.23	10.00
<b>Debenture redemption reserve</b>		
As per last balance sheet .....	102.33	-
Transfer from profit and loss account .....	<u>57.00</u>	<u>102.33</u>
	159.33	102.33
<b>Investment allowance reserve account</b>		
Transfer from profit and loss account .....	41.75	-
<b>General reserve</b>		
As per last balance sheet .....	25.00	-
Transfer from profit and loss account .....	<u>70.00</u>	<u>25.00</u>
	95.00	25.00
<b>Balance in profit and loss account .....</b>	<u>332.87</u>	<u>73.73</u>
	<u>642.18</u>	<u>211.06</u>

# Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-1991	31-3-1990
<b>“C” Secured loans</b>		
15% debentures of Rs. 100 each, fully paid up (includes premium on redemption Rs. 20.00 lakhs) .....	<b>420.00</b>	420.00
13.5% debentures of Rs. 200 each, fully called up (net of unpaid allotment money Rs. Nil; 1990 : Rs. 0.98 lakh) .....	<b>1312.50</b>	1311.53
12.5% debentures of Rs. 200 each, fully paid up .....	<b>568.91</b>	568.91
Foreign currency term loans from the International Finance Corporation, Washington .....	<b>3091.60</b>	2843.11
Interest free sales tax loan .....	<b>41.33</b>	10.00
Other term loan .....	<b>480.00</b>	600.00
	<b><u>5914.34</u></b>	<b><u>5753.55</u></b>
 <b>“D” Unsecured loans</b>		
Fixed deposits .....	<b><u>168.54</u></b>	<u>-</u>

# Schedules forming part of the accounts

## “E” Fixed assets

Rupees in lakhs

	Gross block			Depreciation		Net block	
	Cost as at 1-4-1990	Additions	Deductions	Cost as at 31-3-1991	As at 31-3-1991	As at 31-3-1991	As at 31-3-1990
Land-freehold .....	7.20	16.37	-	23.57	-	23.57	7.20
Land-leasehold .....	3.67	-	-	3.67	-	3.67	3.67
Buildings .....	828.41	15.73	-	844.14	76.14	768.00	777.83
Plant, machinery and equipment .....	7399.21	959.74	1.16	8357.79	1252.14	7105.65	6759.47
Furniture, fixtures and equipment .....	310.17	95.77	-	405.94	35.34	370.60	289.23
Vehicles .....	42.91	29.25	4.60	67.56	10.38	57.18	35.00
<b>Total</b>	<b>8591.57</b>	<b>1116.86</b>	<b>5.76</b>	<b>9702.67</b>	<b>1374.00</b>	<b>8328.67</b>	
As at 31 March 1990	5814.01	2778.59	1.03	8591.57	719.17		7872.40
Advances on capital account and capital work in progress, at cost .....						279.80	93.39
						<b>8608.47</b>	<b>7965.79</b>

## “F” Investments

Rupees in lakhs

31-3-1991 31-3-1990

Trade investments - unquoted, at cost

6,000 fully paid equity shares of Rs. 100 each in Tata

Share Registry Ltd .....

6.00

6.00

# Schedule forming part of the accounts

	Rupees in lakhs	
“G” Current assets, loans and advances	31-3-1991	31-3-1990
<b>Inventories</b>		
Consumable stores, at cost .....	128.46	59.92
Loose tools .....	65.08	44.64
Stock-in-trade, at cost or net realisable value whichever is lower		
Raw materials and bought-out components .....	1621.83	685.97
Work in progress .....	2887.24	1529.64
Finished goods .....	<u>1562.23</u>	<u>673.03</u>
	<b>6071.30</b>	<b>2888.64</b>
	<b>6264.84</b>	<b>2993.20</b>
<b>Sundry debtors (unsecured and considered good)</b>		
Over six months .....	28.50	7.49
Others .....	<u>374.50</u>	<u>319.44</u>
	<b>403.00</b>	<b>326.93</b>
<b>Cash and bank balances</b>		
Cash on hand .....	3.21	0.84
With scheduled banks - in current accounts .....	6.66	4.62
- on deposit .....	78.56	33.45
- in transit .....	<u>134.16</u>	<u>57.09</u>
	<b>222.59</b>	<b>96.00</b>
<b>Loans and advances (unsecured and considered good)</b>		
Deposits with companies .....	-	6.00
Advances recoverable in cash or in kind or for value to be received .....	858.25	422.55
Income-tax deducted at source, net of provision for tax	6.90	11.23
Balances with excise and customs authorities .....	<u>172.90</u>	<u>11.26</u>
	<b>1038.05</b>	<b>451.04</b>
	<b>7928.48</b>	<b>3867.17</b>

# Schedules forming part of the accounts

	Rupees in lakhs	
“H” Current liabilities and provisions	31-3-1991	31-3-1990
<b>Current liabilities</b>		
Acceptances .....	<b>912.83</b>	-
Sundry creditors .....	<b>1280.59</b>	1151.86
Interest accrued but not due on loans .....	<b>157.42</b>	152.22
<b>Current maturities of loan funds</b>		
Term loans repayable within one year .....	<b>518.09</b>	323.67
Cash credit account secured by hypothecation of book debts, inventories, stores and spares .....	<b>1991.17</b>	508.72
Deposits from companies .....	<b>1160.00</b>	125.00
Unsecured short-term loan from a bank .....	<b>61.22</b>	-
	<b><u>6081.32</u></b>	<u>2261.47</u>
<b>Provisions</b>		
Proposed dividend .....	<b>483.20</b>	360.00
	<b><u>6564.52</u></b>	<u>2621.47</u>

## “I” Other income

	Current Year	Previous Year
Interest - gross (tax deducted at source on interest received Rs. 6.55 lakhs; 1990 : Rs. 9.91 lakhs) .....	<b>42.86</b>	50.70
Income from trade investments - gross (tax deducted at source Rs. 0.20 lakh; 1990 : Rs. 0.21 lakh) .....	<b>0.84</b>	0.90
Miscellaneous income .....	<b>8.21</b>	4.57
	<b><u>51.91</u></b>	<u>56.17</u>

# Schedule forming part of the accounts

	Rupees in lakhs	
	Current Year	Previous Year
<b>“J” Operating and other expenses</b>		
Raw materials and components consumed .....	6428.49	4777.52
Stores and spare parts consumed .....	570.31	124.08
Payments to and provisions for employees		
Salaries and wages .....	467.52	292.63
Company’s contribution to provident and other funds ...	29.98	18.48
Welfare expenses .....	123.95	82.69
Gratuity .....	<u>2.74</u>	<u>4.41</u>
	<b>624.19</b>	<b>398.21</b>
Other expenses		
Power and fuel .....	113.20	52.59
Repairs to buildings .....	21.98	14.90
Repairs to plant and machinery .....	1.93	1.94
Advertising .....	838.08	560.97
Selling and distribution expenses .....	118.54	117.85
Insurance .....	70.59	46.76
Rent .....	76.15	39.27
Rates and taxes, net of modvat .....	468.41	314.68
Travel .....	133.19	87.38
Royalty .....	110.52	87.41
General expenses .....	<u>597.40</u>	<u>433.97</u>
	<b>2549.99</b>	<b>1757.72</b>
Auditors’ remuneration		
Audit fees .....	0.75	0.75
Fees for taxation matters .....	0.40	0.22
Fees for company law matters .....	0.15	-
Management consultancy services .....	1.48	-
Fees for other services .....	0.18	-
Reimbursement of expenses .....	<u>0.27</u>	<u>0.21</u>
	<b>3.23</b>	<b>1.18</b>
Directors’ fees .....	<b>0.15</b>	<b>0.13</b>
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress .....	2887.24	1529.64
Finished goods .....	<u>1562.23</u>	<u>673.03</u>
	<b>4449.47</b>	<b>2202.67</b>
Opening stocks		
Work in progress .....	1529.64	810.07
Finished goods .....	<u>673.03</u>	<u>235.09</u>
	<b>2202.67</b>	<b>1045.16</b>
	<b>(2246.80)</b>	<b>(1157.51)</b>
	<u><b>7929.56</b></u>	<u><b>5901.33</b></u>

# Schedule forming part of the accounts

## “K” Notes to the accounts

1. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 109.12 lakhs (1990 : Rs. 235.90 lakhs).
2. The secured term loans repayable within one year, cash credit, short term deposits from companies and unsecured short term loan from a bank are grouped under current liabilities. The convertible portion of debentures has been shown separately.
3. a) The 15% debentures of Rs. 100 each and the 13.5% debentures of Rs. 200 each are secured by a legal mortgage on an immovable property of the Company.  
b) Further, the Company has also created an additional security :
  - (i) by way of an equitable mortgage of the Company's immovable property situated at Hosur and
  - (ii) by hypothecation of its movable assets (save and except book debts) both present and future, subject to a prior charge on inventories in favour of banks for providing working capital.
4. a) The 15% debentures are redeemable in three equal annual instalments with the first instalment payable on 3 March 1994. A premium of 5% of the face value is payable together with the first instalment.  
b) The 13.5% debentures are redeemable at par at the end of ten years from the date of allotment (i.e. 15 June 1987), with the Company having an option to redeem the same at any time after the end of seven years from the date of allotment either fully or partly on a pro rata basis or by draw of lots or on any other basis.
5. The 12.5% debentures are secured by :
  - a) a legal mortgage on an immovable property of the Company and
  - b) an equitable mortgage on the immovable property of the Company located at Hosur.
6. a) The convertible portion of the 12.5% debentures, i.e. Part B of Rs. 200 each, fully paid up, will be compulsorily and automatically converted on a date, to be fixed by the Board of Directors, between 1 October 1992 and 30 September 1993, into such number of equity shares and at such premium as may be decided by the Board of Directors with the approval of the Controller of Capital Issues.  
b) The non convertible portion of the 12.5% debentures, i.e. Part C of Rs. 200 each, fully paid up, is redeemable at par on 30 September 1999.
7. The foreign currency term loans from the International Finance Corporation, Washington, including Rs. 398.09 lakhs (1990 : Rs. 323.67 lakhs) repayable within one year which has been shown under current liabilities, are secured by the securities stated in 3(b) above.
8. The interest free sales tax loan is secured by a second charge by way of an equitable mortgage on the immovable property of the Company located at Hosur and hypothecation of assets except inventories and book debts.
9. The other term loan shown under secured loans, including Rs. 120 lakhs (1990 : Rs. Nil) repayable within one year which has been shown under current liabilities, is secured by way of an equitable mortgage on the immovable property of the Company.
10. The security covered under notes 3(b)(i), 5(b), 7 and 9 above rank pari passu.
11. Loans and advances include Rs. 180 lakhs (1990 : Rs. Nil) advanced to Timex Watches Limited which is proposed to be adjusted against issue of equity shares by that company.
12. a) Income from sales includes Rs. 74.17 lakhs (1990 : Rs. 533.83 lakhs) being the income from sale of components. The Company considers watch components 'as meant for sale' only when it is actually sold.  
b) Income from sales includes Rs. 158.79 lakhs (1990 : Rs. 54.48 lakhs) being the income from sale of process scrap and from after-sales-service.

# Schedule forming part of the accounts

13. Interest on fixed loans and debentures amounts to Rs. 1000.22 lakhs (1990 : Rs. 552.29 lakhs).
14. Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956.
15. The Managing Director's remuneration (including commission of Rs. 0.90 lakh; 1990 : Rs. Nil) is Rs. 3.47 lakhs (1990 : Rs. 2.30 lakhs). Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under :

	Rupees in lakhs	
Profit before taxes as per Profit & Loss Account .....		910.16
Add : Managing Director's remuneration .....		3.47
Directors' fees .....		0.15
Depreciation provided in the accounts for the current year .....		656.68
Loss on sale of fixed assets as per books .....		0.74
Profit on sale of fixed assets as per section 349 of the Companies Act, 1956 .....		0.89
		<u>1572.09</u>
Less: Depreciation as per section 350 of the Companies Act, 1956 for the current year .....	1479.80	
Excess of expenditure over income in respect of earlier years as per section 349 (4)(1) of the Companies Act, 1956. (Based on legal advice and a High Court decision, depreciation of earlier years has not been considered as an expenditure) .....		
		<u>1479.80</u>
Net profit .....		92.29
Commission @ 1% on the above .....		0.92
Restricted to 50% of salary .....		0.90

16. The provisions of the Industries (Development and Regulations) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 3 million watches per annum (1990 : 3 million watches). The installed capacity is as certified by the management and relied upon by the auditors, being a technical matter.
17. The Company produced 20,28,000 watches (1990 : 13,55,000), sold 18,33,404 watches (1990 : 12,51,925), and had a closing stock of 3,64,921 watches (1990 : 1,70,325 watches; 1989 : 67,250).

	Rupees in lakhs	
	1991	1990
18. Analysis of raw materials and components consumed :		
Components .....	5938.50	4459.30
Other materials .....	436.46	282.60
Sundry charges .....	53.53	35.62
	<u>6428.49</u>	<u>4777.52</u>
19. Value of imports on CIF basis :		
Raw materials and components .....	2651.78	1748.45
Stores and spares .....	59.54	15.84
Capital goods .....	114.65	677.25
	<u>2825.97</u>	<u>2441.54</u>

# Schedule forming part of the accounts

20. Expenditure in foreign currency (on payment basis) on account of :	Rupees in lakhs	
	<b>1991</b>	<b>1990</b>
Royalty .....	<b>73.13</b>	57.85
Interest .....	<b>309.63</b>	297.74
Technical services .....	-	2.84
Others .....	<b>32.95</b>	60.78

21. Amount remitted during the current year (1990 : Rs. Nil) in foreign currency on account of dividends :	
(i) Number of Shareholders .....	<b>236</b>
(ii) Number of equity shares on which dividend was paid	<b>28,01,700</b>
(iii) Year to which the dividend related .....	<b>1989-90</b>
(iv) Amount remitted (net of tax) .....	<b>Rs. 34.37 lakhs</b>

22. Earning in foreign exchange on receipt basis :	Rupees in lakhs	
	<b>1991</b>	<b>1990</b>
Export of goods on FOB basis .....	<b>102.00</b>	532.54
Interest .....	<b>0.70</b>	3.12

23. Value of imported and indigenous materials and components consumed and the percentage of each to the total consumption :	<b>1991</b>		<b>1990</b>	
	<b>Rupees</b>	<b>%</b>	<b>Rupees</b>	<b>%</b>
	<b>in lakhs</b>		<b>in lakhs</b>	
<b>Imported</b>				
CIF value .....	<b>2350.62</b>	<b>37</b>	1959.64	41
Customs duties .....	<b>2132.90</b>	<b>33</b>	1633.33	34
	<b>4483.52</b>	<b>70</b>	3592.97	75
<b>Indigenous</b> .....	<b>1944.97</b>	<b>30</b>	1184.55	25
	<b>6428.49</b>	<b>100</b>	4777.52	100

24. Expenditure and earnings in foreign currency are not strictly comparable with the figures of previous year due to decline in value of the rupee against foreign currencies.

25. The figures of the previous year, have been regrouped where necessary.

Signatures to Schedules "A" to "K"

For and on behalf of the Board,

	M. N. Ramdas Vice President - Finance & Company Secretary	A.L.Mudaliar Xerxes Desai	Chairman Vice Chairman & Managing Director
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Hosur, 27 June 1991