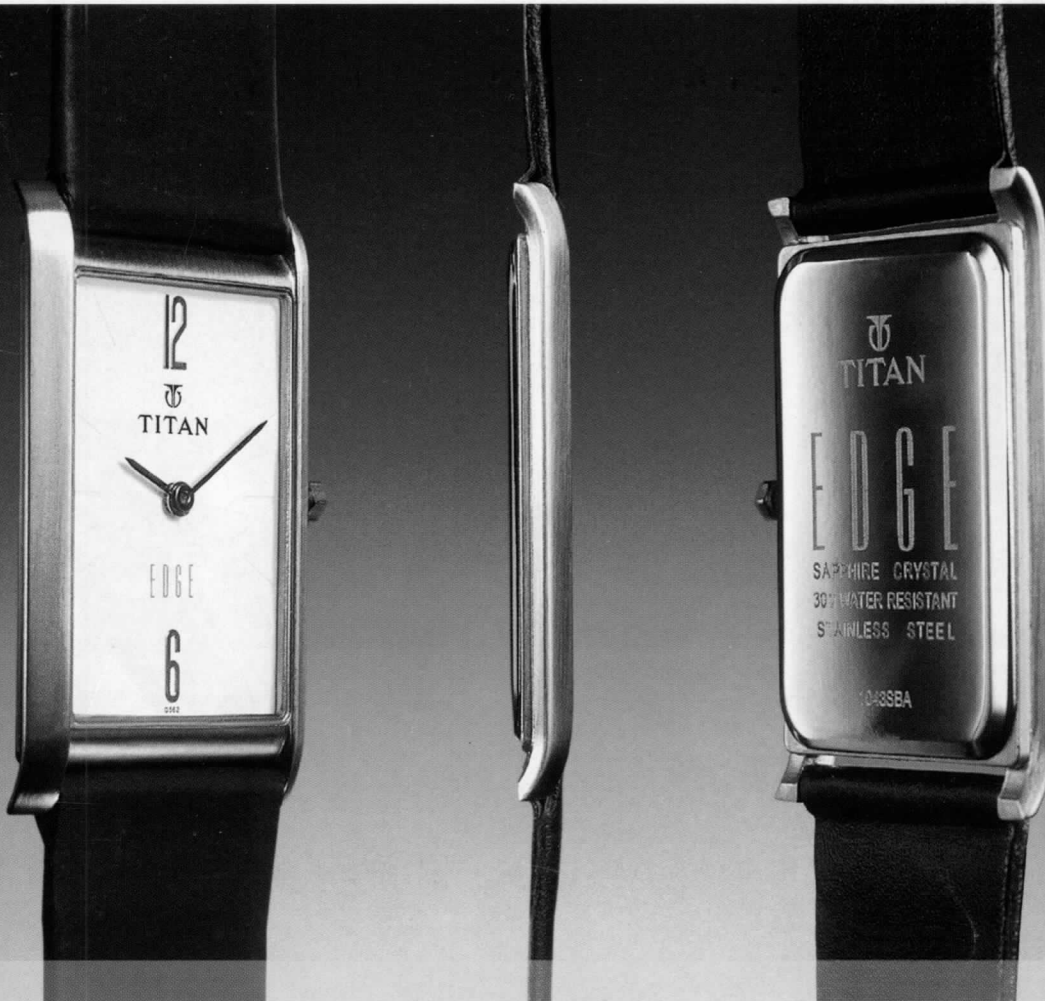


# TITAN INDUSTRIES



**17<sup>th</sup> Annual Report**  
**2000 - 2001**



1002-0005

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# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

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**Titan Industries Limited**

## **Board of Directors**

**A. L. Mudaliar** (Chairman)  
**Xerxes Desai** (Vice Chairman & Managing Director)  
**Bhaskar Bhat** (Deputy Managing Director)  
**J. J. Bhabha**  
**M. Madhavan Nambiar**  
**Farrokh Kavarana**  
**Ishaat Hussain**  
**T. K. Balaji**  
**A. C. Mukherji**  
**H. K. Sinha**  
**Rama Bijapurkar**

## **Senior Vice President**

K. F. Kapadia

## **Vice Presidents**

Harish Bhat  
B. G. Dwarkanath  
N. Kailasanathan  
Jacob Kurian  
Bijou Kurien  
V. Rajaram  
M. S. Shantharam

## **General Managers**

Rafeekh Ahmed  
Manoj Chakravarti  
M. Kumar  
N. V. Narayana  
H. G. Raghunath  
S. Ramadoss  
C. Srinivasan  
S. Srinivas Babu  
R. Talati  
C. K. Venkataraman  
C. S. Vishwanath  
C. G. Yathiraju

## **Company Secretary**

V. Madan

## **Auditors**

A. F. Ferguson & Co.  
(Chartered Accountants)

## **Bankers**

Canara Bank  
Bank of Baroda  
Bank of America  
Hongkong Bank  
Standard Chartered Bank  
Standard Chartered Grindlays Bank

## **Registered Office**

3, SIPCOT Industrial Complex  
Hosur 635 126

## **Share Department**

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

## Notice

The Seventeenth Annual General Meeting of Titan Industries Limited will be held at the Registered Office of the Company, at 3 SIPCOT Industrial Complex, Hosur 635 126, on Friday 28 September 2001, at 3.30 p.m. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 2001 and the Balance Sheet as at that date.
2. To declare a dividend on Equity Shares.
3. To approve the declaration and payment of interim dividend as final dividend on preference shares.
4. To appoint Directors in place of Dr J J Bhabha, Mr F K Kavarana and Mr Ishaat Hussain who retire by rotation and are eligible for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that Messrs A F Ferguson & Co. be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, to audit the accounts of the Company for the financial year 2001-02 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, out of pocket, travelling and living expenses."

6. **ADDITIONAL DIRECTOR**

To appoint a Director in place of Mrs Rama Bijapurkar who was appointed an Additional Director of the Company by the Board of Directors with effect from 21 March 2001, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder proposing her candidature for the office of Director.

7. **ADDITIONAL DIRECTOR**

To appoint a Director in place of Mr Bhaskar Bhat who was appointed as Deputy Managing Director of the Company by the Board of Directors with effect from 1 May 2001, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder proposing his candidature for the office of Director.

8. **APPOINTMENT OF DEPUTY MANAGING DIRECTOR**

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

"RESOLVED that pursuant to Sections 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and is hereby accorded to the appointment of Mr. Bhaskar Bhat who was appointed by the Board of Directors as Deputy Managing Director with effect from 1 May, 2001 for a period of 5 years upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the aforesaid period) set out in the draft Agreement submitted to this meeting and initialled by a Director for the purpose of identification, to be entered into between the Company on the one part and Mr. Bhaskar Bhat of the other part which Agreement is hereby specifically approved with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Board of Directors and Mr. Bhaskar Bhat."

# TITAN INDUSTRIES

## Seventeenth annual report 2000-2001

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### Titan Industries Limited

#### Notes:

- (a) The relative explanatory statement pursuant to section 173 of the Companies Act, 1956, in respect of business under item nos. 5 to 8 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, 14 August 2001 up to Monday, 10 September 2001, both days inclusive.
  - (d) The dividend as recommended by the Directors, if declared at the Annual General Meeting, will be paid to those Members whose names appear on the Company's Register of Members on 10 September 2001 and to the Beneficiary Holders as per the Beneficiary list as on 14 August 2001, provided by the National Securities and Depository Limited and Central Depository Services (India) Limited.
  - (e) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Ltd, the change, if any, in their registered addresses along with the PIN code number.
  - (f) Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March 1995, have been transferred to the General Revenue Account of the Central Government. Members who have a valid claim to the unclaimed dividend referred to above may claim the same from the Registrar of Companies, Tamil Nadu, Coimbatore Stock Exchange Building, 683-686, Trichy Road, Singanallur, Coimbatore 641 005.
  - (g) Shareholders are hereby informed that after the amendment of the Act w.e.f. 31.10.1998, the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund ("the Fund") to be established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or Fund in respect of individual amounts of dividend remaining unclaimed or unpaid for a period of seven years from the dates they became first due for payment and no payment shall be made in respect of any such claims.
  - (h) As per the provisions of the Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz. Tata Share Registry Ltd.
  - (i) The equity shares of the Company are listed at the following Stock Exchanges in India:
    - (1) The Madras Stock Exchange Ltd  
(Regional Stock Exchange)  
Exchange Building, 11 Second Line Beach  
P O Box no. 183, Chennai 600 001
    - (2) The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400 001
- The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2001-02.
- (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 2 p.m. from Golden Palm Station (Old BRV Theatre), Cubbon Road, Bangalore, and will bring the Members back to Bangalore after the Meeting.

Registered Office :  
3, SIPCOT Industrial Complex  
Hosur 635 126

30 July 2001

By order of the Board of Directors,

V. Madan  
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 5 to 8 of the accompanying Notice dated 30 July 2001.

**Item No. 5 :** Since the shareholding pattern of the Company is such that the provisions of Section 224A of the Companies Act, 1956, are applicable, the reappointment of A F Ferguson & Co., as Auditors of the Company is required to be made by a special resolution. Accordingly it is proposed to reappoint A F Ferguson & Co. on the remuneration set out in the Resolution as auditors of the Company for the financial year 2001-02.

**Item No. 6 :** Mrs .Rama Bijapurkar was appointed as an additional director of the Company at the Board Meeting held on 21 March 2001.

Mrs Rama Bijapurkar is a leading marketing consultant with wide and rich experience. Her presence and professional advice at the Board Meetings will greatly benefit the Company.

Notice in writing has been received from a Shareholder of the Company signifying his intention proposing Mrs. Rama Bijapurkar as a candidate for the office of Director. The Directors recommend that she be appointed as a Director of the Company.

Other than Mrs Rama Bijapurkar none of the Directors, are in any way, concerned or interested in this resolution.

**Item No. 7 & 8 :** Mr. Bhaskar Bhat was appointed as the Deputy Managing Director of the Company at the Board Meeting held on 27 April 2001 with effect from 1 May 2001.

Mr. Bhaskar Bhat is a graduate in Mechanical Engineering from IIT- Madras, and holds a post-graduate qualification in Business Management from IIM- Ahmedabad. Mr Bhat joined the Watch Division in 1983 and has over 18 years' experience in marketing in the watch industry.

Prior to his appointment as Deputy Managing Director Mr. Bhaskar Bhat was the Chief Operating Officer of the Company.

Members are aware that Mr. Bhaskar Bhat was appointed as Deputy Managing Director of the Company for a period of five years with effect from 1 May 2001. The abstract of the Terms of Appointment of Mr. Bhaskar Bhat as Deputy Managing Director and Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956 has already been mailed to all Shareholders.

Notice in writing has been received from a Shareholder of the Company signifying his intention proposing Mr. Bhaskar Bhat as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

The draft agreement between the Company and Mr Bhaskar Bhat contains the following principal terms and conditions:

1. Mr. Bhaskar Bhat shall, subject to the supervision and control of the Board and of the Managing Director, carry out such duties as may be entrusted to him from time to time by the Board and the Managing Director of the Company.
2. **Period of appointment :** 5 years from 1st May 2001.
3. **Salary :** Rs 80,000 per month in the scale of Rs 50,000 – Rs 1,50,000 per month. The Board of Directors will determine the increment payable every year, depending on the performance of the appointee, the size of operations, profitability and other relevant factors.
4. **Perquisites :** Within the overall ceiling of 125% of the annual salary, Mr Bhat will be entitled to the following by way of perquisites in such form and manner as the Board of Directors of the Company may decide :
  - a. Furnished accommodation with expenditure on gas, electricity, water and maintenance and repair thereof  
OR  
House Rent Allowance and House Maintenance Allowance with expenditure on gas, electricity, water and furnishings
  - b. Leave Travel Allowance for self and family
  - c. Medical expenses and medical insurance for self and family
  - d. Personal Accident Insurance

# TITAN INDUSTRIES

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## Titan Industries Limited

- e. Club fees and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed by the Board of Directors.

For the purpose of calculating the ceiling of 125% as mentioned overleaf, perquisites shall be evaluated as per the Income Tax Rules, 1962, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost.

Provision for use of Company's car and telephone at residence (including payment of local calls and long distance calls) shall not be included in the computation of perquisites for the purpose of calculating such ceiling.

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961. Gratuity payable, and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid.

Note — 'Family' for this purpose shall mean the spouse, the dependent children and the dependent parents of the appointee.

5. **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 each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956 ("the Act"). The commission payable to Mr Bhat will nevertheless be limited to and range from 6 times to 48 times the monthly salary. The exact amount payable will be decided by the Board of Directors / Remuneration Committee, based on certain performance criteria and will be payable only after the Annual Accounts of the Company have been approved by the Board of Directors and adopted by the Shareholders.
6. **Minimum Remuneration** : Notwithstanding anything to the contrary contained herein, where in any financial year, during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay salary and perquisites and allowances as specified above to Mr Bhat as minimum remuneration.
7. Mr Bhat will be entitled to leave according to the Company's Leave Rules.
8. The terms and conditions of the appointment of Mr Bhat as stated above can be altered and varied from time to time by the Board of Directors at its discretion, so as not to exceed the limits specified in Schedule XIII of the Act, or any amendments made thereto.
9. The Company will enter into an agreement with Mr Bhat, which will contain, inter-alia, the above terms and conditions, and the agreement can be terminated by either party by giving three months' notice.
10. The Deputy Managing Director is appointed by virtue of his employment in the Company and the appointment is subject to the provisions of Section 283(1)(l) of the Act.

In compliance with Sections 269 and 309 of the Companies Act, 1956 the terms of remuneration and appointment specified above are now placed before the Shareholders for their approval.

The draft agreement entered into by the Company with the Deputy Managing Director will be made available for inspection at the Registered Office of the Company and on all working days of the Company between the hours of 11 A.M. and 1.00 P.M. upto the date of Annual General Meeting.

Your Directors are of the view that the Company would continue to be greatly benefited by the experience, expertise and management skills of Mr. Bhat and therefore commend for approval the Resolutions contained at items No. 7 & 8 of the accompanying Notice.

Mr. Bhaskar Bhat, is concerned or interested in items No. 7 & 8 of the Notice as it relates to his appointment. None of the other directors are concerned or interested in items No. 7 & 8 of the Notice.

Registered Office :  
3, SIPCOT Industrial Complex  
Hosur 635 126

By order of the Board of Directors,

30 July 2001

V. Madan  
Company Secretary



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

(In pursuance of Clause 49 of the Listing Agreements)

Name of Director	Dr J J Bhabha	Mr F K Kavarana	Mr Ishaat Hussain	Mrs Rama Bijapurkar	Mr Bhaskar Bhat
Date of Birth	21.08.1914	17.03.1944	02.09.1947	12.02.1957	29.08.1954
Date of appointment	09.08.1990	27.01.1993	17.07.1989	21.02.2001	27.04.2001
Expertise in specific functional areas	History & Philosophy of the Arts	Wide experience in business management & international finance	Wide experience in business management & international finance	Marketing Strategy Consultant	Wide experience in marketing
Qualifications	B.A. (Hons) Cambridge University	B.Com (Hons) MBA (Wharton) University of Pennsylvania, USA FICA (England & Wales)	FCA (England & Wales)	BSc. (Hons). PGDM - IIM Ahmedabad	B.Tech (IIT-Madras) PGDM - IIM Ahmedabad
List of Public Companies in which outside Directorships held as on 31st March 2001	Indian Hotels Co Ltd Tata McGraw Hill Publishing Co Ltd The Associated Building Co. Ltd Tata Ltd	Tata Sons Ltd Tata Industries Ltd Tata Engg & Locomotive Co Ltd Tata Tea Ltd Tata Projects Ltd Sheba Properties Ltd Mercedes-Benz India Ltd Tata Autocomp Systems Ltd Tata Cummins Ltd Tata Technologies (I) Ltd Tata Infotech Ltd Tata International Ltd Tata AIG Life Insurance Co Ltd Tata AIG General Insurance Co Ltd	Tata Sons Ltd Tata Iron & Steel Co Ltd Tata SSL Ltd Voltas Ltd Tata Infomedia Ltd Tata Teleservices Ltd Tata Cellular Ltd Hitech Drilling Services India Ltd Tata Industries Ltd Tata Internet Services Ltd Tata Trustee Co Ltd  Tata AIG Life Insurance Co Ltd Tata AIG General Insurance Co Ltd	Infosys Technologies Ltd Credit Rating & Information Services of India Ltd Godrej Consumer Products Ltd	Samrat Holdings Ltd Questar Investments Ltd
Chairman / Member of the Committees of the Board of Public Companies on which he / she is a Director as on 31st March 2001	—	Tata Sons Ltd Audit Committee - Member Tata Infotech Ltd Remuneration Committee - Chairman Tata International Ltd Audit Committee - Chairman Tata International Ltd Compensation Committee - Member	Tata Sons Ltd Approvals Committee - Member Finance Committee - Member Debenture Committee - Member Properties Committee - Member TISCO Ltd Audit Sub-committee - Member Investor Grievance Committee - Chairman Tata Industries Ltd Audit Committee - Member Tata Trustee Co Ltd Audit Committee - Member Tata AIG General Insurance Co Investment Committee - Member Audit Committee - Member Tata SSL Ltd. Remuneration Committee - Chairman	Infosys Technologies Ltd Audit Committee - Member Investor Grievances Committee - Member Godrej Consumer Products Ltd Audit Committee - Member H.R. Committee - Member	—

**Titan Industries Limited**

**Directors' Report**

**To the Members of Titan Industries Limited**

The Directors are pleased to present the Seventeenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2001.

**Financial Results**

	<b>2000-2001</b>	Rs. in crores 1999-2000
Income .....	<b>708.54</b>	643.34
Expenditure .....	<b>614.20</b>	550.62
Gross profit .....	<b>94.34</b>	92.72
Interest .....	<b>47.84</b>	50.88
Cash operating profit .....	<b>46.50</b>	41.84
Depreciation .....	<b>20.93</b>	20.40
Profit before taxes .....	<b>25.57</b>	21.44
Provision for taxes .....	<b>2.09</b>	2.16
Profit after taxes .....	<b>23.48</b>	19.28
Add : Transfer from debenture redemption reserve .....	—	2.84
Add : Transfer from investment allowance reserve .....	—	3.04
Add : Profit brought forward .....	<b>38.13</b>	32.28
Amount available for appropriation .....	<b>61.61</b>	57.44
Appropriations :		
Dividend paid on preference shares .....	<b>3.96</b>	4.14
Interim dividend on equity shares .....	—	10.99
Proposed dividend on equity shares .....	<b>10.99</b>	—
Tax on dividends .....	<b>2.00</b>	1.66
Transfer to general reserve .....	<b>2.35</b>	2.52
Balance carried forward .....	<b>42.31</b>	38.13

The financial year 2000-01 was essentially a year of consolidation. Despite depressed market conditions and increased competition, total income increased by 10% from Rs.643.34 crores to Rs.708.54 crores. The sale of watches grew from 5.90 million to 6.68 million units resulting in a larger share of a market that actually declined in volume terms. Sales income of the watch division went up from Rs.468.22 crores to Rs.487.48 crores, an increase of 4%. These figures reflect the success of Sonata, the Company's brand for the budget-conscious buyer. The jewellery business continued to grow with turnover recording an increase of 32%, going up from Rs.154.07 crores to Rs.203.91 crores, resulting in the jewellery division reporting a profit for the first time. Exports increased from Rs.42.70 crores to Rs.45.39 crores, though dollar denominated sales remained flat.

Despite a tighter control over costs, expenditure increased by Rs.63.58 crores to Rs.614.20 crores, including a rise of Rs.27.89 crores in material costs corresponding to higher sales. Significantly, downstocking to the tune of Rs.37.21 crores reflects the stringent controls on working capital and, consequently, on interest costs.

Gross profit before interest and depreciation, at Rs.94.34 crores, was 2% higher than in the previous year. With interest costs coming down from Rs.50.88 crores to Rs.47.84 crores, cash operating profit before depreciation and taxes was, as a result, 11% higher than in the previous year.

Profit before taxes increased by 20% from Rs.21.44 crores in 1999-2000 to Rs.25.57 crores while profit after taxes was up by 22% from Rs.19.28 crores to Rs.23.48 crores.

The profit for the year includes Rs.9.66 crores from the sale of the major part of the Company's investment in RDI Print & Publishing Ltd., as compared to the profit of Rs.10.38 crores from the sale of investments in the previous year. The

decision to sell was taken by the Board since the businesses of RDI Print & Publishing and its subsidiary are not the core businesses of the Company.

#### **Dividend**

At the Board Meeting held on 21st March 2001, the Directors declared an interim dividend on preference shares and, accordingly, preference dividend amounting to Rs.3.96 crores has been paid during the financial year. No further dividend is proposed on the preference shares as the interim dividends already paid cover the contractual requirement.

After payment of dividend on preference shares, and dividend tax thereon, the distributable profit is Rs.18.64 crores (Rs.14.68 crores in the previous year). The Directors recommend a dividend on equity shares of Rs.2.60 per equity share (26%), free of tax, equivalent to the dividend declared on such shares in the previous financial year. Consequently, the accretion to Reserves is Rs.6.53 crores (previous year: Rs. 2.49 crore).

#### **Finance**

During the year under review, the Company redeemed preference shares aggregating Rs.23.50 crores at an average dividend rate of 10.28% and privately placed an equivalent amount at an average dividend rate of 9.24%.

The Company raised a total of Rs.164 crores by way of borrowings from various sources, of which, Rs.60.10 crores were by way of term loans from commercial banks, and the balance of Rs.103.90 crores was from other sources. Borrowings of Rs.151.91 crores were repaid during the year and Rs.9 crores was incurred as capital expenditure on computer hardware, balancing equipment and facility upgradation.

Foreign currency loans, availed to take advantage of low interest rates, resulted in a negative exchange difference of Rs.5.28 crores on the revenue account, primarily because of forward cover contract costs, as compared to a negative difference of Rs.9.63 crores in the previous year. Nevertheless, these borrowings proved cheaper in the aggregate, when compared to the cost of rupee loans which averaged 11.69%.

As on 31st March 2001, the Company held fixed deposits of Rs.21.53 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs.63.35 lakhs.

Capital employed rose marginally from Rs 610.76 crores to Rs 629.38 crores. Debtors rose from Rs 121.05 crores to Rs.159.03 crores reflecting the increased scale of operations in the jewellery division and year-end credit to the watch trade. However, inventories declined from Rs 183.44 crores to Rs 146.23 crores. The increase in Loans and Advances is primarily on account of transactions with affiliates.

Your Directors are seized of the need to modify the high debt to equity ratio in the Company through the infusion of fresh equity and the retirement of a corresponding amount of debt. It is now nearly a decade since we effected an equity infusion – a period that has seen the level of sales activity increase by 3.64 times and the capital employed in the business rise by 2.68 times. The Directors are presently working on a proposal that would find approval with shareholders.

During the year under review, the Company made payments aggregating to Rs.126.86 crores by way of Central, State and local taxes and duties as against Rs.128.38 crores in the previous year. The reduction was primarily due to the excise exemption granted to watches with a retail price below Rs.500.

In accordance with a new accounting standard relating to deferred taxation, a provision for deferred tax relating to previous years, amounting to Rs 47.79 crores, has been adjusted against Reserves in April 2001 and, consequently, reserves stand at Rs 77.30 crores as on that date.

#### **International Operations**

Titan International (Middle East) FZE (TIME), which looks after sales in the Middle East and Africa, ended the year 2000-01 with a record turnover of US\$ 7.90 million, selling 3,62,000 watches in 14 countries in the region and making considerable inroads into competition in Oman, the UAE and Saudi Arabia. Titan is present today in a little over 1,000 outlets in the territory and enjoys strong distributor support. Jewellery sale, at US\$ 1 million, is also significant considering the fact that it is sold under the Tanishq brand through the retail stores of the largest jewellery group in the Middle East – Damas.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd. (TAPL), which looks after sales in South Asia, South East Asia, Australia and the South Pacific, registered a turnover of SGD 4.05 million during the year ended 30 June 2001 and sold 115,861 watches.

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

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## **Titan Industries Limited**

Titan International Marketing Limited (TIML), which is responsible for sales in Europe continued the process of consolidating its business in 2000 through a combination of appropriate product introductions, attractive pricing and tactical promotions. Operating costs have been curtailed with a view to minimizing losses. TIML sold 1,32,000 watches during 2000, clocking a turnover of GBP 3.90 million. The Titan brand has now been firmly established in Spain, Portugal, Greece and Austria.

### **Associate Companies**

Titan International Holdings B.V. (TIHBV), the Company's wholly owned subsidiary in the Netherlands, whose accounts are annexed, ended the year with a small profit. However, its subsidiary, Titan Brand Holdings N.V., which holds the overseas rights to our brands, ended the year with a small loss. As of March 31, 2001, US\$ 38.50 million was employed in the European operation - chiefly as a result of brand-building and in stocks - of which US\$ 22 million was provided by Titan Industries in the form of equity, loans and credit, while the balance was raised abroad.

RDI Print & Publishing Limited, publisher of the Reader's Digest monthly magazine in India, continued to perform very well, achieving a profit after tax of Rs. 3.64 crores on an income of Rs. 18.27 crores. It declared a dividend of Rs.100 per share resulting in a hefty 32% yield on the investment made by your Company. However, since publishing is not a core business of your Company, steps were taken during the year to transfer its holding in RDI to affiliates. During the first quarter of the year under review, 65,000 shares were sold, resulting in a profit of Rs 9.66 crores. The remaining 20,000 shares are expected to be sold during the current year.

Titan TimeProducts Limited sold 5.06 million electronic circuit boards during the year under review and made a profit of Rs.20.70 lakhs. Its products continue to be of exceptionally high quality and costs are well controlled.

Titan Properties Limited once again had a relatively quiet year. It intends to dispose of its real estate holdings in Bangalore in the near future. The second phase of development at the Titan Township near Hosur has commenced and there has been a renewed interest among employees and members of the public for the purchase of residential plots. Till now a total of 485 houses/plots have been sold including 405 to employees. Work on the social infrastructure is in hand and a primary school has been opened with over 100 students on its rolls.

### **Professional Recognition**

Over the last twelve years, the Company has achieved a formidable reputation for excellence both within the country and outside, both within the industry and in the world of business. This reputation is a result of the total commitment to innovation and quality, which is embodied in the spirit and drive of its employees.

Your Company continues to participate actively in the Tata Business Excellence Programme which measures companies on a holistic basis and covers both financial and non-financial measures including Leadership, Strategic Planning, Customer Focus, Human Resource Focus, Business Processes and Business Results. It continues to hold the second rank among 17 competing Tata companies.

Your Company was recently conferred the award for excellence in Electronics 1999 by the Ministry of Information Technology in the Consumer Electronics category.

### **Community Initiatives**

Your Company and its employees continue to play an active role in making a positive impact on the communities that surround them.

The employees of your Company were quick to provide relief to the victims of the earthquake in Gujarat. Relief was provided through the donation of a day's wage to the Tata Relief Committee constituted by the Tata Group. Volunteers also canvassed aid from residents of Hosur. Such efforts yielded clothes, foodstuffs and essential goods for the affected.

The two income generation initiatives in which your Company is associated with the NGO, MYRADA, continue to progress. Presently, almost a hundred and fifty women are attached to the two units covered by this initiative. In addition, 291 physically challenged persons are employed by the Company.

The Scholarship programme initiated by your Company provided assistance to seventy-one needy beneficiaries during the year.

In Bangalore, your Company continues to play an active role in the activities of the Tata Council for Community Initiatives and in responding to the many calls for support received from a myriad worthy causes.

The Hosur based employee volunteer corps was active throughout the year.

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## **Environment**

While the products of the Company are not of a nature which could cause harm to the environment, care is taken to see that avoidable harm or damage is not caused by the processes used for the manufacture of its products. Titan ensures that any future concerns over the impact of its products and services are pre-empted. Examples of such measures include:

- Commissioning of effluent treatment equipment for treating waste water at the factories and at the Titan Township, which is then recycled. The quality of the treated effluent exceeds the statutory standards set by the Tamilnadu Pollution Control Board ;
- Minimising the use of cyanides in plating by adopting the PVD coating technology, which is non-toxic ;
- Eliminating the use of ozone-depleting substances ahead of the Montreal Protocol deadline ;
- Replacing plastic packaging with eco-friendly material.

In acknowledgement of its environment friendly practices, Titan has won recognition from the Hosur Industries Association and the Tamil Nadu Pollution Control Board.

The Company is in the process of implementing the ISO 14000 Environment Management System standard. The certification is expected in the current financial year.

Titan also attaches a great deal of importance to the landscaping of its industrial and other properties and these have been lovingly converted into gardens of great beauty and ecological value. Thus, we have given back to nature more than we have taken from it through our industrial activities.

## **Government Policy**

Your Company has consistently been urging the Government to lower the rates of excise duty on watches since such a measure would assist watch manufacturers in countering the grey market. In spite of representing, we were unable to get acceptance of our plea for a uniform rate of 8% excise duty on watches. On the contrary, the rate of excise duty on watches saw an increase to 16% on watches with an M R P in excess of Rs.500.

Quantitative restrictions on the import of watches were lifted in April 1999. Predictably, the lifting of import restrictions was followed by the availability of a variety of foreign brands of watches. The product, pricing and distribution related measures taken by your Company in anticipation of the lifting of import restrictions enabled us to meet the challenges posed by the freeing of imports.

Also as anticipated, the lifting of import restrictions saw a resurgence in the activities of operators in the grey market with reports of a number of unknown "brands" from the Far East being available in significant numbers.

The Company is eligible for benefits on export of watches under the Duty Entitlement Pass Book (DEPB) Scheme. However, during the year, the DEPB benefits were restricted and it was made compulsory for items exported under the scheme to bear the "Made in India" label. Your Company has represented against the new requirement in view of the bias against Indian engineering goods in certain countries, and has also represented in favour of an enhancement in the DEPB entitlement rates.

Your Company continues to draw the attention of the Government to the threat posed by the activities of the grey market and by misleading or even plainly false country of origin and country of manufacture claims made by even well-known brands with reference to products which have only a miniscule content from the claimed country of manufacture.

## **Corporate Governance**

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

## **The Year Ahead**

The current year has turned out to be far more difficult than was originally envisaged - not as a result of competitive forces but due to the macro economic situation in India and abroad and the slowing of consumer spending. Nevertheless, your Company expects to increase turnover and market shares in both its businesses during the remainder of the year (with hopes largely centred on the second half of the financial year) through innovative and aggressive marketing policies. It will also intensify its focus on cost reduction and superior management of its asset base, be it fixed assets, working capital or human resources.

### **Titan Industries Limited**

#### **Directors**

Dr. J. J. Bhabha, Mr. F. K. Kavarana and Mr Ishaat Hussain retire by rotation and are eligible for reappointment.

Mrs Rama Bijapurkar was appointed as an Additional Director by your Board at their Meeting held on 21 March 2001. In terms of Article 117 of the Articles of Association of the Company and the Companies Act 1956, Mrs Bijapurkar holds office up to the forthcoming Annual General Meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mrs Bijapurkar as a candidate for the office of Director.

At the Meeting held on 27th April 2001, your Board appointed Mr Bhaskar Bhat as Deputy Managing Director from 1st May 2001 for a period of 5 years subject to Shareholders' approval. In terms of the provisions of the Companies Act, 1956, your approval is sought for his appointment as Deputy Managing Director and for the remuneration payable to him as detailed in the Notice convening the Annual General Meeting. The Company has also received the necessary notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr Bhaskar Bhat as a candidate for the office of Director.

#### **Directors' Responsibility Statement**

Pursuant to section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors' confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation related to material departures;
2. appropriate accounting policies have been selected and applied consistently, and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of the profit of the Company for the year ended 31 March 2001;
3. proper and sufficient care has been taken, 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. the annual accounts have been prepared on a going concern basis.

#### **Acknowledgements**

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

#### **Subsidiary Companies**

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

#### **Particulars of Employees**

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

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

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

#### **Auditors**

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

**On behalf of the Board of Directors,**

Mumbai, 30 July 2001

**A. L. Mudaliar**  
Chairman

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**Annexure to the Directors' Report**  
(Additional information given in terms of Notification 1029 of 31-12-1988 issued by the Department of Company Affairs)

**CONSERVATION OF ENERGY**

Four specific energy conservation projects were executed during the year under review with a saving potential of Rs. 13 lakhs per annum. These projects include improvements in the areas of industrial lighting, compressed air distribution and automation of air-conditioning plants.

**TECHNOLOGY ABSORPTION**

**Research & Development**

The Company received the National Award for Excellence in R& D (Electronics) from the Ministry of Information and Technology, for the development of an Ultra Slim movement with an astonishing low thickness of 1.15mm. Watches incorporating the movement are now sold in the domestic and international markets.

As a cost reduction measure, two hybrid movements have been designed and productionised to replace certain metal movements.

Apart from the above, the Company introduced 182 new watch variants during the year, including the highly successful Fashion Fastrack Collection for Young Women.

The Company has also joined hands with the Indian Institute of Science, Bangalore for the purpose of undertaking specific research projects which are of interest to Titan.

The Company incurred an expenditure of Rs. 2.11 crores during the year towards Research & Development.

**Technology absorption, adaptation and innovation**

- Throughput time and in-process inventories have been reduced through the implementation of cellular layouts in various manufacturing shops.
- The installation of a three dimensional co-ordinate measurement system has significantly reduced the inspection lead-time for tools and components.
- Technology has been acquired for production of micro precision components in plastic as part of value engineering initiatives for reducing the cost of movements.
- Various production machines and devices were designed and developed in-house through a dedicated Machine Building and Automation Group. During the year under review, 18 projects were designed and commissioned at a cost of Rs 1.07 crores, which otherwise have a market value of about Rs. 2.55 crores, thus effecting a saving of Rs. 1.48 crores. During the coming year, it is planned to design and develop projects worth over Rs 2.68 crores, which would provide savings of more than Rs 3.50 crores.

**FOREIGN EXCHANGE EARNED AND USED**

The Company has earned Rs.45.75 crores in foreign exchange and spent Rs.65.32 crores (consisting of Rs.2.22 crores on capital imports and Rs.63.10 crores on revenue imports).

**On behalf of the Board of Directors,**

Mumbai, 30 July 2001

**A. L. Mudaliar**  
Chairman

# TITAN INDUSTRIES

## Seventeenth annual report 2000-2001

### Titan Industries Limited

#### Annexure to the Director's Report

Information as per section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2001

Name	Designation	Age	Gross Rs.	Net Rs.	Qualification	Experience	Last employment held	Commencement of employment
Bhat B	Chief Operating Officer & Senior Vice President	47	2,133,814	1,277,034	B.Tech., PGDM	23	Tata Press Ltd.	Jan-86
Desai Xerxes	Vice Chairman & Managing Director	64	3,410,365	1,673,000	M.A.(Oxon.)	41	Tata Press Ltd.	Jan-86
Dwarkanath B G	Chief Technology Officer & Vice President	52	1,807,905	1,114,596	B.E.	30	HMT Ltd.	Oct-85
Hari Rao R C *	Senior Vice President — Manufacturing	69	1,592,188	1,245,413	B.E.(Mech.) PG(Ind.Engg)	44	HMT Ltd.	Oct-85
Kailasanathan N	Chief Information Officer & Vice President	49	1,398,351	829,435	B.Sc., PGDMS, MFM, PGDSE	28	ABB Ltd	Jul-99
Kapadia K F	Chief Financial Officer & Senior Vice President	51	1,905,819	993,524	B.A., PGDM	26	Tata Press Ltd.	Mar-92
Khan A H K	Senior General Manager — Watch Manufacturing	61	2,016,531	1,427,714	B.A., DME	40	Bifora Watch Industries Ltd.	May-86
Kurian J	Chief Operating Officer — Jewellery & Vice President	45	1,382,092	711,710	B.E., PGDBM	23	Tata Unisys Ltd.	Apr-93
Kurien B	Vice President — Sales & Marketing	42	1,442,518	763,223	B.Sc., PGDBM	18	Hindustan Lever Ltd.	Aug-87
Nangia V I *	Vice President - Tanishq	43	1,008,424	880,805	BA(Hons), PGDM	22	The Indian Hotels Co. Ltd	Jun-86
Rajaram V	Chief Corporate Affairs Officer & Vice President	58	1,563,437	917,072	B.Sc., MS, M.B.A.	35	Ghana Aluminium Products Ltd.	May-89
Shantharam M S	Chief Manufacturing Officer — Operations & Vice President	52	1,726,199	1,038,070	B.E.(Mech.)	30	HMT Ltd.	Oct-85
Yathiraju C G	General Manager — Tool Mfg & Engg.	59	1,280,136	774,126	DME	39	HMT Ltd.	Aug-86

#### NOTES

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

On behalf of the Board of Directors,

A. L. Mudalliar  
Chairman

Mumbai, 30 July 2001



## Annexure to the Directors' Report

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

1. Name of Subsidiary	Titan International Holdings B.V	Titan Brand Holdings N.V	Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd
2. Financial year of the Subsidiary	31 <sup>st</sup> March 2001	31 <sup>st</sup> March 2001	30 <sup>th</sup> June 2001
3. Share of the Subsidiary held by Titan Industries Limited on the above date :-			
a) Number of shares and face Value	10,000 equity shares of NLG 1000 each (fully paid up)	*2,500 equity shares of NLG 10 each (fully paid up)	*100,000 equity shares of SGD 1 each (fully paid up)
b) Extent of Holding	100%	*100%	*100%
4. Net aggregate amount of profit/ (loss) of the Subsidiary so far as they concern the members of Titan Industries Limited			
a) Dealt with in the accounts of Titan Industries Limited for the year ended 31 <sup>st</sup> March 2001	Nil	Nil	Nil
b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31 <sup>st</sup> March 2001	NLG 11,252	NLG 688	(SGD 294,873)
5. Net aggregate amount of profit / (loss) for previous financial year of the Subsidiary since it became a subsidiary so far as as they concern the members of Titan Industries Limited			
a) Dealt with in the accounts of Titan Industries Limited for the year ended 31 <sup>st</sup> March 2001	Nil	Nil	Nil
b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31 <sup>st</sup> March 2001	NLG 104,462	(NLG 21,714)	(SGD 44,394)

\* held by Titan International Holdings BV

On behalf of the Board of Directors,

A. L. Mudaliar  
Chairman

Mumbai, 30 July 2001

### Titan Industries Limited

## Management Discussion and Analysis

### Introduction

Titan Industries has two main businesses – watches and jewellery – both of which belong to the personal accessories category. In the process of building these businesses and acquiring leadership status, Titan Industries has developed competencies in design, precision manufacturing / workmanship, outsourcing, understanding of the market / consumer and retailing. These competencies are extendable to other product categories and businesses.

More information on the Company is available on the websites [titanworld.com](http://titanworld.com) and [tata.com](http://tata.com).

### Global Trends

While volumetric and value data for the global watch and jewellery industries tend to be unreliable (and sometimes deliberately so), it is widely acknowledged that both are seeing modest, single digit growth.

Gold has lost some of its attractiveness as an investment, especially among central bankers, but its relatively low price in present times has helped to increase its adornment usage and is being heavily promoted by the World Gold Council, the marketing arm of the leading gold producers.

The diamond business is being provided with more sparkle by De Beers who have recently entered into a joint venture with LVMH, the world's largest luxury group, to promote the purchase of diamonds.

The Swiss Watch Industry continues to prosper at the upper-end and has been witnessing consolidation with a few large houses buying up independent brands, sometimes at extraordinary prices.

The Japanese Watch Industry has been witnessing difficult times with decline in sales and low profitability, even losses.

The Chinese Watch Industry, strongly backed by its government, now dominates global volume production. More than two-thirds of the world's watches are assembled in China which also makes a large but unquantified portion of the appearance parts of watches such as cases, bracelets and dials. It is reputed, however, that excesses on the supply side have led to worryingly low returns on investment.

Traditional watch makers worldwide are presently under siege from a host of fashion and other brands that have recently extended their brand equity to the watch segment. Such brands are easily able to source product from the Far East or Europe, depending on their market positioning, and gain ready access to both retail outlets and the ultimate customer based on their strong brand appeal. These brands have brought a new vitality to the watch industry.

At the same time, the convergence of computing and telecommunication technologies, as witnessed in mobile phones, is beginning to impact the watch industry. It is only to be expected that the "Watch of the Future" will perform many other functions than it does currently, including capturing data pertaining to the body of the wearer or the physical environment in which he is placed, tele-connectivity and web access.

### Our Markets Today

#### *Watches*

The Indian wrist watch market is estimated to be of the order of 25 million watches a year in which your Company is the market leader in terms of both share and stature. However, the average annual sale of watches, at 25 per thousand of the population, is far below the world average which is over 100 per thousand. Consequently, the total population of watches in this country is less than 200 million. There is, therefore, a tremendous potential for the sale of watches in India with its population of over a billion.

The domestic watch market has seen a transformation after the opening up of the market for import of complete watches from April 1999. Swiss brands are creating a market at the super premium end of the market through aggressive promotion and advertising. The Japanese, though, have yet to make a significant impact in the mid segment that they are targeting. The Chinese are creating a street presence but are yet to create a shop presence. American brands are either hoping to re-invent themselves or seeking a new foothold. Indigenous tax-dodging grey

market operators find themselves trapped between the low end Chinese products finding their way into the country and established Indian brands playing by the rules.

The retail scene, too, is changing with the addition of new outlets and a distinct improvement in the quality of merchandising. New brands are increasing margins and service levels to high profile watch dealers and wooing customers with the status appeal of foreign brands. Brand launches have been elevated to glitzy, high society affairs.

While volumes continue to grow at the lower end and unit prices are spiralling upwards at the top end, the Titan brand continues to dominate the mid price segment and Sonata, our second brand, has gained the leadership position in the budget segment.

#### *Jewellery*

India is the world's largest consumer of gold, about 850 tonnes a year. The Indian jewellery market is highly fragmented with over 250,000 retailers (reportedly none having more than 1% market share by value) and little professionalism. Inadequate industry-led or government control over quality standards and certification has resulted in a lack of business ethics including price fixing cartels for gold, undercarataging of gold products, overstating diamond quality, negotiable prices, evasion of sales and other taxes, and exploitation of artisans.

Your Company saw an opportunity for bringing to the industry a high degree of professionalism, ethical practices, innovation and consistently high quality through India's first national jewellery retail chain and through backward integration into manufacturing. A unique and powerful combination of excellent product design and craftsmanship, an enjoyable shopping experience, assurance of reliability and nationwide friendly service has served to attract and cultivate a loyal set of customers whose numbers are continually growing.

#### **Competitive Strategy**

##### *Watches*

From being a monolithic brand that is vulnerable to attack from a variety of new players, your Company has transformed its brand architecture with an eye on future competition as well as market opportunities. The Titan brand has been consolidated around its premium, high style image with a variety of sub-brands that provide a targeted offering for different segments. The Sonata brand has grown into a significant force at the lower end of the market and will be the principal volume-growth driver.

Clearly, your Company's future has to be built upon its existing strengths and skills as well as on new opportunities that emerge in a globalised India and the international market. In the near term, the Company is focussed on improving profitability in existing markets as well as on securing competitive advantage through new product offerings, increased penetration of existing markets, enhanced qualitative presence at retail and tapping new and emerging customer segments. In addition, there is an increased focus on greater efficiency through cost reduction initiatives, better supply chain management and carefully considered make vs buy decisions. In the long term, your Company is evaluating opportunities such as entering new markets, extending the Titan brand equity to other product categories and deploying its precision engineering skills to make components for other industries.

##### *Jewellery*

While the original decision to enter the jewellery business was taken at the start of the 1990s in order to earn badly needed foreign currency for the watch business, the present focus, in response to altered economic realities in India, is on the opportunities offered by the large domestic jewellery market estimated at Rs 40,000 crores.

The Management believes that the jewellery business has a good strategic fit with its watch business: it is a logical extension of the business of making and marketing watches which are increasingly perceived as items of personal adornment; it has capitalised on the corporate and brand reputations built in the watch business; it has drawn on the engineering, marketing, retailing and managerial skills developed in the watch business; it has strengthened the Company's reputation in dealing with a very important customer segment – women; it is contributing very significantly to the Company's topline growth; and, finally, it is expected to provide stability to the bottomline even as the watch segment enters a more competitive era. Interestingly, your Company anticipated what has now become a global trend with watch makers getting into the jewellery business and jewellers getting into the watch business !

### **Titan Industries Limited**

Tanishq, the Company's jewellery brand, is now indisputably India's pre-eminent national fine jewellery brand and the division expects to be a sizeable player in a huge market, setting standards with the quality of its products, its customer friendly and ethical practices and its brand allure, relying for results on its evolving design, manufacturing, outsourcing, marketing, franchised retailing and managerial resources.

### **How Our Businesses Fared**

#### *By Geographies*

For information on performance in various geographies of the world, please refer to the Directors' Report.

#### *Watches/Clocks*

The watch and clock business continued to be successful, posting a sales turnover of Rs.492.99 crores and an operating profit before interest and depreciation of Rs.70.98 crores. With a profit before tax of Rs.20.01 crores and a return on average capital employed of about 14%, it was a commendable performance considering the downturn in the global economy and keener competition in the market. ROCE in the domestic market by itself was significantly higher. The capital employed in the business at the end of the year was Rs.337.04 crores of which Rs 183.81 crores was in fixed assets and Rs.153.23 crores in working capital.

Your Company has established its presence in virtually all market segments, and even created distinctive brands in each segment, enabling dominant market share in all market segments. 5.74 lakh watches valued at US\$ 7.24 million were exported during the year.

As at the end of the year, the Company had 120 exclusive Titan showrooms, The World of Titan, across 71 towns as also a chain of 120 Time Zone multi-brand outlets covering 65 towns. In addition, it was present in over 6,500 dealer outlets in 1,650 towns across the country. Retail chain expansion will continue this year. Flagship stores and specialist outlets for women and youth are also being planned. The Company's wide and solid retailer base is supported by 35 stockpoints, 58 distributors and a corps of logistics professionals who perform the herculean task of minimising stock-outs and surpluses across more than a thousand models.

It is an integral part of your Company's consumer-focussed marketing philosophy to lay a great deal of emphasis on after-sales service. In terms of coverage, speed, cost and customer handling, your Company's service levels are the industry benchmark. Even so, the Company is constantly exploring ways and means of further upgrading the highly appreciated service that it provides to its customers. The service network consisted of more than 300 authorised service centres, 59 watch care centres, 4 authorised service workshops and 170 service points at year end.

The Signet Club, a programme for Titan's much valued customers was active throughout the year.

One of the biggest assets of your Company – not reflected in its balance sheet – remains the TITAN brand. Your Company has been rated "The Most Admired Consumer Durable Company" seven out of eight years in the annual surveys conducted by the A & M Magazine. In 1999-2000 Titan was polled the most admired brand in India in a survey conducted by ORG-MARG for The Economic Times.

The focus at our manufacturing facilities continued to be the development of new products, higher productivity, lower unit costs, shorter lead times, closer alignment with the market and greater product reliability. The results have been gratifying. Information on the Company's R & D activities can be found in the Annexure to the Directors' Report.

During the year under review, your Company's table clock operations continued to lay emphasis on decorative table clocks in the absence of significant competition in that segment.

#### *Jewellery*

The domestic jewellery business showed significant growth with a sales turnover of Rs.203.91 crores and an operating profit before interest and depreciation of Rs.14.92 crores. Thanks to 32% turnover growth, the jewellery division was able to show a maiden profit before tax of Rs.2.03 crores and a return on average capital employed of around 8%. The capital employed in the business at the end of the year was Rs.154.83 crores of which Rs.30.54 crores was in fixed assets and Rs.124.29 crores in working capital.

The jewellery business had a watershed year in 2000-01, in more ways than one. The year began under trying circumstances with the precipitate departure of virtually the entire marketing team in the midst of an important

season. A new team was speedily put in place and the division did remarkably well to not just assuage the concerns of all stakeholders and stabilize operations but also to forge ahead.

The Tanishq offer has gained growing acceptance amongst the Indian jewellery buying public. This has enabled a rapid expansion of our chain into India's heartland with a coverage of 38 major towns. Tanishq is India's only fine jewellery brand operating at a national level. The challenges of the future will be to continue to vigorously build customer traffic and to ensure that the bulk of growth in existing outlets comes from increased stock-turns through effective product selection, pricing, promotion, staff training and customer relationship management.

During the current year, it is planned to increase the number of outlets and sales turnover is expected to cross Rs.250 crores. Most outlets are franchised and a special word of thanks to the Company's loyal and committed franchisee holders warrants mention.

The Company's jewellery manufacturing facility operated close to currently rated capacity but good progress continues to be made in terms of improved productivity, cost reduction, product quality, speed of response and timely delivery. Jewellery worth US\$ 2.34 million was exported during the year.

### How Your Company Fared

Despite the increased intensity of competition and the economic slow-down, the Company continued to show top line as well as bottom line growth. The former grew by 10% and the latter by 22%. The Time Products Division, comprising of watches and clocks continued to be commendably profitable and the Jewellery Division contributed significantly to top line growth and turned profitable for the first time. Both divisions made good progress in reducing material costs, controlling marketing expenses, controlling and reducing the head count and effecting sundry administrative cost control measures. Capital expenditure has been reined in (with increasing resort to "buy" vs. "make" options) and is mainly targetted at meeting the Company's IT needs. The supply-chain initiatives taken by your Company are now beginning to show results in the form of better inventory management and closer alignment between production and sales. Being highly leveraged, it is indeed creditable that your Company managed to bring down interest costs through judicious borrowing as well as improved working capital management. Non-core assets were sold, making a significant contribution to the profit. The impact of these measures on the Company's profitability can be seen from the following ratios :

	<u>2000-01</u>	<u>1999-2000</u>
Return on Networth (PAT)	11.4%	9.2%
Return on Capital employed (EBIT)	11.3%	11.0%
Retained Earnings – Rupees in Crores	6.52	2.49
%	27.8%	23.8%
Equity dividend payout ratio (including Dividend tax)	51.6%	63.3%
Total dividend payout ratio (including Preference dividend and dividend tax)	72.2%	87.1%
Net profit Ratio	3.3%	3.0%
Cash Generated (Rupees in Crores)	44.41	39.68
Cash earnings per share (Rupees)	9.36	8.30
Earnings per share – EPS (Rupees)	4.41	3.47
Book value per share (Rupees)	39.59	38.05
Value added to Net fixed assets (No. of times)	1.63	1.46
Sales to Net fixed assets (No. of times)	3.36	2.86
Sales : Inventory (No. of times)	4.77	3.44

More information on the Company's finances can be found in the Directors' Report.

### Titan Industries Limited

#### Human Resources

As on 31st March 2001, the Company had 3,562 employees, including 27 trainees, of whom 2,968 were in manufacturing, 392 were at various sales offices and 202 were at the corporate head office. Payroll costs were controlled, increasing marginally by Rs 1.90 crores. Our workforce, however, continues to be among the best paid in Hosur. The spirit of partnership between the Management and the Company Union, of which we are all proud, is a key factor in our efforts to raise productivity and drive down costs.

The year saw several new initiatives to further professionalise the management of the human resource capital of the Company, undeniably its most important asset. Your Company is currently addressing the twin issues of attracting and retaining talent in the context of a market where financial expectations have undergone a radical change in recent years. At the same time, your Company is very conscious of the need not only to control the headcount but also to reduce it. To this end, departing employees are replaced only if this is unavoidable and reliance is largely placed on retraining and redeploying the existing staff. The dedication and commitment of the many talented men and women who work in your Company deserve a very special mention.

#### Some Risks and Concerns

The watch and jewellery businesses are dependent on consumer spending and, therefore, related to overall growth of the economy. Any slowdown in consumer confidence can have adverse effects on the Company's business.

Your Company is now facing a degree of competition from imports as a result of the opening up of the economy. Rampant smuggling and tax evasion in all market segments and the arrival of low priced Chinese products are matters of concern.

The Company's significant growth over the last decade has almost entirely been funded through debt. This has resulted in your Company being highly geared and, consequently, carrying a high interest burden. An equity infusion would not only relieve pressure on some of the balance-sheet ratios but also fuel further growth and profitability.

The Company's entry into the European market has entailed large investments. While the Company has been successful at creating a physical presence in several countries and being perceived as a global player, financial returns on investments will require time and patience as accumulated losses are progressively whittled down.

#### Internal Control Systems

The system of internal control provide reasonable maintenance of proper accounting records, the reliability of financial information used within the business and assurance of safeguarding assets against unauthorised use or disruption.

The key elements of the system are : "The Core Values", a statement of corporate values, a "vision" and "mission" statement and the Tata Code of Conduct, all of which are disseminated across the Company; clearly defined organisation structures and limits of authority; corporate policies for financial reporting, accounting, information security, project appraisal and corporate governance; monthly, quarterly and annual budgets as well as long term business plans for each business division; continuous management reviews as well as reviews by a "Business Review Committee" of the Tata Group; an Internal Audit Department supplemented by an external firm conducting internal audits which review key business processes and controls; an Audit Committee, which approves audit plans and deals with significant control issues raised by the internal and statutory auditors.

Normal foreseeable risks to the Company's assets are adequately covered by comprehensive insurance.

#### Cautionary Statement

Statements in this "Management Discussion and Analysis" describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ from the statements expressed therein. Important factors that could influence the Company's operations include demand and supply conditions affecting selling prices of finished goods, availability of inputs and their prices, change in Government policy, legislation and tax rates, political and economic developments within and outside the country and other factors such as litigation and industrial relations.

**FINANCIAL STATISTICS**

BALANCE SHEET	FINANCIAL YEAR													Rs. in crores	
	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	1999-2000	2000-01	
Share Capital - Equity	23.95	23.96	26.84	26.84	26.84	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	
Share Capital - Preference	-	-	-	-	-	-	-	7.50	10.00	33.00	37.50	40.00	40.00	40.00	
Reserves and surplus	0.21	1.38	2.11	6.42	12.15	77.82	86.34	98.74	111.46	117.25	115.73	116.07	118.56	125.09	
Loans	37.76	42.45	57.86	66.52	75.46	114.43	151.15	191.63	303.34	368.14	381.80	395.48	409.92	422.01	
<b>SOURCES OF FUNDS - Total</b>	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	610.76	629.38	
Net fixed assets	53.76	60.34	79.66	86.09	95.20	131.37	166.65	205.91	229.67	232.86	238.38	236.63	223.80	211.16	
Investments	0.03	0.06	0.06	0.06	0.06	0.06	14.92	21.82	28.32	27.00	27.00	27.00	25.12	23.09	
Inventories	8.17	14.94	29.93	62.65	71.63	86.39	101.85	112.07	152.54	226.19	172.67	172.19	183.44	146.23	
Debtors	0.24	2.41	3.27	4.03	5.65	14.06	14.32	33.58	77.85	78.10	83.25	101.40	121.05	159.04	
Cash and bank balances	3.34	2.38	0.96	2.22	1.70	8.50	12.65	9.63	13.85	4.58	7.64	5.04	17.53	27.51	
Loans and advances	5.16	2.41	4.51	10.38	15.95	30.19	18.61	18.93	43.89	68.42	106.47	121.45	115.48	150.67	
Total of Current Assets	16.91	22.14	38.67	79.28	94.93	139.14	147.43	174.21	288.13	377.29	370.03	400.08	437.50	483.45	
Less : Current Liabilities & Provisions	8.78	14.75	31.58	65.65	75.74	36.04	49.23	61.79	79.04	76.48	58.10	69.88	79.93	91.52	
Net Current Assets	8.13	7.39	7.09	13.63	19.19	103.10	98.20	112.42	209.09	300.81	311.93	330.20	357.57	391.93	
Deferred revenue expenditure	-	-	-	-	-	-	-	-	-	-	-	-	4.27	3.20	
<b>APPLICATION OF FUNDS - Total</b>	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	610.76	629.38	

PROFIT & LOSS ACCOUNT	FINANCIAL YEAR													Rs. in crores	
	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	1999-2000	2000-01	
Sales Volumes (nos. in lakhs)															
Watches	3.44	5.13	12.52	18.33	22.42	25.75	28.07	32.58	38.75	39.45	43.53	51.11	58.54	66.76	
Jewellery	-	-	-	-	-	-	-	0.09	0.20	0.37	1.20	1.68	3.00	7.21	
Table Clocks	-	-	-	-	-	-	-	-	0.67	3.64	3.05	4.30	3.29	1.62	
Sales Income	16.80	27.59	74.06	106.26	155.01	191.21	226.23	282.49	350.72	408.52	442.06	482.04	630.33	696.90	
Expenditure	16.40	21.09	59.02	79.29	119.94	156.25	183.78	223.93	276.19	320.73	357.20	393.48	550.62	614.19	
Interest	1.36	3.51	6.51	11.82	17.72	18.46	16.16	21.80	34.22	56.40	52.96	51.92	50.88	47.84	
Depreciation	0.85	2.16	3.98	6.57	6.74	7.23	9.78	13.11	15.68	16.52	18.82	20.14	20.40	20.93	
Operating Profit	(1.81)	0.83	4.55	8.58	10.61	9.27	16.51	23.65	24.63	14.87	13.08	16.50	8.43	13.94	
Add : Other Income	2.11	0.45	0.56	0.52	0.49	1.60	2.58	1.44	2.94	12.93	3.16	2.41	13.01	11.63	
Profit Before Taxes	0.30	1.28	5.11	9.10	11.10	10.87	19.09	25.09	27.57	27.80	16.24	18.91	21.44	25.57	
Taxes	0.04	0.21	0.78	-	-	-	-	-	-	3.58	1.60	1.87	2.16	2.09	
<b>Profit After Taxes</b>	0.26	1.07	4.33	9.10	11.10	10.87	19.09	25.09	27.57	24.22	14.64	17.04	19.28	23.48	
Equity Dividend (%)	-	-	15%	18%	20%	22%	25%	30%	33%	33%	25%	26%	26%	26%	
(Rs.)	-	-	3.60	4.83	5.37	6.89	10.57	12.69	13.95	13.95	10.57	10.99	10.99	10.99	

**DISTRIBUTION OF REVENUE (2000-01)**

Materials	Employee cost	Excise duty	Advertising	Other expenses	Interest	Depreciation	Dividend
52.1%	10.5%	8.2%	5.7%	10.2%	6.8%	2.9%	2.4%
					Income-tax 0.3%	Reserves 0.9%	

**Titan Industries Limited**

**Report on Corporate Governance for 2000-01**

(as required under Clause 49 of the Listing Agreements with the Stock Exchanges)

**1. Company's Governance Philosophy**

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

**2. Board of Directors**

As at 31st March 2001, the Company had ten Directors, comprising nine non-executive Directors and one Executive Director, the Vice-Chairman & Managing Director.

The Company, has had since its inception, a Non-Executive Chairman. As at 31st March 2001 more than one third of the Directors are independent, these being Mr. A. L. Mudaliar, Mr. A. C. Mukherji, Mr. T. K. Balaji and Mrs. Rama Bijapurkar.

Titan Industries Limited was promoted by the The Tamil Nadu Industrial Development Corporation and the Tata Group. Mr. A. L. Mudaliar, Mr. R. Gopalan, Mr. M. Madhavan Nambiar and Mr. H. K. Sinha are nominee Directors of Tamil Nadu Industrial Development Corporation Limited (TIDCO). Dr. J. J. Bhabha, Mr. Ishaat Hussain, Mr. F. K. Kavarana and Mr. Xerxes Desai are nominees of the Tata Group.

With effect from May 1st 2001, the number of Directors was increased to include one more Executive Director, Mr. Bhaskar Bhat, the Deputy Managing Director. The total number of Directors at present is thus eleven.

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

The Board of Directors met seven times during the 2000-01 financial year. The interval between any two successive meetings did not exceed four months. Board Meetings were held on May 9th, 2000, May 31st, 2000, July 27th, 2000, September 27th, 2000, October 31st, 2000, January 27th, 2001 and March 21st, 2001.

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

The names, category, attendance of Directors at Board 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 2001 are as indicated below :

Name of Director	Category	No. of Board Meetings attended during 2000-01	Whether attended last AGM	No of Directorships in domestic public companies		No of Committee memberships	
				As Chairman	As Director	As Chairman	As Member
Mr. A. L. Mudaliar	Non Executive Independent	7	Yes	2	7	3	4
Mr. Xerxes Desai	Promoter Executive Not Independent	7	Yes	8	4		
Mr. J. J. Bhabha	Promoter Non Executive Not Independent	1	No		4		



Name of Director	Category	No. of Board Meetings attended during 2000-01	Whether attended last AGM	No of Directorships in domestic public companies		@ No of Committee memberships	
				As Chairman	As Director	As Chairman	As Member
Mr. F. K. Kavarana	Promoter Non Executive Not Independent	4	Yes		15	2	2
Mr. R. Gopalan*	Promoter Non Executive Not Independent	1	No		15		
Mr. M. Madhavan Nambiar**	Promoter Non Executive Not Independent	1	N A		15		
Mr. Ishaat Hussain	Promoter Non Executive Not Independent	4	No	2	12	2	5
Mr. T. K. Balaji	Non Executive Independent	3	Yes	2	7		
Mr. A. C. Mukherji	Non Executive Independent	6	Yes		15		
Mr. H. K. Sinha	Promoter Non Executive Not Independent	5	Yes		15		
Mrs. Rama Bijapurkar***	Non Executive Independent	N.A	N.A		4	3	3

\* Mr. R. Gopalan resigned on 27.1.2001

\*\* Mr Madhavan Nambiar was appointed on 27.1.2001

\*\*\* Mrs. Rama Bijapurkar was appointed on 21.3.2001

@ excludes committee memberships other than audit committee, shareholder/investor grievance committee and remuneration committee.

### 3. Audit Committee

The Audit Committee of the Board was constituted in 1999. The terms of reference of the Audit Committee cover all areas prescribed by Clause 49 II(D) and include the following: to review reports of the Internal Audit Department and to discuss these periodically with the Internal Auditors; to meet with the Statutory Auditors to discuss their findings, suggestions and other related matters; and to review weaknesses in internal controls reported by the internal and Statutory Auditors and to review annual financial statements.

The Audit Sub-Committee has been granted powers as prescribed under Clause 49 II(C).

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

The Audit Committee met three times during the financial year 2000-01, on 31st May 2000, 12th October 2000 and 21st March 2001.

Mr. A. C. Mukherji, Chairman of the Audit Committee, was present at the Annual General Meeting held on 27th September 2000.

**Titan Industries Limited**

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

<b>Name of Director</b>	<b>Category</b>	<b>No of Meetings attended</b>
Mr. A. C. Mukherji (Chairman)	Non Executive Independent	3
Mr R. Gopalan*	Promoter Non Executive Not Independent	—
Mr. Ishaat Hussain (Chartered Accountant)	Promoter Non Executive Not Independent	3
Mr. A. L. Mudaliar**	Non Executive Independent	1
Mr. M. Madhavan Nambiar**	Promoter Non Executive Not Independent	1
Mr. T. K. Balaji**	Non Executive Independent	1
Mrs. Rama Bijapurkar***	Non Executive Independent	NA

\* Resigned on 27/1/2001

\*\* Appointed as a member on 21/3/2001

\*\*\* Appointed as a member on 22/6/2001

The Vice Chairman & Managing Director, the Senior Vice President – Sales & Marketing (now the Deputy Managing Director), the Senior Vice President – Finance, the Vice President – Corporate Affairs, the Chief Operating Officer of the Tanishq Jewellery Division, the Chief Manufacturing Officer are present at meetings of the Audit Committee. Representatives of the Statutory Auditors and the Internal Auditors are invited to the meetings.

The Company Secretary acts as the Secretary of the Audit Committee.

**4. Other Sub-Committees of the Board of Directors**

**a. Remuneration Committee**

The Company has constituted a Remuneration Committee on 27th April 2001.

The broad terms of reference of the Remuneration Committee are to determine and recommend to the Board, the compensation payable to the Vice Chairman & Managing Director & the Deputy Managing Director, to appraise their performance, and to determine and advise the Board regarding the quantum of annual commission/compensation to be paid to them.

The following Directors are the members of the Remuneration Committee :

Mr. A. L. Mudaliar (Chairman) (Non-Executive, Independent)

Mr. M. Madhavan Nambiar (Non-Executive, Not-Independent)

Mr. Ishaat Hussain (Non-Executive, Not-Independent)

To the extent stated above, the Company has complied with the non-mandatory requirement of Clause 49 relating to the Remuneration Committee.

**b. Shareholder Grievance Committee**

A Shareholder Grievance Committee was constituted on 21st March 2001 to specifically look into the redressal of Investors' complaints relating to the transfer of shares, the non-receipt of Annual Report, the non-receipt of dividends declared by the Company, etc. The first meeting of the Committee was held on 31st July 2001.

The composition of the Shareholder Grievance Committee are as follows :

Mr. A. L. Mudaliar (Chairman) (Non-Executive, Independent)

Mr. Xerxes Desai (Executive, Not-Independent)

Based on information provided by the Company's Registrars, 8,497 queries / complaints / communications were received from shareholders and debenture holders during the year, pertaining to a change of address (1398), registration of mandates (347), revalidation of dividend / interest warrants (2892), non-receipt of share certificates after transfer (121), non-receipt of dividend warrants (753), transmission / transfer of shares (191) etc. There were two letters forwarded to the Company through SEBI. All have been addressed to the satisfaction of the Shareholders.

As at 31st March 2001, seventy transfers of shares were pending. However, no transfers were pending beyond 30 days.

The Compliance Officer is the Company Secretary, Mr. V. Madan.

c. **Committee of Directors**

The Board has also constituted a Committee of Directors to approve routine matters and specific issues delegated to the Committee by the Board. The Directors, who are members of the Committee, are :

Mr. A. L. Mudaliar  
Mr. Xerxes Desai  
Mr. Ishaat Hussain  
Mr. H. K. Sinha

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

**5. Remuneration of Directors**

The Company pays remuneration to its Vice Chairman & Managing Director by way of salary, perquisites and commission within the limits approved by the Shareholders. The Board of Directors 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 at the end of the financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Vice Chairman & Managing Director is based on performance criteria laid down by the Board which takes into account the profits earned by the Company for the related financial year .

Details of the remuneration to the Vice Chairman & Managing Director during 2000-01 are as under :

Salary — Rs 12,00,000  
Perquisites — Rs 8,39,385  
Commission\* — Rs 18,00,000

\*Payable in 2001-02.

The perquisites indicated above excludes gratuity and leave encashment benefits as these are determined on an actuarial basis.

Commission is the only component of remuneration that is performance linked. All other components are fixed. There are no stock options issued to the Vice Chairman & Managing Director.

Details of agreement of appointment of the Vice Chairman & Managing Director are as under:

Period of Contract : 4 years from 1st October 1998 to 31st March 2002  
Notice Period : The Contract 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

The Non - Executive Directors of the Company are remunerated by way of sitting fees, as decided by the Board of Directors of the Company.

Provided below are details of the Sitting Fees paid to the Non-Executive Directors during 2000-01 :

Name of Director	Sitting Fees paid (in Rs)
Mr. A. L. Mudaliar	32,000
Dr. J. J. Bhabha	4,000
Mr. Farrokh Kavarana	16,000
Mr. R. Gopalan	4,000
Mr. Madhavan Nambiar	8,000
Mr. Ishaat Hussain	28,000
Mr. T. K. Balaji	16,000
Mr. A. C. Mukherji	36,000
Mr. Hemant Kumar Sinha	20,000
Mrs. Rama Bijapurkar	N.A

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

Sitting fees in respect of Mr. R.Gopalan, Mr. Madhavan Nambiar and Mr. H. K. Sinha, who are nominees of the co-promoters Tamil Nadu Industrial Development Corporation Ltd (TIDCO), were paid directly to TIDCO.

**Titan Industries Limited**

The terms and conditions of appointment and remuneration of Mr. Bhaskar Bhat, Deputy Managing Director are enumerated in the Notice and Explanatory Statement of the Meeting and such remuneration is paid subject to the approval of the Shareholders.

**6. Disclosures**

Related Party transactions, comprising of contracts or arrangements with the Promoters or other Companies / entities in which the Directors are interested, are entered in the Register of Contracts and placed before every Board Meeting as per Section 301 of the Companies Act, 1956.

Disclosures have also been received from senior managerial personnel relating to financial transactions in which they or their relatives might have a personal interest.

There were no materially significant related party transactions during 2000-01.

There were no instances of non-compliance on any matter related to the Capital Market, during the last three years.

**7. Means of Communication**

Half-yearly report sent to each household of shareholders : No, the financial results are published in the Newspapers, as required under the Listing Agreements

Quarterly Results : -do-

Any website, where results are displayed : The results are displayed on www.tata.com. They are also now displayed on titanworld.com from June 2001

Whether it also displays official news releases : Yes

Presentations to institutional investors or analysts : No

Newspapers in which results are normally published : Indian Express, Financial Express, Dina Thanthi and Loksatta

Whether Management Discussion & Analysis is a part of the Annual Report : Yes.

**8. General Body Meetings:**

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

Year	Location	Date	Time
1997-1998	At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126	25 Sept 1998	3.30 p.m.
1998-1999	as above	17 Sept 1999	3.30 p.m.
1999-2000	as above	27 Sept 2000	3.30 p.m.

No special resolutions were passed through a postal ballot, as this was not applicable. No special resolutions requiring postal ballots are placed for shareholder approval at the forthcoming Annual General Meeting.

**9. General Shareholder Information**

AGM : date, time & venue	: September 28, 2001 at 3.30 p.m. at the Registered Office at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Directors seeking appointment	: As required under Clause 49(VI)(A), particulars of Directors seeking appointment/re-appointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on 28 September 2001
Book Closure Date	: 14th August 2001 to 10th September 2001 (both days inclusive)
Dividend Payment Date	: On or after 1st October 2001
Financial Calendar Period	: Board Meeting to approve quarterly financial Results
— Quarter ending Jun 30, 2001	End July 2001
— Quarter ending Sep 30, 2001	End October 2001
— Quarter ending Dec 31, 2001	End January 2002
— Quarter ending Mar 31, 2002	May/June 2002
Registered Office	: 3, SIPCOT Industrial Complex, Hosur 635 126, Tamilnadu
Listing of Equity Shares on Stock Exchanges	: The Stock Exchange, Mumbai and the Madras Stock Exchange, Chennai Listing fees as prescribed have been paid to both these stock exchanges up to 31st March 2002

**STOCK CODE**

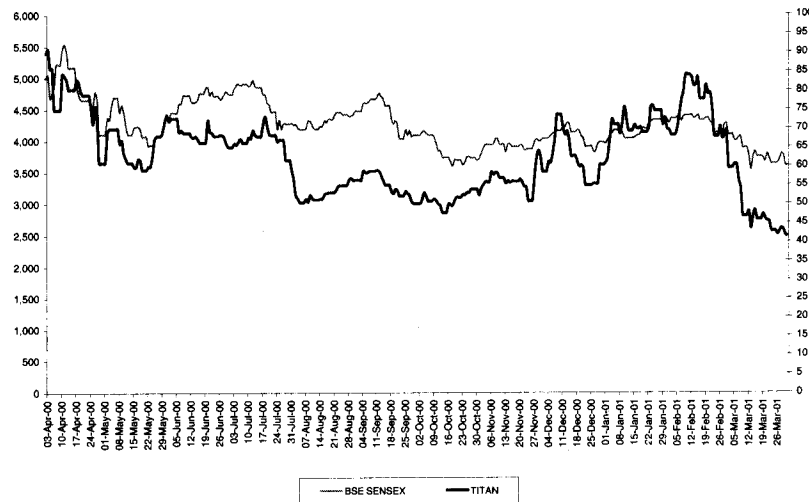
Equity Shares – physical form – Bombay Stock Exchange : 114  
 Madras Stock Exchange : TWT  
 Equity Shares – demat form – NSDL / CDSL : ISIN No. INE280A01010

**STOCK PERFORMANCE**

## Market Price Data

	Bombay Stock Exchange (BSE)		BSE Sensex
	High	Low	
Apr - 2000	Rs. 91.00	Rs. 60.95	4658
May - 2000	Rs. 73.50	Rs. 59.10	4434
Jun - 2000	Rs. 72.70	Rs. 65.10	4749
Jul - 2000	Rs. 73.20	Rs. 59.00	4280
Aug - 2000	Rs. 56.85	Rs. 50.45	4477
Sep - 2000	Rs. 58.95	Rs. 50.05	4090
Oct - 2000	Rs. 53.85	Rs. 47.70	3711
Nov - 2000	Rs. 64.10	Rs. 50.75	3998
Dec - 2000	Rs. 73.60	Rs. 54.90	3972
Jan - 2001	Rs. 75.95	Rs. 61.00	4327
Feb - 2001	Rs. 84.05	Rs. 67.30	4247
Mar - 2001	Rs. 60.40	Rs. 41.55	3604

## Performance of Titan Share Price in comparison with BSE Sensex



Share Registrar and Transfer Agents : M/s Tata Share Registry Limited  
 Army & Navy Building  
 148, Mahatma Gandhi Road  
 Mumbai 400 001  
 Tel : (022) 2873831  
 Fax : (022) 2844160  
 E-mail : csg-unit@tatashare.com

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

## Titan Industries Limited

### 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 30 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 and confirmation is given to the respective depositories, ie National Securities Depository Ltd (NSDL) and Central Depository Services Limited (CDSL), within 15 days.

### DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2001

No of Equity Shares held	No. of Shareholders	Percentage	No. of Shares	Percentage
0-500	62,434	96.15	76,61,070	18.12
501-2000	2,100	3.23	17,74,513	4.20
2001-3000	115	0.18	2,92,496	0.69
3001-4000	68	0.10	2,39,338	0.57
4001-5000	54	0.08	2,54,916	0.60
5001-10000	70	0.11	4,92,176	1.17
10001 and above	95	0.15	3,15,61,761	74.65

### CATEGORIES OF SHAREHOLDING AS ON MARCH 31, 2001

Category	No of shareholders	No of shares held	% shareholding
Tamil Nadu Industrial Development Corpn Ltd	1	1,17,84,606	27.88
Tata Group Companies	15	1,14,95,021	27.19
Foreign Financial Institutions	11	36,42,764	8.62
Bodies Corporate	896	9,92,854	2.35
Unit Trust of India	1	2,36,548	0.56
Life Insurance Corp of India	1	3,78,232	0.89
Mutual Funds	41	26,15,460	6.19
Nationalised Banks	16	46,259	0.11
Others	63,594	1,10,84,526	26.21
Total	64,936	4,22,76,270	100.00

**TOP TEN SHAREHOLDERS :**

The Company's top ten shareholders as at 31st March 2001 are as shown below :

Name of Shareholder	No of Shares	% to total holding
1. Tamil Nadu Industrial Development Corporation Limited	1,17,84,606	27.88
2. Kalimati Investment Co Limited	36,31,110	8.59
3. Tata Sons Limited	31,38,746	7.42
4. Morgan Stanley Dean Witter — India Invest. Fund	19,43,736	4.60
5. Tata Chemicals Limited	14,30,580	3.38
6. Morgan Stanley Growth Fund	12,10,950	2.86
7. Tata InfoMedia Limited	10,96,650	2.59
8. International Finance Corporation (W)	8,90,750	2.11
9. Tata Investment Corporation Limited	6,95,797	1.65
10. SBI Capital Markets — India Magnum Fund	6,15,119	1.46

The Aggregate Non-promoter shareholding of the Company as at 31st March 2001 is as shown below :

Number of Shares : 18,996,643  
Percentage to total holding : 44.93%

**DEMATERIALISATION OF SHARES AND LIQUIDITY**

72.36 % of the Equity Capital is held in dematerialised form with NSDL and CDSL as on March 31, 2001. Trading in equity shares of the Company is permitted only in dematerialised form w.e.f 15.02.1999 as per the notification issued by the Securities and Exchange Board of India (SEBI).

OUTSTANDING GDRS / ADRS / WARRANTS OR ANY CONVERTIBLE INSTRUMENTS : None

STOCK OPTION SCHEME : None

**PLANT LOCATIONS**

Watch Plants : (a) 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu  
(b) Mohabewala Industrial Area, Dehradun 248 002, Uttaranchal

Jewellery & Clock Plants : 27,28 & 29, SIPCOT Industrial Complex,  
Hosur 635 126, Tamil Nadu

**ADDRESSES FOR CORRESPONDENCE**

Registered Office : 3, SIPCOT Industrial Complex, Hosur 635126, Tamil Nadu  
Corporate Office : Golden Enclave, Tower A, Airport Road, Bangalore 560 017, Karnataka

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

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**Titan Industries Limited**

## CERTIFICATE

To the Members of

**TITAN INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Titan Industries Limited, for the year ended 31st March 2001, 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 any expression of opinion on the financial statements of the Company.

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that while the Shareholder Grievance Committee has not maintained records to show the investor grievances pending for a period exceeding one month against the Company, the Registrars of the Company have certified that as at March 31, 2001, there were no investor grievances remaining unattended / pending for more than 30 days.

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

**For A. F. FERGUSON & CO.**  
Chartered Accountants

**H. L. Shah**  
Partner

Bangalore : 30th July 2001



## **Auditors' Report**

To the members of Titan Industries Limited

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 2001 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 annexe 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, the profit and loss account and the balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the Directors as on 31st March 2001, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
  - f) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view:
    - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2001; and
    - (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

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

Date : 27 June, 2001  
Bangalore

**H. L. Shah**  
Partner

### Titan Industries Limited

#### Annexure to the Auditors' Report

##### Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Industries Limited on the Accounts for the year ended 31st March, 2001.

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 subsequent to the year end. As explained to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at regular intervals. The stocks in possession of third parties have been verified by the management, in most cases, with reference to certificates obtained from third parties.
4. The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not significant and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are repaying the principal amounts as stipulated or as rescheduled and are also regular in the payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature for which 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 purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
11. In our opinion and according to the information and explanations given to us and having regard to our comments in 10 above, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services as available with the Company, or the prices at which transactions for similar goods or services have been made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for the same has been made in the accounts.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted.

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14. As explained to us, the Company's operations do not generate any by-products. In our opinion, reasonable records have been maintained by the Company for the sale of scrap.
  15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
  16. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 in respect of the Company's products.
  17. According to the records of the Company, provident fund and employees state insurance dues have been regularly deposited during the year with the appropriate authorities.
  18. There are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty as at 31st March, 2001 which are outstanding for a period of more than six months from the date they became payable.
  19. In our opinion and according to the information and explanations given to us, personal expenses have not been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
  20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
  21. In respect of its service activities, the Company has a reasonable system of recording receipts, issues and consumption of components and stores commensurate with its size and the nature of its business. The system provides for a reasonable allocation of materials to the relative jobs but it is not considered necessary by the management to allocate man-hours consumed to relative jobs. In our opinion, there is a reasonable system for authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business on issue of stores and allocation of stores to jobs.
  22. In respect of the Company's trading activity, we are informed that there are no damaged stocks.

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

Date : 27 June, 2001  
Bangalore

**H. L. Shah**  
Partner

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

Titan Industries Limited

## Balance Sheet as at 31 March 2001

SOURCES OF FUNDS	Schedule	Rupees in lakhs	
		31-3-2001	31-3-2000
Shareholders' funds			
Share capital .....	A	8227.63	8227.63
Reserves and surplus .....	B	12508.87	11856.51
		<b>20736.50</b>	20084.14
Loan funds			
Secured loans .....	C	23548.83	17803.40
Unsecured loans .....	D	18652.28	23188.72
		<b>42201.11</b>	40992.12
Total .....		<b>62937.61</b>	61076.26
<b>APPLICATION OF FUNDS</b>			
Fixed assets .....	E		
Gross block, at cost .....		36622.92	35996.17
Less : Depreciation .....		15868.11	13914.88
Net block .....		20754.81	22081.29
Advances on capital account and capital work in progress, at cost .....		360.71	299.15
		<b>21115.52</b>	22380.44
Investments .....	F	2308.51	2512.47
Current assets, loans and advances .....	G		
Inventories .....		14622.75	18344.26
Sundry debtors .....		15903.74	12105.06
Cash and bank balances .....		2751.69	1752.44
Loans and advances .....		15066.83	11548.22
		<b>48345.01</b>	43749.98
Less :			
Current liabilities and provisions .....	H		
Current liabilities .....		7579.09	7451.84
Provisions .....		1572.24	541.33
		<b>9151.33</b>	7993.17
Net current assets .....		<b>39193.68</b>	35756.81
Miscellaneous expenditure (To the extent not written off or adjusted)			
Deferred revenue expenditure .....		319.90	426.54
Total .....		<b>62937.61</b>	61076.26
Notes .....	K		

Per our report attached

For and on behalf of the Board of Directors,

For A. F. FERGUSON & CO.  
Chartered Accountants

A. L. Mudaliar Chairman

H. L. Shah  
Partner

K. F. Kapadia  
Sr. Vice President - Finance

Xerxes Desai  
Vice Chairman  
& Managing Director

V. Madan  
Company Secretary

Bhaskar Bhat Deputy Managing Director

Bangalore, 27 June 2001



**Titan Industries Limited**

**Schedules forming part of the accounts**

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"A" Share capital</b>		
<b>Authorised</b>		
8,00,00,000 equity shares of Rs. 10 each .....	<b>8000.00</b>	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each .....	<b>4000.00</b>	4000.00
	<b><u>12000.00</u></b>	<u>12000.00</u>
<b>Issued and subscribed</b>		
4,22,76,270 equity shares of Rs. 10 each, fully paid up .....	<b>4227.63</b>	4227.63
Nil (2000 : 5,00,000) 11% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	—	500.00
15,00,000 (2000 : 23,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>1500.00</b>	2300.00
Nil (2000 : 2,00,000) 10.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	—	200.00
5,00,000 (2000 : 7,50,000) 10% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>500.00</b>	750.00
7,00,000 (2000 : 2,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>700.00</b>	250.00
2,00,000 (2000 : Nil) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>200.00</b>	—
11,00,000 (2000 : Nil) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up .....	<b>1100.00</b>	—
	<b><u>8227.63</u></b>	<u>8227.63</u>

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"B" Reserves and surplus</b>		
Capital reserve .....	<b>13.23</b>	13.23
Share premium account .....	<b>6172.69</b>	6172.69
<b>Debenture redemption reserve</b>		
As per last balance sheet .....	—	284.46
Transfer to profit and loss account .....	—	284.46
	—	—
<b>Investment allowance reserve account</b>		
As per last balance sheet .....	—	304.05
Transfer to profit and loss account .....	—	304.05
	—	—
<b>General reserve</b>		
As per last balance sheet .....	<b>1857.45</b>	1605.75
Transfer from profit and loss account .....	<b>234.76</b>	251.70
	<b>2092.21</b>	1857.45
Balance in profit and loss account .....	<b>4230.74</b>	3813.14
	<b><u>12508.87</u></b>	<u>11856.51</u>

### Schedules forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"C" Secured loans</b>		
Term loans from financial institutions .....	<b>9100.00</b>	9100.00
Term loans from banks .....	<b>9350.00</b>	6825.00
Interest free sales tax loan .....	<b>49.98</b>	66.64
Other term loans .....	—	232.88
Cash credit account secured by hypothecation of book debts, inventories, stores and spares .....	<b>5048.85</b>	1578.88
	<b><u>23548.83</u></b>	<u>17803.40</u>

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"D" Unsecured loans</b>		
Fixed deposits .....	<b>2153.17</b>	1922.63
Short term loans and advances		
Loans from banks .....	<b>9240.13</b>	11130.21
Loans from others .....	<b>2179.28</b>	2000.00
Deposits from companies .....	<b>4350.00</b>	5670.00
Other loans and advances	<b>15769.41</b>	18800.21
Term loans from banks .....	<b>729.70</b>	2465.88
	<b><u>18652.28</u></b>	<u>23188.72</u>

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

Titan Industries Limited

## Schedule forming part of the accounts

"E" Fixed Assets	Rupees in lakhs							
	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-2000	Additions	Deductions	Cost as at 31-3-2001	For the year	As at 31-3-2001	As at 31-3-2001	As at 31-3-2000
Land - freehold .....	79.60	—	3.77	75.83	—	—	75.83	79.60
Land - leasehold .....	42.24	—	—	42.24	—	—	42.24	42.24
Buildings .....	3888.78	23.58	13.97	3898.39	107.16	802.78	3095.61	3189.06
Plant, machinery and equipment .....	29346.42	755.68	92.07	30010.03	1817.48	13962.48	16047.55	17140.70
Furniture, fixtures and equipment .....	2331.30	116.71	57.45	2390.56	143.29	1027.35	1363.21	1426.48
Vehicles .....	307.83	4.30	106.26	205.87	24.87	75.50	130.37	203.21
<b>TOTAL .....</b>	<b>35996.17</b>	<b>900.27</b>	<b>273.52</b>	<b>36622.92</b>	<b>2092.80</b>	<b>15868.11</b>	<b>20754.81</b>	
As at 31st March 2000 .....	<u>34925.32</u>	<u>1256.18</u>	<u>185.33</u>	<u>35996.17</u>	<u>2040.42</u>	<u>13914.88</u>		22081.29
Advances on capital account and capital work in progress, at cost							<b>360.71</b>	299.15
							<u><b>21115.52</b></u>	<u>22380.44</u>



## Schedule forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"F" Investments - long term</b>		
<b>Trade investments</b>		
<b>Unquoted</b>		
5,00,000 (2000: 5,00,000) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited .....	50.00	50.00
1,00,000 (2000: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited .....	10.00	10.00
5,010 (2000: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited .....	0.50	0.50
2,510 (2000: 2,510) fully paid equity shares of Rs. 10 each in Titan Holdings Limited .....	0.25	0.25
60,000 (2000: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited .....	18.00	18.00
20,000 (2000: 85,000) fully paid equity shares of Rs. 10 each in RDI Print & Publishing Pvt. Ltd. (65,000 equity shares sold during the year) .....	62.76	266.72
15,000 (2000: 15,000) fully paid equity shares of Rs. 10 each in Tanishq India Ltd. ....	1.50	1.50
	<u>143.01</u>	<u>346.97</u>
<b>Investment in subsidiary company - unquoted</b>		
10,000 (2000: 10,000) fully paid equity shares of NLG 1,000 each in Titan International Holdings BV .....	2050.78	2050.78
<b>Others - unquoted</b>		
7,46,328 (2000: 7,46,328) units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs. 105.23 lakhs; 2000 : Rs. 107.10 lakhs) .....	114.72	114.72
	<u>2308.51</u>	<u>2512.47</u>
Aggregate amount of quoted investments .....	—	—
Aggregate amount of unquoted investments .....	2308.51	2512.47
Market value of quoted investments .....	—	—

# TITAN INDUSTRIES

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Titan Industries Limited

## Schedule forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"G" Current assets, loans and advances</b>		
Inventories		
Consumable stores .....	<b>532.16</b>	534.75
Loose tools .....	<b>167.09</b>	147.28
Stock-in-trade		
Raw materials and bought-out components .....	<b>3671.87</b>	4583.83
Work in progress .....	<b>3852.87</b>	4348.71
Finished goods .....	<b>6398.76</b>	8729.69
	<b>13923.50</b>	17662.23
	<b>14622.75</b>	18344.26
Sundry debtors (unsecured)		
Over six months		
Considered good .....	<b>1961.26</b>	2297.80
Considered doubtful .....	<b>94.57</b>	—
	<b>2055.83</b>	2297.80
Others - considered good .....	<b>13942.48</b>	9807.26
	<b>15998.31</b>	12105.06
Less: Provision for doubtful debts .....	<b>94.57</b>	—
	<b>15903.74</b>	12105.06
Cash and bank balances		
Cash and cheques on hand .....	<b>457.93</b>	86.47
With scheduled banks - in current accounts .....	<b>264.95</b>	142.85
- on deposit .....	<b>1565.26</b>	1228.82
- in transit .....	<b>463.55</b>	294.30
	<b>2751.69</b>	1752.44
Loans and advances (unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received .....	<b>9395.48</b>	6263.79
Due from subsidiaries .....	<b>5643.05</b>	5211.41
Tax payments, net of provision .....	<b>25.31</b>	—
Balances with customs and excise authorities .....	<b>2.99</b>	73.02
	<b>15066.83</b>	11548.22
	<b>48345.01</b>	43749.98

## Schedules forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2001</u>	<u>31-3-2000</u>
<b>"H" Current liabilities and provisions</b>		
Current liabilities		
Sundry creditors		
Due to small scale industrial undertakings .....	<b>292.94</b>	182.91
Others .....	<b>6733.53</b>	5544.72
	<b>7026.47</b>	5727.63
Interim dividend .....	—	1099.18
Unclaimed dividends .....	<b>58.10</b>	42.25
Interest accrued but not due on loans .....	<b>494.52</b>	582.78
	<b>7579.09</b>	7451.84
Provisions		
Provision for taxation .....	—	21.07
Proposed dividend .....	<b>1099.18</b>	—
Retiring gratuities .....	<b>259.14</b>	428.03
Others .....	<b>213.92</b>	92.23
	<b>1572.24</b>	541.33
	<b>9151.33</b>	7993.17

	Rupees in lakhs	
	<u>Current Year</u>	<u>Previous Year</u>
<b>"I" Other income</b>		
Interest from staff loans and bank deposits - gross (tax deducted at source on interest received Rs. 15.47 lakhs; 2000: Rs. 5.81 lakhs) .....	<b>182.28</b>	89.50
Income from trade investments - gross .....	—	111.32
Dividend from units of Unit Trust of India (tax deducted at source Nil; 2000: Nil) .....	<b>10.26</b>	10.07
Profit on sale of investments .....	<b>966.04</b>	1037.50
Miscellaneous income .....	<b>4.66</b>	53.08
	<b>1163.24</b>	1301.47

# TITAN INDUSTRIES

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Titan Industries Limited

## 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 .....	<b>32142.99</b>	29608.18
Loose tools, stores and spare parts consumed .....	<b>1839.61</b>	1480.18
Purchase of finished goods .....	<b>136.70</b>	242.70
Payments to and provisions for employees		
Salaries and wages .....	<b>6165.18</b>	5977.58
Company's contribution to provident and other funds ...	<b>408.25</b>	403.57
Welfare expenses .....	<b>672.21</b>	692.25
Gratuity .....	<b>160.87</b>	144.03
	<b>7406.51</b>	7217.43
Other expenses		
Power and fuel .....	<b>854.55</b>	781.01
Repairs to buildings .....	<b>87.75</b>	65.51
Repairs to plant and machinery .....	<b>210.51</b>	134.43
Advertising .....	<b>4009.51</b>	4169.06
Selling and distribution expenses .....	<b>1193.86</b>	1078.36
Insurance .....	<b>331.51</b>	292.91
Rent .....	<b>412.28</b>	399.15
Rates and taxes .....	<b>1089.81</b>	1008.09
Travel .....	<b>418.27</b>	529.81
Exchange difference .....	<b>376.21</b>	945.10
Deferred revenue expenditure written off .....	<b>106.64</b>	106.64
Provision for doubtful debts .....	<b>94.57</b>	—
General expenses .....	<b>2120.06</b>	1786.72
	<b>11305.53</b>	11296.79
Auditors' remuneration		
Audit fees .....	<b>15.00</b>	11.00
Fees for taxation matters .....	<b>3.86</b>	4.26
Fees for other services .....	<b>5.04</b>	0.85
Reimbursement of expenses and levies .....	<b>1.99</b>	0.84
	<b>25.89</b>	16.95
Directors' fees .....	<b>1.64</b>	0.68
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress .....	<b>3852.87</b>	4348.71
Finished goods .....	<b>6398.76</b>	8729.69
	<b>10251.63</b>	13078.40
Opening stocks		
Work in progress .....	<b>4348.71</b>	4652.02
Finished goods .....	<b>8729.69</b>	7424.16
	<b>13078.40</b>	12076.18
	<b>2,826.77</b>	(1,002.22)
	<b>55685.64</b>	48860.69
Less : Expenses capitalised .....	<b>78.41</b>	50.37
	<b>55607.23</b>	48810.32

## SCHEDULE FORMING PART OF THE ACCOUNTS

### "K" Notes to the accounts

#### 1. Accounting policies :

The accounts are prepared under the historical cost convention and materially comply with the applicable accounting standards. The significant accounting policies followed by the Company are as stated below:

- i. Revenue recognition : Revenue from sale of goods is recognised when the goods are billed/despached from the stock points.

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

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

- ii. Fixed Assets : Capitalised at acquisition cost including directly attributable cost.
- iii. Depreciation : Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956.
- iv. Foreign currency transactions : Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

Foreign currency liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last working day of the accounting year or forward cover rates, as applicable. The net variation arising out of the said translation is adjusted to the cost of fixed assets.

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

- v. Investments : Long term investments are valued at acquisition cost.
- vi. Inventories : Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows :
  - a) Consumable stores, loose tools, raw materials and components are valued on a monthly moving weighted average rate.
  - b) Work in progress and manufactured goods are valued on full absorption cost method based on the annual average cost of production.
  - c) Traded goods are valued at annual average cost of purchases.
- vii. Product warranty expenses : Product warranty costs are determined based on past experience and provided for in the year of sale.
- viii. Retirement benefits : Contribution to the provident fund and pension fund is made monthly at a pre-determined rate to the Provident Fund Trust and Regional Provident Fund Commissioner respectively and debited to the profit and loss account on an accrual basis.

Contribution to the superannuation fund is made annually at a pre-determined rate to the Superannuation Trust and debited to the profit and loss account on an accrual basis.

Gratuity liability and leave encashment benefit is provided on an actuarial basis. The Company has set up a Gratuity Fund Trust in the current year.
- ix. Deferred revenue expenditure : Software and implementation costs including user's licence fees of the Enterprise Resource Planning (ERP) system and other application software costs, are amortised over a period of five years.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 271.38 lakhs (2000 : Rs.279.08 lakhs).

### Titan Industries Limited

3. Contingent liabilities not provided for :
- i) Guarantees given by the Company - Rs.7224 lakhs (2000 : Rs.7619 lakhs). Certain guarantees are secured by lien on fixed deposits of Rs.471.06 lakhs (2000 : Nil)
  - ii) Letter of comfort given to a bank - Rs.2292 lakhs (2000 : Rs.3457 lakhs).
  - iii) Bills discounted by trade - Rs.4192 lakhs (2000 : Rs.1839 lakhs).
  - iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.4151 lakhs (2000 : Rs.4063 lakhs).
4. a) The 10.50% redeemable cumulative preference shares aggregating Rs.1500 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :-
- |               |   |                    |
|---------------|---|--------------------|
| Rs. 200 lakhs | - | 1st July 1998      |
| Rs.1000 lakhs | - | 8th July 1998      |
| Rs. 300 lakhs | - | 9th September 1998 |
- However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.
- b) The 10% redeemable cumulative preference shares aggregating Rs.500 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 10th March 1999). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.
- c) The 9.50% redeemable cumulative preference shares aggregating Rs.500 lakhs are redeemable at par at the end of 7 years from respective dates of allotment as under :-
- |              |   |                     |
|--------------|---|---------------------|
| Rs.250 lakhs | - | 15th September 1997 |
| Rs.250 lakhs | - | 15th January 2001   |
- However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.
- d) The 9.50% redeemable cumulative preference shares aggregating Rs.200 lakhs are redeemable at par at the end of 3 Years from the date of allotment (i.e., 25th May 2000). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 30 days from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.
- e) The 9.25% redeemable cumulative preference shares aggregating Rs.200 lakhs are redeemable at par at the end of 7 Years from the date of allotment (i.e., 1st July 2000). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.
- f) The 9% redeemable cumulative preference shares aggregating Rs.1100 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :
- |               |   |                 |
|---------------|---|-----------------|
| Rs. 20 lakhs  | - | 23rd March 2001 |
| Rs.1070 lakhs | - | 29th March 2001 |
| Rs. 10 lakhs  | - | 30th March 2001 |

However, they may be redeemed either at the option of the Company or by the Holder at any time from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder.

5. The term loans from financial institutions shown under secured loans include :
  - a) Loan of Rs.5000 lakhs (2000 : Rs.5000 lakhs) which is secured by the securities stated below :
    - (i) secured by a first mortgage and charge of all the Company's immovable properties, both present and future; and
    - (ii) secured by a first charge by way of hypothecation of all the Company's movables, both present and future (save and except current assets), subject to the prior charges created in favour of the Company's Bankers for the working capital requirement of the Company and subject to a prior charge on the specific assets covered under note 8 (a) below.
  - b) Loan of Rs.2500 lakhs (2000 : Rs.2500 lakhs) secured by a first charge by way of hypothecation of current assets including book debts, receivables and inventories, both present and future.
  - c) Loan of Rs.1600 lakhs (2000 : Rs.1600 lakhs) secured by a second charge by way of hypothecation of current assets including book debts and inventories, both present and future.
6. The term loans from banks shown under secured loans include :
  - a) loan of Rs.Nil (2000 : Rs.125 lakhs) secured by a first charge on the movable assets of the Company, both present and future (save and except current assets and book debts).
  - b) loan of Rs.1100 lakhs (2000 : Rs.2200 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.
  - c) loan of Rs.Nil (2000 : Rs.250 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.
  - d) loan of Rs.750 lakhs (2000 : Rs.1750 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.
  - e) Loan of Rs.2500 lakhs (2000 : Rs.2500 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future (save and except current assets).
  - f) Loan of Rs.5000 lakhs (2000 : Rs.Nil) secured by a first charge on the movable assets (save and except current assets) and to be secured by an equitable mortgage of immovable properties of the Company, both present and future.
7. The interest-free sales tax loan is secured by a second charge by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur and hypothecation of assets except inventories and book debts.
8. The other term loans shown under secured loans, include :
  - a) loans of Rs.Nil (2000 : Rs.46.88 lakhs) secured by a first charge on assets purchased out of these amounts.
  - b) loan of Rs.Nil (2000 : Rs.186 lakhs) which is secured / to be secured as follows :
    - (i) a first charge by way of hypothecation of all the movable assets and mortgage of all lands and immovable properties of the Company, both present and future.
    - (ii) a pledge of the shares of its wholly owned subsidiary.
    - (iii) all receivables to the Company from its subsidiary.
9. The security covered under notes 5, 6 and 8 (b) above rank pari passu.
10. The small scale industrial undertaking to whom the Company owes a sum exceeding Rs.1 lakh which is outstanding for more than 30 days, is Cony Bands Private Limited.
11. Exchange fluctuation on foreign currency loans taken for acquisition of fixed assets capitalised is Rs.Nil (2000 : Rs.16.65 lakhs).

**Titan Industries Limited**

Exchange loss (net), included in the profit and loss account is Rs.376.21 lakhs (2000 : Rs.945.10 lakhs).

Exchange loss (net), in respect of forward exchange contracts to be recognised in the profit and loss account of the subsequent year i.e. financial year 2001-2002 is Rs.46.28 lakhs (2000-2001 : Rs.82.82 lakhs).

12. Sales includes sale of scrap Rs.180.58 lakhs (2000 : Rs.199.48 lakhs), sale of accessories Rs.2907.34 lakhs (2000 : Rs.2233.79 lakhs), income from services provided Rs.158.44 lakhs (2000 : Rs.100.96 lakhs) and is net of all discounts including cash discount of Rs.207.06 lakhs (2000 : Rs.190.19 lakhs).
13. Interest expense disclosed in the profit and loss account is net of Rs.409.08 lakhs (2000 : Rs.393.89 lakhs) being interest received on advances (Tax deducted at source Rs.49.52 lakhs (2000 : Rs 17.54 lakhs)).
14. Interest on fixed loans and debentures amounts to Rs.4629.57 lakhs (2000 : Rs.4972.72 lakhs).
15. The Managing Director's remuneration of Rs. 38.39 lakhs (2000 : Rs.30.69 lakhs) is inclusive of contribution to provident and other funds Rs.3.56 lakhs (2000 : Rs.2.43 lakhs), perquisites Rs.4.83 lakhs (2000 : Rs.5.31 lakhs) and commission Rs. 18 lakhs (2000 : Rs.12.75 lakhs).

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

	2001	Rupees in lakhs 2000
Profit before taxes as per Profit and Loss Account .....	<b>2556.80</b>	2143.64
Add: Managing Director's remuneration .....	<b>38.39</b>	30.69
Director's fees .....	<b>1.64</b>	0.68
Depreciation provided in the accounts for the current year .....	<b>2092.80</b>	2040.42
Provision for Doubtful debts .....	<b>94.57</b>	—
Loss on sale of fixed assets as per books (net) .....	<b>37.99</b>	26.29
Profit on sale of fixed assets as per section 349 of the Companies Act, 1956 .....	—	13.02
	<b>4822.19</b>	4254.74
Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year .....	<b>2092.80</b>	<b>2484.19</b>
Profit on sale of investments .....	<b>966.04</b>	<b>1037.50</b>
Loss on sale of fixed assets as per section 349 of the Companies Act, 1956 .....	<b>37.99</b>	—
Net profit .....	<b>1725.36</b>	<b>733.05</b>

16. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 6.43 million watches (2000 : 5.43 million watches), 0.29 million jewellery pieces (2000 : 0.20 million jewellery pieces) and 0.10 million Table Clocks (2000 : 0.65 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

17. The Company produced 63,19,649 watches (2000 : 60,23,536 watches) sold 66,04,937 watches - Rs.45388.23 lakhs (2000 : 58,53,872 watches - Rs.44,089.85 lakhs) and had a Closing Stock of 3,85,637 watches - Rs.4064.83 lakhs (2000 : 6,70,925 watches - Rs. 6482.38 lakhs; 1999 : 5,01,261 watches - Rs.4745.52 lakhs).

The Company produced 3,79,000 gold jewellery pieces (2000 : 2,87,431 gold jewellery pieces), sold 3,76,003 gold jewellery pieces - Rs.20,107.96 lakhs (2000 : 2,93,666 gold jewellery pieces - Rs.15,311.34 lakhs) and had a closing stock of 25,981 gold jewellery pieces - Rs.1994.86 lakhs (2000 : 22,984 gold jewellery pieces - Rs. 1607.34 lakhs; 1999 : 29,219 gold jewellery pieces - Rs.1974.81 lakhs).

The Company produced 3,60,619 silver pieces (2000 : 6,124 silver pieces) sold 3,45,480 silver pieces - Rs.187.02 lakhs (2000 : 6,595 silver pieces - Rs 8.44 lakhs) and had a closing stock of 17,495 silver pieces - Rs.24.01 lakhs (2000 : 2,356 silver pieces - Rs.4.54 lakhs; 1999 : 2827 silver pieces - Rs.3.56 lakhs).



The Company produced 62,834 Table Clocks (2000 : 2,94,700) sold 1,48,916 Table Clocks - Rs.461.74 lakhs (2000 : 3,28,903 Table Clocks - Rs.763.95 lakhs) and had a closing stock of 70,505 Table Clocks - Rs.270.22 lakhs (2000 : 1,56,587 Table Clocks - Rs.447.92 lakhs; 1999 : 1,90,790 Table Clocks - Rs.545.13 lakhs).

18. The Company purchased 42,551 watches (2000 : 52,050 watches), sold 71,145 watches - Rs.244.80 lakhs (2000 : 46,243 watches - Rs.311.54 lakhs) and had a closing stock of 4,298 watches - Rs.6.99 lakhs (2000 : 32,892 watches - Rs.164.33 lakhs; 1999 : 27,085 watches - Rs.138.84 lakhs).
19. The Company purchased 17,344 clocks (2000 : 7,691 clocks), sold 13,202 clocks - Rs.54.15 lakhs (2000 : 3,314 clocks - Rs.13.88 lakhs) and had a closing stock of 14,454 clocks - Rs.37.85 lakhs (2000 : 10,312 clocks - Rs.23.17 lakhs; 1999 : 5,935 clocks - Rs.16.30 lakhs).

20. Analysis of raw materials and components consumed :

	2001	Rupees in lakhs 2000
Precious metals -Gold (2001 : 3023 Kgs.)(2000 : 2494 Kgs.) .....	<b>13418.19</b>	10903.86
-Others .....	<b>1164.78</b>	292.61
Components .....	<b>11981.28</b>	14500.18
Other materials .....	<b>5393.35</b>	3703.56
Sundry charges .....	<b>185.39</b>	207.97
	<b>32142.99</b>	29608.18

21. Value of imports on CIF basis :

	2001	Rupees in lakhs 2000
Raw materials and components .....	<b>4975.96</b>	7389.42
Stores and spares .....	<b>329.18</b>	301.44
Capital goods .....	<b>221.76</b>	237.68
	<b>5526.90</b>	7928.54

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

	2001	Rupees in lakhs 2000
Interest .....	<b>77.11</b>	78.00
Professional and consultancy services .....	<b>8.84</b>	35.00
Others .....	<b>916.97</b>	753.45

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

	31.3.2001	Rupees in lakhs 31.3.2000
(i) Number of Shareholders .....	<b>11</b>	12
(ii) Number of equity shares on which dividend was paid .....	<b>83,190</b>	33,242
(iii) Year to which the dividend related .....	<b>1999-00</b>	1998-99
(iv) Amount remitted (net of tax) (Rs in lakhs).....	<b>2.16</b>	0.86

24. Earnings in foreign exchange:

	2001	Rupees in lakhs 2000
Export of goods on FOB basis .....	<b>4538.75</b>	4270.32
Interest .....	<b>326.39</b>	305.23

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

## Titan Industries Limited

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

	2001		2000	
	Rupees in Lakhs	%	Rupees in Lakhs	%
Imported				
CIF Value .....	5197.59	16	7307.20	24
Customs duties .....	535.42	2	826.21	3
	<u>5733.01</u>	<u>18</u>	<u>8133.41</u>	<u>27</u>
Indigenous .....	26409.98	82	21474.77	73
	<u>32142.99</u>	<u>100</u>	<u>29608.18</u>	<u>100</u>

26. Expenditure directly attributable to research and development [including capital expenditure of Rs.14.91 lakhs; (2000 : Rs.26.69 lakhs)] is estimated at Rs.211.04 lakhs (2000 : Rs.195.05 lakhs).
27. Obligation in respect of future lease rentals, net of interest, is Rs.181.50 lakhs (2000 : Rs Nil).
28. The figures of the previous year have been regrouped/recast, where necessary.
29. Balance Sheet Abstract and Company's General Business Profile :

### I. REGISTRATION DETAILS

REGISTRATION NO.

1 8 - 0 0 1 4 5 6

STATE CODE

1 8

BALANCE SHEET DATE

3 1    0 3    2 0 0 1

DATE        MONTH        YEAR

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

PUBLIC ISSUE

   N I L

RIGHTS ISSUE

   N I L

BONUS ISSUE

   N I L

PREFERENTIAL ALLOTMENT

   N I L

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

TOTAL LIABILITIES

   7 2 0 8 8 9 4

TOTAL ASSETS

   7 2 0 8 8 9 4

### SOURCE OF FUNDS

PAID-UP CAPITAL

   8 2 2 7 6 3

RESERVES & SURPLUS

   1 2 5 0 8 8 7

SECURED LOANS

   2 3 5 4 8 8 3

UNSECURED LOANS

   1 8 6 5 2 2 8

**APPLICATION OF FUNDS**

## NET FIXED ASSETS

		2	1	1	1	5	5	2
--	--	---	---	---	---	---	---	---

## NET CURRENT ASSETS

		3	9	1	9	3	6	8
--	--	---	---	---	---	---	---	---

## ACCUMULATED LOSSES

							N	I	L
--	--	--	--	--	--	--	---	---	---

## INVESTMENTS

			2	3	0	8	5	1
--	--	--	---	---	---	---	---	---

## MISC. EXPENDITURE

				3	1	9	9	0
--	--	--	--	---	---	---	---	---

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

## TURNOVER

		7	0	8	5	3	5	0
--	--	---	---	---	---	---	---	---

+ -

## PROFIT/LOSS BEFORE TAX

√				2	5	5	6	8	0
---	--	--	--	---	---	---	---	---	---

## EARNING PER SHARE IN Rs.

						4	.	4	1
--	--	--	--	--	--	---	---	---	---

## TOTAL EXPENDITURE

		6	8	2	9	6	7	0
--	--	---	---	---	---	---	---	---

+ -

## PROFIT/LOSS AFTER TAX

√				2	3	4	7	6	4
---	--	--	--	---	---	---	---	---	---

## DIVIDEND RATE %

2	6
---	---

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

## ITEM CODE NO. (ITC CODE)

				9	1	.	0	2
--	--	--	--	---	---	---	---	---

## ITEM CODE NO. (ITC CODE)

				9	1	.	0	3
--	--	--	--	---	---	---	---	---

## ITEM CODE NO. (ITC CODE)

				7	1	.	1	3
--	--	--	--	---	---	---	---	---

## PRODUCT DESCRIPTION

W	A	T	C	H	E	S		
---	---	---	---	---	---	---	--	--

## PRODUCT DESCRIPTION

C	L	O	C	K	S			
---	---	---	---	---	---	--	--	--

## PRODUCT DESCRIPTION

J	E	W	E	L	L	E	R	Y
---	---	---	---	---	---	---	---	---

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

A. L. Mudaliar Chairman

Xerxes Desai Vice Chairman  
& Managing Director

Bhaskar Bhat Deputy Managing Director

K. F. Kapadia  
Sr. Vice President - FinanceV. Madan  
Company Secretary

Bangalore, 27 June 2001

# TITAN INDUSTRIES

Seventeenth annual report 2000-2001

## Titan Industries Limited

### Cash flow statement for the year ended 31 March 2001

	Current Year	Rupees in lakhs Previous year
<b>A. Cash flow from operating activities</b>		
Net profit before tax .....	2,556.80	2,143.64
Adjustments for :		
— Depreciation .....	2,092.80	2,040.42
— Exchange difference .....	376.21	945.10
— Financial lease payments .....	28.94	—
— Loss/(profit) on sale of fixed assets(net) .....	37.99	26.29
— Profit on sale of investments(net) .....	(966.04)	(1,037.50)
— Interest received .....	(182.28)	(89.50)
— Dividend received .....	(10.26)	(121.39)
— Interest paid .....	4,784.02	5,088.32
Operating profit before working capital changes .....	8,718.18	8,995.38
Adjustments for :		
— (Increase)/Decrease in sundry debtors .....	(3,798.68)	(1,964.94)
— (Increase)/Decrease in inventories .....	3,721.51	(1,125.27)
— (Increase)/Decrease in loans and advances .....	(3,493.30)	519.60
— Increase/(Decrease) in current liabilities and provisions .....	1,251.64	909.12
— (Increase)/Decrease in miscellaneous expenditure .....	106.64	(426.54)
Cash generated from operations .....	6,505.99	6,907.35
— Interest received .....	182.28	89.50
— Interest paid .....	(4,872.28)	(5,026.25)
— Direct taxes paid .....	(455.81)	(283.72)
Net cash from/(used in) operating activities .....	1,360.18	1,686.88
<b>B. Cash flow from investing activities</b>		
Additions to fixed assets(including capital work in progress and advances on capital account) .....	(961.83)	(836.75)
Proceeds from sale of fixed assets .....	95.96	53.16
Purchase of investments .....	—	(412.75)
Proceeds from sale of investments .....	1,170.00	1,637.50
Dividend received .....	10.26	121.39
Net cash from/(used in) investing activities .....	314.39	562.55
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of preference share capital .....	2,350.00	250.00
Redemption of preference share capital .....	(2,350.00)	(250.00)
Proceeds from new borrowings .....	15,393.09	13,163.16
Repayment of borrowings .....	(14,184.10)	(11,718.81)
Financial lease payments .....	(28.94)	—
Dividends paid .....	(1,479.16)	(1,500.02)
Exchange difference .....	(376.21)	(945.10)
Net cash from/(used in) financing activities .....	(675.32)	(1,000.77)
Net cash flows during the year(A+B+C) .....	999.25	1,248.66
Cash and cash equivalents (opening balance) .....	1,752.44	503.78
Cash and cash equivalents (closing balance) .....	2,751.69	1,752.44

FOR AND ON BEHALF OF THE BOARD,

A. L. Mudaliar Chairman  
Xerxes Desai Vice Chairman  
& Managing Director

Bhaskar Bhat Deputy Managing Director

Bangalore, 27 June 2001

K. F. Kapadia  
Sr. Vice President - Finance

V. Madan  
Company Secretary

#### AUDITORS' CERTIFICATE

We have examined the above cash flow statement of Titan Industries Limited for the year ended 31st March, 2001. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report of 27 June 2001 to the members of the Company.

For A. F. Ferguson & Co.  
Chartered Accountants  
H. L. Shah  
Partner

Bangalore, 27 June 2001

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## **Accounts of Subsidiary Companies**

Titan International Holdings B.V.	53
Titan Brand Holdings N.V.	56
Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd.	58

## Titan International Holdings B.V., Amsterdam (a subsidiary company)

### MANAGEMENT REPORT

The Board of Directors is pleased to present the Annual Report and Accounts of the Company for the financial year ended March 31, 2001.

#### OVERVIEW OF ACTIVITIES

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

#### FUTURE DEVELOPMENTS

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

#### POST BALANCE SHEET EVENTS

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

#### THE MANAGING DIRECTORS

Amsterdam, July 27, 2001

F K Kavarana	A L A Mudaliar
M N Ramdas	X S Desai

### AUDITORS' REPORT

#### Introduction

We have audited the financial statements for the purposes of filing with the Chamber of Commerce of TITAN INTERNATIONAL HOLDINGS B.V., Amsterdam (The Netherlands) for the year ended March 31, 2001. 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.

#### Scope

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2001 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of The Netherlands Civil Code, applying certain restrictions allowed by Article 396 of that Part.

#### Emphasis of matter

Without qualifying our opinion above, we draw attention to note 5 to the financial statements. As explained in this note, the company has invested significant amounts in a subsidiary that has incurred significant losses over the past few years. Realizability of this investment depends on the outcome of the measures undertaken to generate future profits in the subsidiary. We also draw attention to note 4; realizability of the amounts invested in design and development expenses depends on the flow for royalty income in the future.

Amsterdam, The Netherlands, August 24, 2001

BOUWER & OFFICIER  
Accountants

### Balance Sheet as of March 31, 2001

(after proposed appropriation of results)

	Notes	2001 NLG	2000 NLG
<b>ASSETS</b>			
<b>Fixed Assets</b>			
Intangible assets	(4)	10,689,960	4,769,394
Investments	(5)	11,269,162	15,153,749
		<u>21,959,122</u>	<u>19,923,143</u>
<b>Current Assets</b>			
Receivable from subsidiaries and affiliated companies	(6)	24,459,509	28,297,482
Interest receivable from affiliated companies		1,333,535	292,068
Other receivables and prepaid expenses		32,889	100,179
Cash at banks		234,625	1,016,483
		<u>26,060,558</u>	<u>29,706,212</u>
<b>TOTAL ASSETS</b>		<u><b>48,019,680</b></u>	<u>49,629,355</u>

#### SHAREHOLDER'S EQUITY AND LIABILITIES

##### Shareholder's Equity

Issued and fully paid-in share capital	(7)	10,000,000	10,000,000
Retained earnings		115,714	104,462
		<u>10,115,714</u>	<u>10,104,462</u>

##### Long-term Liabilities

	(8)	18,613,128	25,886,045
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##### Current Liabilities

Short-term bank loans	(9)	15,645,187	11,011,462
Due to group and affiliated companies	(10)	1,558,470	—
Corporate tax payable		462,788	527,213
Interest payable		1,582,243	2,068,673
Accounts payable and accrued expenses		42,150	31,500

		<u>19,290,838</u>	<u>13,638,848</u>
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<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<u><b>48,019,680</b></u>	<u>49,629,355</u>
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The accompanying notes form part of these accounts.

### Profit and Loss Account for the Year Ended March 31, 2001

(expressed in Dutch Guilders)

	Notes	2001 NLG	2000 NLG
<b>Operating Income (Expense)</b>			
Royalty income		1,217,936	1,868,039
General and administrative expenses		(180,733)	(4,000)
Amortization expense		(679,367)	(679,367)
Net operating income (loss)		<u>357,836</u>	<u>1,186,672</u>
<b>Financial Income (Expenses)</b>			
Interest expenses, net	(11)	(151,212)	(1,000,562)
Currency exchange differences		(109,062)	160,214
Net financial income (expenses)		<u>(260,274)</u>	<u>(840,348)</u>
<b>Result before provision for income taxes</b>		<u>97,562</u>	<u>344,324</u>
Provision for income taxes	(12)	(86,310)	(339,963)
<b>NET PROFIT FOR THE YEAR</b>		<u><u>11,252</u></u>	<u><u>4,361</u></u>

The accompanying notes form part of these accounts.

**Titan International Holdings B.V., Amsterdam (a subsidiary company)**

**Notes to the Annual Accounts — March 31, 2001**

(expressed in Dutch guilders)

**1a Group Affiliation and Principal Activities**

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

During the fiscal year, the principal activity of the Company was primarily the holding and financing of group companies. The Company is a wholly owned subsidiary of Titan Industries Limited, India ("the parent company"), to whose accounts the annual accounts of the Company are appended.

**1b Related Party Transactions**

Royalty income is generated and incurred primarily through group and affiliated companies. Significant financing to and from entities ultimately controlled by the parent company takes place. In the past, costs associated with brand-building, trademarks and design and development were charged to the Company by affiliated companies. During the fiscal year 2000/01 GBP 1.85 million has been charged to the Company under an agreement dated 30 December 2000, whereby royalty will be payable for 10 years at the rate of GBP 200,000 every year. The parent company issued a credit note for NLG 27,000 to cover certain general and administrative costs.

**2 Basis of Presentation**

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

For comparison purposes, certain minor reclassifications have been made in the 1999/2000 figures.

**3 Significant Accounting Policies**

**a General**

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

**b Intangible Assets**

The initial expenses incurred in connection with the incorporation of the Company are capitalized and amortized on a straight-line basis over a period of five years. Design and development costs are amortized on a straight line basis over a period of ten years.

**c Investments**

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

**d Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated into Dutch Guilders at rates of exchange applicable at the balance sheet date, unless stated differently. Transactions in foreign currencies are translated at the rates in effect at the dates of the transactions.

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

	2001	2000
Exchange rates used at year-end are:		
GBP 1	3.557	3.669
USD 1	2.511	2.306
SGD 1	1.391	1.347

**e Recognition of Income and Expense**

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

**4 Intangible Assets**

At March 31, 2001 the amount represents incorporation expenses and design and development expenses, and is specified as follows:

	2001	2000
Incorporation expenses	52,019	52,019
Accumulated depreciation	(40,667)	(36,883)
Book value of incorporation expenses	11,352	15,136

Design and Development expenses		
Total cost at the beginning of the year	6,560,761	6,560,761
Additions during the year	6,580,450	—
Total cost before accumulated amortization	13,141,211	6,560,761
Accumulated amortization	(2,462,603)	(1,806,503)
Book value at the end of the year	(10,678,608)	4,754,258
Total intangible assets	(10,689,960)	4,769,394

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

**5 Investments**

	% held	2001	2000
<b>Titan International Marketing Ltd., U.K.</b>			
Representing all of the 6% redeemable non-cumulative preference shares	—		14,554,587
Representing all of the 5.75% redeemable cumulative preference shares	46	10,670,000	—
<b>Titan International Investments B.V., the Netherlands,</b>			
45,276 shares at NLG 10 each	49	452,760	452,760
<b>Titan Watches &amp; Jewellery International (Asia Pacific) Pte. Ltd., Singapore,</b>			
100,000 shares of S\$ 1 each	100	121,402	121,402
<b>Titan Brand Holdings N.V., Netherlands Antilles</b>			
2,500 shares of NLG 10 each	100	25,000	25,000
Total investments stated at cost		11,269,162	15,153,749

**Titan International Marketing Ltd., U.K. ("TIML"):**

The shareholders' equity as of March 31, 2001 consisted of 1,000,000, 6% redeemable non-convertible non-cumulative preferred shares, 2,000,000 4% redeemable, non-convertible cumulative preferred shares, 3,000,000 5.75% redeemable, non-convertible cumulative preferred shares and 480,000 ordinary shares with a par value of GBP 1 each.

Additional information of Titan International Marketing Ltd., is based on unaudited financial statements as of December 31, 2000:

	GBP	NLG
Shareholders' equity	(445,839)	(1,585,849)
Net loss for the period (12 months)	(980,149)	(3,486,390)

A significant gap exists between the amounts invested by the Company in this entity and its share in that entity's shareholders' equity, primarily caused by losses incurred over the past few years.

In addition, the Company has a significant receivable from this subsidiary as indicated in Note 6. A reasonable level of success has resulted from measures taken to initiate a turnaround in the entity's results (including, for example, changes in personnel, product offering, distributors, and advertising campaigns). Although there is uncertainty with respect to the recovery of funds invested, management believes that the value of the Company's investment in that entity is not permanently impaired. The Company's parent company has expressed its intention to continue to support that entity to enable it to operate as a going concern, until at least March, 2002.

**Titan International Investments B.V., the Netherlands ("TIIBV"):**

The shareholders' equity of Titan International Investments B.V. as of December 31, 2000 and the net profit for the period then ended are NLG 898,852 and NLG 351,580 respectively based on unaudited financial statements.

**Titan Watches & Jewellery International (Asia Pacific) Pte Ltd., Singapore ("TAPL"):**

Additional information of Titan Watches & Jewellery International is based on unaudited financial statements as of June 30, 2001;

	SGD	NLG
Shareholder's equity	(239,267)	(332,820)
Net profit for the period (12 months)	(294,873)	(410,168)

**Titan Brand Holdings N.V. ("TBHNV") Netherlands Antilles:**

The shareholder's equity of this entity as of March 31, 2001 and the profit for the period then ended are NLG 3,973 and NLG 688 respectively, based on unaudited financial statements.

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

**6 Receivable from Subsidiaries and Affiliated Companies**

	2001	2000
Titan International (Middle East) FZE, UAE	—	547,669
TAPL, Singapore	146,129	35,843
TIML, U.K.	10,547,993	11,742,104
TBHN, Netherlands Antilles	777,584	10,800,000
TIBV, the Netherlands, including Interest	12,987,803	5,171,866
	<u>24,459,509</u>	<u>28,297,482</u>

Redemption terms have generally not been agreed; it is probable that not all receivables will be collected within one year.

With respect to the receivable from TIML, we refer to Note 5.

**7 Shareholder's Equity**

The authorized share capital of the Company is NLG 10,000,000 divided into 10,000 shares of NLG 1,000 each.

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

	2001	2000
Share capital		
Authorized share capital	10,000,000	10,000,000
Not issued	—	—
Issued and paid-in share capital	<u>10,000,000</u>	<u>10,000,000</u>
Retained earnings:		
Retained earnings carried forward	104,462	100,101
Result for the year	11,252	4,361
Retained earnings	<u>115,714</u>	<u>104,462</u>
Total shareholder's equity	<u>10,115,714</u>	<u>10,104,462</u>

**8 Long-term Liabilities**

	2001	2000
<b>Parent Company:</b>		
EUR account (EUR 3,000,000)	6,611,130	4,407,420
USD account (USD 500,000)	1,153,110	2,176,720
NLG loan	—	10,000,000
	<u>7,764,240</u>	<u>16,584,140</u>
<b>Other Loans</b>		
KBC Bank Nederland N.V. (EUR 4,500,000)	9,916,695	2,479,173
Less: one-fourth short-term portion	(2,479,174)	—
Hongkong & Shanghai Banking Corporation, Bahrain (USD 3,333,333)	7,254,701	10,234,100
Less: one-half short-term portion	(3,843,334)	(3,411,368)
	<u>18,613,128</u>	<u>25,886,045</u>

All loans from the parent company bear interest at 7% per annum.

All the bank loans (including those detailed in note 9) have been guaranteed by the parent company.

During the year, the above NLG loan from the parent company (which was originally received in U S Dollars) was partially repaid by transferring to the parent company dues of NLG 5 million and USD 2 million owed by Titan Brand Holdings N.V. An amount of USD 500,000 now remains payable against the original loan of USD 5 million. The parent company has indicated that it will require redemption of its USD 500,000 loan at a fixed rate of 2.306. It has also indicated that it will cover any exchange losses above the rate of 2.306 on the loan from Bank of America (detailed in note 9) and on the short-term portion of the HSBC Bank loan. In addition, it has indicated that it will cover any currency losses above the rate of 2.046 in respect of the last instalment of the HSBC loan due in April 2002. In view of this, these liabilities are recorded at the aforementioned exchange rates. If the above funds had remained payable at regular USD rates, the total liability at March 31, 2001 would have been approximately NLG 1,843,000 higher.

An arrangement fee of USD 50,000 paid in respect of the above loan from HSBC Bank, has been capitalized under "other receivables and prepaid expenses" and is being amortized over 5 years (the maturity period of the loan).

**9 Short-term Liabilities - Bank Loans**

	2001	2000
Short-term portion of KBC Bank loan	2,479,174	—
Short term portion of HSBC Bank loan	3,843,334	3,411,368
Bank of America (USD 2,500,000)	5,765,554	5,765,554
Standard Chartered Bank (GBP 1,000,000)	3,557,125	1,834,540
	<u>15,645,187</u>	<u>11,011,462</u>

**10 Due to Group and Affiliated Companies**

	2001	2000
Titan International (Middle East) FZE, UAE	1,254,186	—
Titan Brand Holdings N.V., Netherlands Antilles	29,358	—
Titan Industries Ltd., India	274,926	—
	<u>1,558,470</u>	<u>—</u>

**11 Interest Expense**

During the fiscal year, approximately half the interest expense was related to third party financing. Almost all interest income was related to intercompany financing.

**12 Income Taxes**

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

**13 Directors and Employees**

The Company has no employees.

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

The Company has no supervisory directors.

**OTHER INFORMATION****1 Proposed Appropriation of Results**

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the Annual General Meeting of Shareholders in accordance with Article 27 of the Company's Articles of Incorporation.

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

**2 Post Balance Sheet Events**

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



# TITAN INDUSTRIES

## Seventeenth annual report 2000-2001

### Titan Brand Holdings N.V.

#### MANAGING DIRECTOR:

CURAÇAO CORPORATION COMPANY N.V.  
De Ruyterkade 62  
Curaçao  
Netherlands Antilles

#### DIRECTOR'S REPORT:

Management herewith submits the Annual Report for the year from April 1, 2000 through March 31, 2001.

During the period under review, the Company recorded a net loss of NLG 688 details of which are set out in the attached Statement of Income and Expenses.

The financial statements have been prepared in accordance with the existing Netherlands Antilles regulations and generally accepted accounting policies and guidelines.

Management has no intention of changing either activities or policies of the Company as disclosed in the financial statements.

July 30, 2001

Curaçao Corporation Company N.V.  
(Managing Director)

#### AUDITOR'S REPORT:

##### Introduction

We have audited the financial statements of Titan Brand Holdings N.V. curacao for the period from April 1, 2000 through March 31, 2001. 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.

##### Scope

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

##### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2001 and of the result for the period from April 1, 2000 to March 31, 2001, in accordance with International Accounting Standards.

De Paus Vesseur & Hernandez N.V.

Drs T K Hernandez RA

Curacao, August 24, 2001

(Expressed in Dutch Guilders)

#### Balance Sheet at March 31, 2001

		03/31/2001	03/31/2000
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Trademarks	(1)	18,300,000.00	18,300,000.00
<b>CURRENT ASSETS</b>			
Royalty receivable	(2)	29,358.10	37,931.13
Prepaid expenses		3,013.45	2,767.47
Cash at bank	(3)	379.45	2,638.18
		<u>32,751.00</u>	<u>43,336.78</u>
		<b>18,332,751.00</b>	<b>18,343,336.78</b>
<b>SHAREHOLDERS' E QUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital paid up	(4)	25,000.00	25,000.00
Deficit	(5)	(21,026.86)	(21,714.45)
		<u>3,973.14</u>	<u>3,285.55</u>
Loans payable	(6)	10,800,000.00	10,800,000.00
Other payables	(7)	7,500,000.00	7,500,000.00
<b>CURRENT LIABILITIES</b>			
Netherlands Antilles profit tax		12,273.03	4,826.74
Interest payable		—	—
Intercompany account	(8)	7,021.01	7,021.02
Accounts payable and accrued expenses	(9)	9,483.82	28,203.47
		<u>28,777.86</u>	<u>40,051.23</u>
		<b>18,332,751.00</b>	<b>18,343,336.78</b>

July 30, 2001

(Expressed in Dutch Guilders)

#### Statement of Income and Expenses for the period from April 1, 2000 through March 31, 2001. (previous period from January 1, 2000 through March 31, 2000)

	03/31/2001 (12 months)	03/31/2000 (3 months)
<b>INCOME</b>		
Royalty income	758,967.87	128,057.77
<b>EXPENSES</b>		
Bank account expenses	112.95	0.00
Notarial expenses	1,598.18	0.00
Accounting fees	11,552.40	1,674.63
Audit fees	7,022.53	4,465.67
Domiciliary and administrative expenses	10,743.23	2,679.40
General expenses	5,608.53	0.00
Interest expenses	712,706.40	146,465.75
	<u>749,344.22</u>	<u>155,285.45</u>
<b>Income before realized gains/(losses)</b>	<b>9,623.65</b>	<b>(27,227.68)</b>
Realized currency exchange gain/(loss)	(2,272.69)	22,754.27
<b>Net result before taxes</b>	<b>7,350.96</b>	<b>(4,473.41)</b>
Netherlands Antilles profit tax	(6,663.37)	(921.23)
<b>Net result for the period</b>	<b>687.59</b>	<b>(5,394.64)</b>

July 30, 2001

## Notes to the Financial Statements for the period from April 1, 2000 through March 31, 2001

(Expressed in Dutch Guilders)

### GENERAL:

The Company was incorporated under the laws of the Netherlands Antilles by Deed of a Civil-Law Notary dated December 24, 1998 with an authorized share capital of NLG 100,000.-divided into 10,000 shares of NLG 10.- each. At balance sheet date, 2500 shares are issued and paid for.

The Ministerial Decree of No-Objection was issued on December 22, 1998 by the Minister of Justice of the Netherlands Antilles, under number 2669/N.V.

As and from the day falling two days after that of the filing of a resolution of the Managing Board with the trade register to the effect, the authorized and issued capital of the company shall be re-stated in Euros.

The Company is a wholly-owned subsidiary of Titan International Holdings B.V., Amsterdam.

- 1) The purpose of the Company is:
  - a) to invest its assets in securities, including shares and other certificates of participation and bonds, as well as other claims for interestbearing debts however denominated and in any and all forms, as well as the borrowing and lending of monies;
  - b) to acquire:
    - (i) revenues, derived from the alienation or leasing of the right to use copyrights, patents, designs, secret processes or formulae, trademarks and other analogous property;
    - (ii) royalties, including rentals, in respect of motion picture films or for the use of industrial, commercial or scientific equipment, as well as relating to the operation of a mine or a quarry or of any other extraction of natural resources and other immovable properties;
    - (iii) considerations paid for technical assistance;
  - c) to invest its assets directly or indirectly in real property, to acquire, own, hire, let, lease, rent, divide, drain, reclaim, develop, improve, cultivate, build on, sell or otherwise alienate, mortgage or otherwise encumber real property and to construct infrastructural works like roads, pipes and similar works on real estate;
  - d) to guarantee or otherwise secure, and to transfer in ownership, to mortgage, to pledge or otherwise to encumber assets as security for the obligations of the company and for the obligations of third parties.
- 2) The Company is entitled to do all that may be useful or necessary for the attainment of its objects or that is connected therewith in the widest sense, including the participation in any other venture or company.

EXCHANGE RATES:	Closing	Average
US Dollars	0.39821	0.41936
Pound Sterling	0.28110	0.27860
Neth. Antillean Guilders	0.70880	0.74640
EURO	0.45370	0.45370

### BALANCE SHEET:

<b>(1) Trademarks:</b>		1,830,000.00
Represents:		
The full and exclusive rights to and beneficial ownership of the TITAN trademark and certain other trademarks in various countries as specified in the sale and purchase agreement dated March 31, 1999 together with beneficial ownership of the applications for registration pending in other countries.		
The value of the trademarks has not been amortized as amortization of trademarks is not compulsory under existing Netherlands Antilles regulations, and the management is of the view that the book value of the trademarks represents the current fair value		
<b>(2) Royalty Receivable:</b>		29,358.10
Represents the net amount receivable from trademarks after deduction of interest payable		
<b>(3) Cash at Bank:</b>		379.45
Represents the balance on the current account held at Citco Banking Corporation N.V., Curacao		
<b>(4) Share capital paid up:</b>		25,000.00
Authorized Share Capital		
(10,000) common shares @ NLG 10.-	100,000.00	
Unissued Shares - 7,500 common shares @ NLG 10	(75,000.00)	
	<u>25,000.00</u>	
<b>(5) Deficit:</b>		(21,026.86)
Balance as at April 1, 2000	(21,714.45)	
Gain/(Loss) for the period	687.59	
Balance as at March 31, 2001	<u>(21,026.86)</u>	
<b>(6) Loans payable:</b>		10,800,000.00
Represents the following :		
- Loan payable to the shareholder interest rate of 6.25% p.a. NLG	777,584.48	
- Loan payable to Titan Industries Ltd interest rate of 7% p.a. NLG	5,000,000.00	
- Loan payable to Titan Industries Ltd interest rate of 7% p.a. USD 2,000,000.00	5,022,415.52	
	<u>10,800,000.00</u>	
<b>(7) Other payables:</b>		7,500,000.00
Amount payable to Titan Industries Ltd.		
<b>(8) Intercompany account:</b>		7,021.01
Represents the balance in Intercompany account held with Titan Industries Limited		
<b>(9) Accounts payable and accrued expenses:</b>		9,483.82
- CITCO invoice 98068197 USD 776.60	1,950.20	
- Accrued audit expenses USD 1,500.00	3,766.81	
- Accrued accounting fees USD 1,500.00	3,766.81	
	<u>9,483.82</u>	

## Seventeenth annual report 2000-2001

### Titan Watches & Jewellery International (Asia Pacific) Pte Ltd (Incorporated in the Republic of Singapore)

#### DIRECTORS' REPORT

The Directors submit their report together with the audited accounts of the Company for the year ended 30 June 2001.

#### 1 DIRECTORS

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

**XERXES DESAI** - Chairman  
**PATRICK R MCGOLDRICK**  
**K.F. KAPADIA**  
**BHASKAR BHAT**

#### 2 PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities during the year.

#### 3 SUBSIDIARIES

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

#### 4 ACCOUNTS

Net loss for the year after taxation S\$(294,873)

#### 5 RESERVES OR PROVISIONS

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

#### 6 ISSUE OF SHARES OR DEBENTURES

There were no shares or debentures issued during the year.

#### 7 ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS

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

#### 8 DIRECTORS' INTEREST IN SHARES

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

#### 9 DIVIDENDS

No dividend has been paid or proposed since the end of the Company's last financial year.

#### 10 BAD AND DOUBTFUL DEBTS

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

#### 11 CURRENT ASSETS

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

#### 12 CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at the date of this report:-

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

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

#### 13 CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END

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

#### 14 OTHER CIRCUMSTANCES

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

#### 15 UNUSUAL ITEMS

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

#### 16 SUBSEQUENT EVENTS

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

#### 17 DIRECTORS' BENEFITS

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

#### 18 SHARE OPTIONS GRANTED

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

#### 19 SHARE OPTIONS EXERCISED

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

#### 20 UNISSUED SHARES UNDER OPTION

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

#### 21 AUDITORS

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

ON BEHALF OF THE BOARD

<b>XERXES DESAI</b>	<b>PATRICK R MCGOLDRICK</b>	<b>K.F. KAPADIA</b>	<b>BHASKAR BHAT</b>
CHAIRMAN	DIRECTOR	DIRECTOR	DIRECTOR
DATED: 30 July 2001			

#### STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying balance sheet, profit and loss account and statement of changes in equity together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2001 and of the results of the business and changes in equity of the Company for the year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

<b>XERXES DESAI</b>	<b>PATRICK R MCGOLDRICK</b>	<b>K.F. KAPADIA</b>	<b>BHASKAR BHAT</b>
CHAIRMAN	DIRECTOR	DIRECTOR	DIRECTOR
DATED: 30 July 2001			

**AUDITORS' REPORT TO THE MEMBERS OF**

**TITAN WATCHES & JEWELLERY INTERNATIONAL  
(ASIA PACIFIC) PTE LTD**  
(Incorporated in the Republic of Singapore)

We have audited the accompanying balance sheet of **TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD** as at 30 June 2001, the profit and loss account and statement of changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of:-
- (i) the state of affairs of the Company as at 30 June 2001 and of the results and changes in equity of the Company for the year then ended on that date; and
- (ii) the other matters required by section 201 of the Act to be dealt with in the accounts;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**H. WEE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS,  
SINGAPORE

Dated : 30 July 2001

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001**

	NOTE	2001 S\$	2000 S\$
<b>REVENUES</b>			
Sales of goods		4,054,015	3,467,269
Interest Income		461	720
Other Income		4,115	—
<b>Total Revenues</b>		<b>4,058,591</b>	<b>3,467,989</b>
<b>COSTS AND EXPENSES</b>			
Cost of sales		3,418,060	2,555,106
Audit fee		—	—
— Statutory		3,700	3,500
— Non-Statutory		1,175	523
— Prior Year's Underprovision		200	—
Depreciation	4	1,299	5,103
Amortisation of deferred trademark royalty		16,871	14,847
Foreign exchange fluctuation		149,799	59,694
Salaries and employees benefits		121,045	141,383
Other operating expenses		591,519	672,411
<b>Total costs and expenses</b>		<b>4,303,668</b>	<b>3,452,567</b>
<b>(LOSS)/PROFIT FROM OPERATING ACTIVITIES</b>		<b>(245,077)</b>	<b>15,422</b>
<b>FINANCE COST</b>			
Interest on loan		(49,796)	—
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(294,873)</b>	<b>15,422</b>
Taxation	12	—	—
<b>NET (LOSS)/PROFIT</b>		<b>(294,873)</b>	<b>15,422</b>

The attached notes to the accounts form  
An integral part of the accounts

**BALANCE SHEET AS AT 30 JUNE 2001**

	NOTE	2001 S\$	2000 S\$
<b>SHARE CAPITAL</b>	3	100,000	100,000
<b>ACCUMULATED (LOSSES)</b>		(339,267)	(44,394)
		(239,267)	55,606
Represented by:-			
<b>FIXED ASSETS</b>	4	1,125	—
<b>DEFERRED EXPENDITURE</b>	5	24,969	66,114
<b>DEFERRED TRADEMARK ROYALTY EXPENDITURE</b>	6	806,642	823,513
<b>CURRENT ASSETS</b>			
Stocks		1,974,702	1,969,049
Trade debtors		893,780	885,836
Other debtors	7	127,962	79,010
Fixed deposit	8	17,181	16,720
Cash and bank balances		106,006	177,277
		3,119,631	3,127,892
<b>Less: CURRENT LIABILITIES</b>			
Trade creditors and accruals	9	1,858,227	3,090,479
Amount due to related company	10	460,411	871,434
Loan repayable within 12 months	11	414,596	—
		2,733,234	3,961,913
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>386,397</b>	<b>(834,021)</b>
<b>NON-CURRENT LIABILITIES</b>			
Loan repayable after 12 months	11	(1,458,400)	—
		(239,267)	55,606

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

# TITAN INDUSTRIES

## Seventeenth annual report 2000-2001

### Titan Industries Limited

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2001

	2001	2000
	S\$	S\$
<b>ISSUED CAPITAL</b>		
Balance at beginning of year	100,000	100,000
Balance at end of year	100,000	100,000
<b>ACCUMULATED LOSSES</b>		
Balance at beginning of year	(44,394)	(59,816)
Net (Loss)/Profit	(294,873)	15,422
Balance at end of year	(339,267)	(44,394)
<b>TOTAL EQUITY</b>	<b>(239,267)</b>	<b>55,606</b>

#### NOTES TO THE ACCOUNTS - 30 JUNE 2001

##### 1A GOING CONCERN BASIS

These accounts have been prepared on a going concern basis as the holding company has confirmed that it would provide adequate financial support for the Company to carry on as a going concern.

##### 1B SIGNIFICANT ACCOUNTING POLICIES

###### A. Basis of Accounting

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

###### B. Depreciation

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

	Per Annum
Computer hardware	33-1/3%
Computer software	100%
Furniture and fittings	100%
Telephone	33-1/3%

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

###### C. Deferred Trademark Royalty Expenditure

This is a lump sum payment in lieu of reduction of trademark royalty from 3% to 2% for a period of 25 years commencing from 1 July 1998. It is amortised in proportion to the forecasted sales over the 25 years period.

###### D. Stocks

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

###### E. Income Tax

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

###### F. Deferred Expenditure

Deferred expenditure comprises of expenses incurred for trade fairs and product launches in exploring new markets to establish its brand of products and are being amortised over a two or three-year period in which income would be expected to be derived.

###### G. Foreign Currencies Transactions

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

#### 2 GENERAL

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

The registered office of the Company is located at 5, Serangoon Park Drive, The Faraday, Singapore 118236.

The Company operates in Singapore and employed 2 employees as of 30 June 2001.

#### 3 SHARE CAPITAL

	2001	2000
	S\$	S\$
<b>Authorised</b>		
Ordinary shares of S\$1 each	1,000,000	1,000,000
<b>Issued And Fully Paid Up</b>		
Ordinary shares of S\$1 each	100,000	100,000

#### 4 FIXED ASSETS

	As @	Addition	Disposal	As @
	1.7.00			30.6.01
	S\$	S\$	S\$	S\$
<b>COST</b>				
Computer hardware	6,171	1,688	—	7,859
Computer software	990	—	—	990
Furniture & fittings	9,969	—	—	9,969
Telephone	1,539	736	—	2,275
	18,669	2,424	—	21,093

	As @	Addition	Disposal	As @	Depreciation
	1.7.00			30.6.01	2000
	S\$	S\$	S\$	S\$	S\$
<b>ACCUMULATED DEPRECIATION</b>					
Computer hardware	6,171	563	—	6,734	3,038
Computer software	990	—	—	990	—
Furniture & fittings	9,969	—	—	9,969	764
Telephone	1,539	736	—	2,275	1,301
	18,669	1,299	—	19,968	5,103

<b>NET BOOK VALUE</b>				
	—		1,125	

#### 5 DEFERRED EXPENDITURE

	2001	2000
	S\$	S\$
Cost	107,258	107,258
Amount amortised	(82,289)	(41,144)
Balance carried forward	24,969	66,114

#### 6 DEFERRED TRADEMARK ROYALTY EXPENDITURE

	2001	2000
	S\$	S\$
Lump sum payment	850,000	850,000
Amount amortised	(43,358)	(26,487)
Balance carried forward	806,642	823,513

#### 7 OTHER DEBTORS

	2001	2000
	S\$	S\$
Advance payment of car lease rental	—	1,830
Advance payment of royalty	4,347	4,347
Staff advance	5,000	1,800
Prepayments	118,615	68,461
Rental deposit	—	2,572
	127,962	79,010

#### 8 FIXED DEPOSIT

This is pledged to a bank against a banker's guarantee in favour of Comptroller of Income Tax.

#### 9 TRADE CREDITORS AND ACCRUALS

Included in trade creditors and accruals is an amount of S\$1,653,364 (2000 : S\$1,591,917) and S\$56,690 (2000 : S\$26,945) due to ultimate holding company and holding company respectively.

#### 10 AMOUNT DUE TO RELATED COMPANY

This is non-trade in nature, unsecured, interest-free and has no fixed term of repayment.

**11 LOAN**

	2001	2000
	S\$	S\$
Repayable within 12 months	414,596	—
Repayable after 12 months	1,458,400	—
	<u>1,872,996</u>	<u>—</u>

The loan from ultimate holding company is repayable in five annual instalments of US\$200,000 each on or before 31 March every year, commencing 31 March 2002, but may be prepaid either partly or wholly, at any time and without penalty, with 30 days' notice by the Company which shall in such case also pay any accrued but unpaid interest in respect of the amount thus repaid to the holding company.

The principal amount of the loan or any outstanding remainder thereof shall bear interest at a rate equivalent to the bank rate declared by the Reserve Bank of India from time to time (currently 7% per annum), to be calculated on the basis of a 365-day year. Interest shall be due and payable on 31 March of each year or on such date that the loan, or part thereof, shall be repaid. Interest due but unpaid will be added to the principal amount for interest calculation purposes, if not paid within four months from the due date.

**12 TAXATION**

The Company has estimated tax losses of S\$230,000 (2000: S\$38,000) available for offsetting against future taxable income subject to agreement by the tax authorities and compliance with relevant provisions of the Income Tax Act.

**13 HOLDING COMPANIES**

The Company is a subsidiary of Titan International Holdings B.V., a company incorporated in the Netherlands. Its ultimate holding company is Titan Industries Limited, a company incorporated in India.

**14 RELATED PARTIES TRANSACTIONS**

During the financial year, significant inter-companies transactions on terms agreed with its holding companies are as follows:-

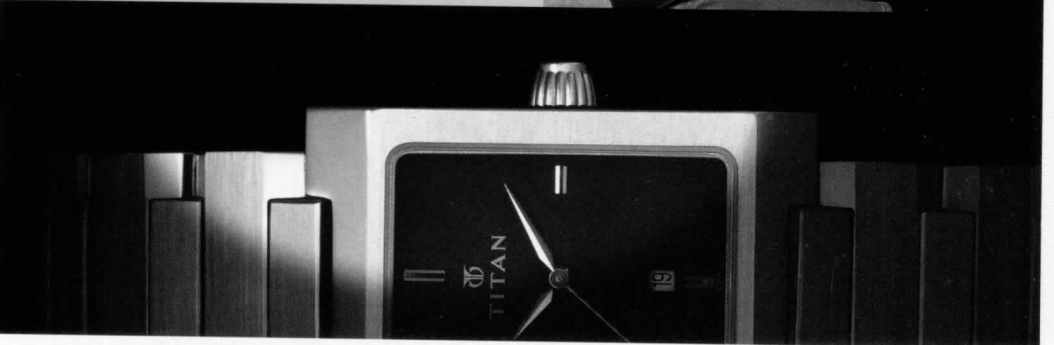
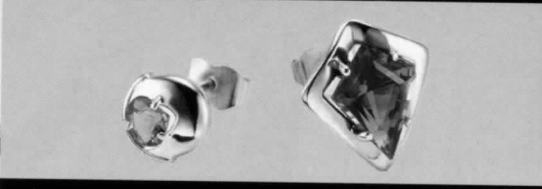
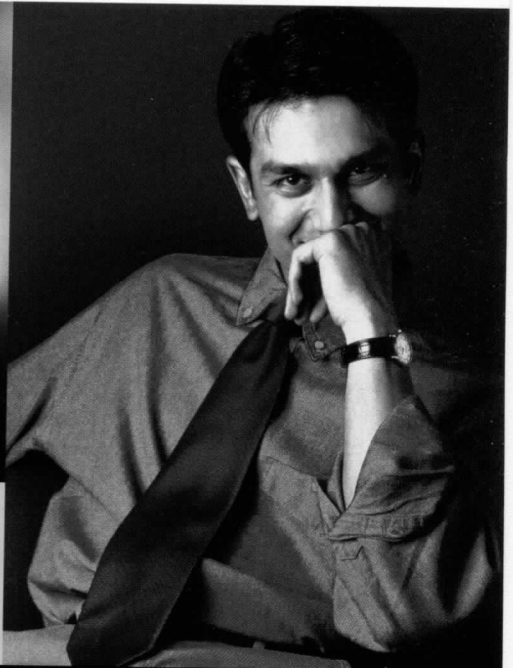
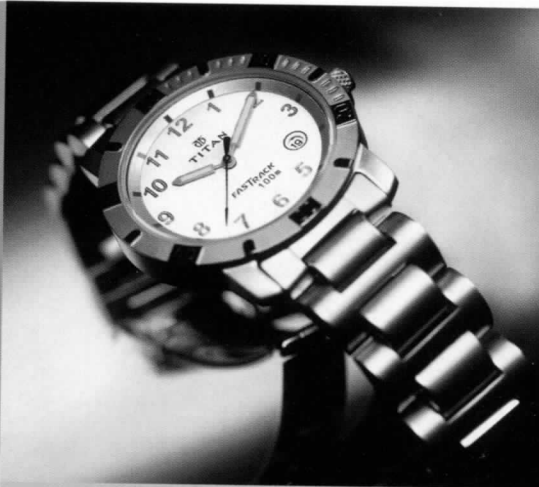
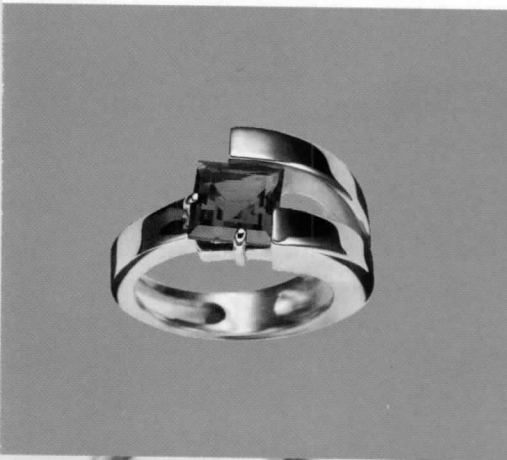
	2001	2000
	S\$	S\$
Purchases	3,292,464	2,649,121
Trademark royalty	79,641	29,104
Design royalty	18,080	17,227
Purchase — Merchandising materials	18,058	79,309
— Spare	41,829	43,624
Interest expense	49,796	—

Included in trade debtors is an amount of S\$5,311 due from a related party.

**15 COMPARATIVES**

The presentation and classification of items in the financial statements have been changed due to the adoption of the requirements of SAS 1 (Revised 1999) "Presentation of financial statements". As a result, additional line items have been included on the face of the balance sheet and profit and loss account and statement of changes in equity have been presented as required by SAS 1 (Revised 1999). Accordingly, comparative figures have been restated to provide a proper comparison with the current year's presentation.







**TITAN INDUSTRIES LIMITED**

3 SIPCOT Industrial Complex Hosur 635 126

