

TITAN INDUSTRIES



20th Annual Report

2003 - 2004

Board of Directors

Rameshram Mishra (Chairman)
Bhaskar Bhat (Managing Director)
Arun Ramanathan (upto 26 July 2004)
P Baskaradoss (upto 26 July 2004)
Ishaat Hussain
N N Tata
Farrokh Kavarana
T K Balaji
A C Mukherji
Rama Bijapurkar
C G Krishnadas Nair
Md. Nasimuddin
R Vijaykumar (upto 26 July 2004)
S Susai

Company Secretary

Usha Iyengar

Auditors

A F Ferguson & Co.
 (Chartered Accountants)

Bankers

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

Registered Office

3, SIPCOT Industrial Complex
 Hosur 635 126

Share Department

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

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

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Titan Industries Limited

Notice

The Twentieth 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 Tuesday, 31st August 2004 at 3.30 p.m. to transact the following business:

- 1) To receive and adopt the Director's Report and Audited Profit and Loss Account for the year ended 31st March 2004 and the Balance Sheet as at that date together with the report of the Auditors thereon.
- 2) To declare dividend on Equity Shares.
- 3) To approve the declaration and payment of interim dividend as final dividend on preference shares.
- 4) To appoint a Director in place of Mr. A C Mukherji who retires by rotation and is eligible for re-appointment.
- 5) To appoint a Director in place of Mr. T K Balaji who retires by rotation and is eligible for re-appointment.
- 6) To appoint a Director in place of Dr. C G Krishnadas Nair who retires by rotation and is eligible for re-appointment.
- 7) To appoint a Director in the place of Mr. Rameshram Mishra who was appointed as an Additional Director by the Board of Directors with effect from 26th July, 2004 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, being eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.
- 8) To appoint a Director in the place of Mr. Md. Nasimuddin who was appointed as an Additional Director by the Board of Directors with effect from 26th July, 2004 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, being eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.
- 9) To appoint a Director in the place of Mr. S Susai who was appointed as an Additional Director by the Board of Directors with effect from 29th January, 2004 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, being eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.
- 10) To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED that in partial modification of Resolution No. 10 passed at the Eighteenth Annual General Meeting of the Company held on 24 September 2002, for the appointment and terms of remuneration of Mr. Bhaskar Bhat, Managing Director of the Company and in accordance with the provisions of Sections 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the upward revision from 125% to 140% of the annual salary of the ceiling on perquisites and allowances payable to Mr. Bhaskar Bhat w.e.f. April 1, 2004."
- 11) To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:
"RESOLVED that M/s. A. F. Ferguson & Co. be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, to audit the accounts of the Company for the financial year 2004-05, including audit of Cash Flow Statements, on a remuneration of Rs 27,00,000/- plus service tax, out of pocket, travelling and living expenses."

Notes:

- a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item nos. 7, 8, 9, 10 & 11 above is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY MAY NOT VOTE EXCEPT ON A POLL.

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- c) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, regarding changes, if any, in their registered addresses along with the PIN code number.
 - d) The Register of Members and the Transfer Books of the Company will be closed from Tuesday, 17 August 2004 upto Tuesday, 31 August 2004, both days inclusive.
 - e) Members may please note that pursuant to Section 205C of the Companies Act, 1956 all unclaimed / unpaid dividends upto the financial year ended 31st March 1996, have been transferred to the Investor Education and Protection Fund, as required by statute.

Members may please note that in view of the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company will be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims.

- f) The dividend on equity shares, if declared, at the Annual General Meeting, will be payable within the statutory period of 30 days to the members whose name appear on the Register of Members of the Company as on 31 August 2004.
- g) As per the provisions of the amended Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz. Tata Share Registry Limited.
- h) The equity shares of the Company are listed at the following Stock Exchanges in India:

The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001	The Madras Stock Exchange Ltd. (Regional Stock Exchange) Exchange Building 11 Second Line Beach P.O. Box No. 183, Chennai 600 001
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- i) The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2004-05.
- j) Members are requested to intimate to the Company, queries if any, regarding the accounts / notices at least 10 days before the Annual General Meeting to enable the management to keep the information ready at the meeting. The queries may be addressed to: The Company Secretary, Titan Industries Limited, Golden Enclave, Tower- A, Airport Road, Bangalore 560 017. Members are requested to bring their copies of Annual Reports to the Annual General Meeting.
- k) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 2 p.m. from Golden Palm Station (Old BRV Theatre), Cubbon Road, Bangalore, and will bring the Members back to Bangalore after the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Usha Iyengar
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
26 July, 2004

Titan Industries Limited

Annexure to Notice

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under item Nos. 7, 8, 9, 10 & 11 of the accompanying Notice dated 26 July 2004.

Item No. 7:

Mr. Rameshram Mishra, I A S, was appointed as an Additional Director of the Company by the Board of Directors with effect from 26th July, 2004. In terms of Sec 260 of the Companies Act, 1956, Mr. Rameshram Mishra holds office as a Director till the date of the ensuing Annual General Meeting of the Company, and is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. Rameshram Mishra as a candidate for the office of Director.

Mr. Rameshram Mishra is the Secretary to Government of Tamilnadu, Industries Department.

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

Other than Mr. Rameshram Mishra, none of the other Directors, are in any way, concerned or interested in this resolution.

Item No. 8:

Mr. Md. Nasimuddin, I A S, was appointed as an Additional Director of the Company by the Board of Directors with effect from 26th July, 2004. In terms of Sec 260 of the Companies Act, 1956, Mr. Md. Nasimuddin holds office as a Director till the date of the ensuing Annual General Meeting of the Company, and is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. Md. Nasimuddin as a candidate for the office of Director.

Mr. Md. Nasimuddin is the Executive Director of Tamilnadu Industrial Development Corporation Ltd, the co-promoter of the Company.

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

Other than Mr. Md. Nasimuddin, none of the other Directors, are in any way, concerned or interested in this resolution.

Item No. 9:

Mr. S Susai was appointed as an Additional Director of the Company by the Board of Directors with effect from 29th January, 2004. In terms of Sec 260 of the Companies Act, 1956, Mr. S Susai holds office as a Director till the date of the ensuing Annual General Meeting of the Company, and is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. S Susai as a candidate for the office of Director.

Mr. S Susai is the Secretary of Tamilnadu Industrial Development Corporation Ltd, the co-promoter of the Company.

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

Other than Mr. S Susai, none of the other Directors, are in any way, concerned or interested in this resolution.

Item No. 10:

The Shareholders at the Annual General Meeting of the Company held on 24 September 2002, had appointed Mr. Bhaskar Bhat as Managing Director for a period of 5 years, effective 1st April 2002 and also approved the terms of remuneration payable to him.

The remuneration inter-alia had provided for payment of perquisites not exceeding 125% of the annual salary to the Managing Director, Mr. Bhaskar Bhat.

Keeping in mind the increase in house rent and house maintenance expenses incurred on Executive Directors, the Board of Directors at their Meeting on 26 July 2004 have approved the revision in the ceiling on perquisites and allowances payable to the Managing Director further as part of remuneration of the Managing Director, Mr. Bhaskar Bhat, subject to the approval of the Members.

It is hereby proposed to increase the ceiling on perquisites and allowances payable to the Managing Director from the present 125% to 140% of the annual salary.

The Company has entered into a Supplemental Agreement with the Managing Director, Mr. Bhaskar Bhat.

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

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

Your Directors therefore commend for approval the resolution contained in Item No. 10 of the Notice.

Mr. Bhaskar Bhat is concerned or interested in the Resolution contained in Item No 10. of the Notice as it relates to the revision of perquisites and allowances payable to him. None of the other Directors are concerned or interested in the Resolution contained in Item No 10.

Item No. 11:

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

Accordingly it is proposed to reappoint M/s. A F Ferguson & Co., as Auditors of the Company for the financial year 2004-05 on the remuneration as set out in the resolution.

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

BY ORDER OF THE BOARD OF DIRECTORS

Usha Iyengar
Company Secretary

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
26 July, 2004

TITAN INDUSTRIES

Twentieth annual report 2003-2004

Titan Industries Limited

Details of the Directors seeking appointment/re-appointment in forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr Tirumalai Kumar Balaji	Mr Arun Charan Mukherji	Dr C.G. Krishnadas Nair
Date of Birth	12-Jul-1948	10-Dec-1925	17-Aug-1941
Date of appointment	1-March-1986	1-March-1986	2-May-2002
Expertise in specific functional areas	Industrialist with rich business experience	Rich experience in the field of finance and risk management	Rich experience covering academia, R&D and industry Retired as Chairman & CEO of Hindustan Aeronautical Limited
Qualifications	B.E.	M.A.	B.E (Metallurgy), M.Sc.,Engg, Ph.D, Engg
List of Public Companies in which outside Directorships held on 31st March 2004	<ul style="list-style-type: none"> • TVS Motor Company Ltd • India Nippon Electricals Ltd • Lucas TVS Ltd • Lucas Indian Services Ltd • Delphi – TVS Diesel Systems Ltd • TVS Electronics Ltd • Sundaram Clayton Ltd • T V Sundram Iyengar & Sons Ltd • TVS Lean Logistics Ltd • Apollo Hospitals Enterprise Ltd 	<ul style="list-style-type: none"> • Asiatic Oxygen Ltd • Nicco Uco Alliance Credit Ltd • Kirloskar Pneumatic Co. Ltd • Birla VXL Ltd • U.T.Ltd • Aekta Ltd • NPR Finance Ltd • Sahara India Life Insurance Co. Ltd 	<ul style="list-style-type: none"> • Tata Advanced Materials
Chairman/Member of the Committee of the Board of Public Companies on which he/she is a Director as on 31st March 2004	<p>Audit Committee</p> <ul style="list-style-type: none"> • TVS Motor Company Ltd– Member • Sundaram Clayton Ltd – Chairman • Titan Industries Ltd – Member <p>Investor Grievance Committee</p> <ul style="list-style-type: none"> • TVS Electronics Ltd – Member • Sundaram Clayton Ltd - Member <p>Remuneration Committee</p> <ul style="list-style-type: none"> • Titan Industries Ltd – Chairman 	<p>Audit Committee</p> <ul style="list-style-type: none"> • Asiatic Oxygen Ltd– Chairman • Nicco Uco Alliance Credit Ltd-Member • Titan Industries Limited – Chairman • Kirloskar Pneumatic Co. Ltd-Member • Birla VXL Ltd- Chairman • U.T.Ltd- Chairman • Aekta Ltd-Member • NPR Finance Ltd-Member <p>Investor Grievance Committee</p> <ul style="list-style-type: none"> • Birla VXL Ltd–Member <p>Remuneration Committee</p> <ul style="list-style-type: none"> • Sahara India Life Ins. Co. Ltd-Member 	<p>Audit Committee</p> <ul style="list-style-type: none"> • Titan Industries Ltd – Member

Mr Rameshram Mishra

14-Dec-1953

26-July-2004

Overall rich managerial and administrative capability. Is presently Secretary to the Government of Tamilnadu, Industries Department

IAS

- Tamilnadu Industrial Development Corporation Ltd
- TICEL Bio Park Limited
- Tamilnadu Sugar Corporation Ltd.
- Tamilnadu Petroproducts Limited
- Tamilnadu Industrial Investment Corporation Limited
- TIDEL Park Limited
- Southern Petrochemical Industries Corporation Limited
- State Industries Promotion Corporation of Tamilnadu Ltd.
- Mahindra Industrial Park Limited
- Tamilnadu Newsprint and Papers Limited
- Chennai Petroleum Corporation Limited
- Neyveli Lignite Corporation Limited

Mr Md. Nasimuddin

3-Dec-1963

26-July-2004

Overall rich managerial and administrative capability. Is presently Executive Director of Tamilnadu Industrial Development Corporation Ltd

BA (Hons), MA(His), IAS

- Tamilnadu Industrial Development Corporation Limited
- State Industries Promotion Corporation of Tamilnadu Ltd.
- TICEL Bio Park Ltd.
- Electronics Corporation of Tamilnadu limited
- Ascendas IT Park (Chennai) Limited

Mr S Susai

20-Sep-1950

29-Jan-2004

Overall rich managerial and administrative capability. Is presently the Company Secretary of Tamilnadu Industrial Development Corporation Ltd

B.Com, FCS, PGDBA - LIBA

- Sree Maruthi Marine Industries Ltd
- Tamilnadu Telecommunications Ltd
- Tanflora Infrastructure Park Ltd
- Nova Roofings and Pipes Ltd
- Jayamkondam Lignite Power Corporation Ltd
- Arakonam Castings and Forgings Ltd

Investor Grievance Committee

- Tamilnadu Telecommunications Ltd – Member

Audit Committee

- Tamilnadu Telecommunications Ltd – Member

Project Monitoring Committee

- Tranflora Infrastructure Park Ltd. - Member

Titan Industries Limited

Directors' Report

To the Members of Titan Industries Limited

The Directors are pleased to present the Twentieth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2004:

Financial Results

	2003-2004	Rs. in crores 2002-2003
Net Income	896.97	746.34
Expenditure	798.85	664.07
Gross profit	98.12	82.27
Interest	37.62	41.35
Cash operating profit	60.50	40.92
Depreciation	21.47	21.14
Operating profit before exceptional items	39.03	19.78
Exceptional items :		
Provision for diminution in value of investments	10.00	10.00
Provision for doubtful loans and advances	15.00	—
Profit before taxes	14.03	9.78
Income taxes - Current	8.96	4.87
- Deferred	(6.44)	(2.99)
Profit after taxes for the year	11.51	7.90
Less: Income tax of earlier years	0.33	1.69
Net Profit	11.18	6.21
Profit brought forward	17.18	19.61
Amount available for appropriation	28.36	25.82
Appropriations :		
Dividend paid on preference shares	3.32	3.67
Proposed dividend on equity shares	4.23	4.23
Tax on dividends	0.96	0.54
Transfer to general reserve	0.29	0.20
	8.80	8.64
Balance carried forward	19.56	17.18

The financial year 2003-04 was a turnaround year for the Company. The initiatives taken in the previous year began to bear fruit with net turnover growing by a healthy 20% and profit before exceptional items and taxes going up from Rs.19.78 crores in the previous year to Rs.39.03 crores, an increase of almost 100%.

While the Company has taken various steps to address the losses accumulated in Europe, as a matter of abundant caution, a further provision of Rs.25 crores has been made and shown as an exceptional item for the year in the books of the Company. With this, the Company is of the view that no further provisioning in respect of accumulated losses in Europe may be necessary. In spite of this, the Company's profit after exceptional items and tax has gone up by 80% from Rs.6.21 crores in the previous year to Rs.11.18 crores in the year under review.

Both, the Time Products Division and the Jewellery Division, turned in impressive performances.

The Time Products Division restructured its operations by dividing its business into smaller Strategic Business Units (SBUs) with a view to providing greater focus to each area of activity. Accordingly, the Time Products Division now has five SBUs : Titan – the premier watch brand, Sonata – the mass market brand, Customer Service, Accessories and Licenced Brands including eyewear, leather accessories and Precision Engineering including clocks and machine building.

The strategy has paid rich dividends with each SBU contributing significantly to the growth of the Time Products Division. In the domestic market, the Titan brand grew by 17% over the previous year in sales value, while the Sonata brand grew by over 20%. During the year, the Fastrack range of sunglasses was launched in select markets and received a very encouraging response besides enhancing the value and visibility of the brand. A range of high-end watches under license from the fashion house Tommy Hilfiger were also test launched in select markets and evoked a good response. The domestic operations of the Time Products Division remain the most profitable segment for the Company.

The newly formed Precision Engineering SBU of the Time Products Division has, in the past, been catering to the component, component assembly and automation requirements of the automotive and aerospace industries. During the last year, this SBU has seen significant growth in customer base as well as revenues. This initiative, which was originally conceived with the objective of leveraging our manufacturing assets and reducing costs in the Watch Division, now promises to be able to carve out a bright future of its own. New opportunities are under evaluation and an external agency has been retained to advise on growth plans and business strategies for the future.

This was a defining year for the Jewellery Division. The Jewellery Division continued to show significant growth with sales value increasing by over 23% and profit before interest growing at 50%. A key factor that contributed to rapid, profitable growth of the Jewellery Division has been the increase in sale and value-addition of high value studded jewellery, which grew by more than 20% during the year. Yet another key factor was the significant enhancement in operational efficiency, including a reduction in capital employed in the Jewellery Division despite the rapid topline growth. This resulted in an improvement in the Division's Return on Capital Employed (ROCE).

During the year, the Jewellery Division also restructured itself as a cohesive retailing organisation. The Division is today one of the largest and most profitable retailers in the country. The Tanishq brand, sold out of a network of 69 exclusive stores, is today India's largest and most respected brand of jewellery.

From the financial perspective 2003-04 was noteworthy for the fact that this was the first time in 10 years that the Company saw a growth in turnover without any growth in borrowings. In fact, during the year, borrowings were reduced from Rs.467 crores to Rs.407 crores. This was the result of a combination of two factors: keeping constant the exposure to European operations (instead of allowing it to grow further) and reducing funds employed in working capital of the domestic business through new initiatives like supply chain management. Refinancing of the Company's borrowings in the form of long term debt of Rs.100 crores replacing short-term debt also took place during the year. The interest outgo was compressed and was for the first time, since 1996, brought down below Rs.40 crores.

Due to various reasons, the hoped-for infusion of capital through a rights issue, did not materialise during the year. In the absence of the expected equity infusion, the resultant financial ratios, particularly the high debt: equity ratio, prevented the Company from taking full advantage of the lower interest rates available to companies with a stronger balance sheet.

A three-year wage settlement was signed with the employee's Union in April 2003 putting to rest the discord, which prevailed towards the end of the previous financial year. Relations with the Union have since been cordial.

A substantial expansion of the watch assembly unit at Dehradun was taken up and completed during the year. This will enable the Company to avail of excise, income tax and other benefits available in the state of Uttaranchal. The Company has also initiated steps to set up assembling capacity in Baddi, Himachal Pradesh to avail of similar concessions.

Dividend

The Company has issued cumulative preference shares of a total value of Rs.40 crores at various rates of dividend from 6.75% to 9.50%. The terms and conditions for payment of preference dividend also vary. During the year ended 31 March 2004, interim dividend on preference shares amounting to Rs.3.32 crores was paid. No further dividend is proposed on the preference shares.

After payment of dividend on preference shares, and dividend tax thereon, the distributable profit is Rs.7.86 crores (Rs.2.54 crores in the previous year). With a view to re-deploy funds in the business and add to the reserves, the Directors recommend that dividend on equity shares be maintained at last year's rate of Rs.1.00 per share (10%), which results in an outflow of Rs.4.23 crores and a consequent accretion to reserves of Rs.2.66 crores (previous year: withdrawal from reserves Rs. 2.23 crores).

Titan Industries Limited

Finance

During the year under review, the Company redeemed preference shares aggregating Rs.36.70 crores which carried an average dividend rate of 8.60% and raised an equivalent amount of Rs.36.70 crores by way of private placement of preference shares at an average dividend rate of 7.01%.

The Company raised a total of Rs.471.34 crores of which Rs.294.81 crores were from Commercial banks (including term loans aggregating Rs.90 crores) and the balance of Rs.176.53 crores from other sources. Borrowings of Rs.531.66 crores were repaid during the year and Rs.8.10 crores was incurred as capital expenditure on infrastructure, computer hardware, internalisation and retail expansion programmes.

The average cost of borrowings for the year was 10.47% as against 11.25% in the previous year. At present, the average cost of borrowings is under 9.50%.

As on 31st March 2004, the Company held fixed deposits of Rs.46.88 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs.0.60 lakhs.

The Company's continued efforts to focus on the compressing the working capital employed resulted in a significant reduction in the capital employed from Rs.671.11 crores to Rs.606.98 crores. This has been achieved despite growth of 20% in the Company's turnover. Debtors declined from Rs.186.38 crores to Rs.148.16 crores. Inventories rose from Rs.141.92 crores to Rs.164.11 crores primarily on account of the increased scale of operations in the jewellery division.

During the year under review, the Company made payments aggregating to Rs.170.17 crores by way of central, state and local taxes and duties as against Rs.153.16 crores in the previous year.

Subsidiaries

As at 1 April 2003, the Company had three subsidiaries, viz., the direct, wholly-owned subsidiary, Titan International Holdings BV, Amsterdam (TIHBV), and two deemed subsidiaries, viz., Titan Brand Holdings NV, Curacao (TBHNV) and Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd, Singapore (TAPL) both of which were wholly-owned subsidiaries of TIHBV.

During the year, TIHBV sold TAPL, Singapore to an associate company. TAPL is therefore no longer a subsidiary, but your Company continues to have an indirect 19% interest in TAPL, which is duly reflected in the consolidated accounts. During March 2004, the Company directly subscribed to 17500 shares of EUR 5 each in TBHNV and on 30 March 2004, TIHBV acquired the entire share capital of Titan Watch Company Ltd, Hongkong, which in turn acquired from TIHBV its holding of 2500 shares in TBHNV. Thus, at the year-end, TIHBV continues to be a direct wholly-owned subsidiary, TBHNV continues to be a deemed wholly-owned subsidiary and Titan Watch Company Ltd, Hongkong, has become a deemed wholly-owned subsidiary of the Company, while TAPL, Singapore has ceased to be one.

As per Sec 212(1) of the Companies Act, 1956, the Company is required to attach to its accounts the Directors' Report, Balance Sheet and Profit and Loss Account of each of these subsidiaries. As the consolidated accounts present a complete picture of the financial results of the Company and its subsidiaries, the Company had applied to the Central Government seeking exemption from attaching the documents referred to in Section 212(1). Approval for the same has been granted. Accordingly, the Annual Report of the Company does not contain the individual financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The Annual Accounts of these subsidiary companies, along with the related information is available for inspection at the Company's registered office and copies shall be provided on request.

International Operations

Titan International (Middle East) FZE (TIME), the associate company in the UAE, which looks after sales and marketing of our products in the Middle East and Africa, achieved significant growth in turnover to US\$ 15.89 million in 2003-04 from US\$ 7.86 million the year before, primarily on the back of increased sales of jewellery - both unbranded as well as branded under the TANISHQ name. Profits also increased to US\$ 1.13 million from US\$ 0.54 million in the previous year. TIME has now established a very sound base in the markets where it operates and is poised for further growth.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd (TAPL) the associate company in Singapore looks after sales and marketing in South Asia, South East Asia, Australia and the South Pacific. The year 2003-04 saw sales at SGD 7 million, and the operation posted a profit of SGD 0.49 million compared to SGD 0.25 million in the previous period. As a result, the reserves of TAPL have risen from SGD 9,415 to SGD 496,515.

Titan International Marketing Ltd (TIML) the associate company in London, restricted its operations to a few key markets with a view to contain costs. As a result, sales turnover fell from GBP 0.99 million to GBP 0.39 million while the loss was contained at GBP 0.05 million.

Shareholders are aware that TIML has made losses aggregating to about GBP 9 million and that the funds employed in the European operations aggregate to about USD 39.50 million at the year-end. During the year, as planned, the overseas operations have been restructured in order to obtain the maximum possible benefit from the various assets created abroad, and in the process, ownership of the overseas trademark rights to the Titan brand and our other brands as well as the shareholding in TIME and TAPL are being transferred to a new overseas company, Rockbourne Holding BV (RHBV). This restructuring has resulted in a net aggregate surplus of about Rs 40 crores which is duly reflected in the consolidated accounts, and which has correspondingly reduced the accumulated losses.

As mentioned earlier, as a matter of abundant caution, and in order to make up the balance of the accumulated losses in the European Operations, the Company has made additional provisions aggregating to Rs 25 crores in the accounts for the year ended 31 March 2004 towards diminution in investments and doubtful loans and advances.

As a result of the sale of its shareholding in TAPL, Titan International Holdings BV (TIHBV) the Company's wholly-owned subsidiary in the Netherlands, ended the year with a profit of EUR 1.28 million wiping out its earlier carried-forward losses.

Titan Brand Holdings NV (TBHNV) which was a subsidiary of TIHBV, made a further issue of shares of a value of EUR 87,500, which were directly subscribed by the Company. The remaining shares of a value of EUR 12,500 earlier held by TIHBV were also sold to its subsidiary, Titan Watch Company Ltd, Hongkong. TBHNV thus continues to be a deemed wholly-owned subsidiary of the Company. It ended the year with a small loss of EUR 22,544.

Associate Companies

RDI Print & Publishing Ltd (RDI) disposed of its publishing business for Rs.15 crores as a slump sale to Living Media (India) Ltd, the publisher of India Today. Its subsidiary, the Reader's Digest Association Ltd was also sold in accordance with the requirement of the American licensor, RDA Inc., Pleasantville. Subsequently, RDI and its investment subsidiary were merged and re-named as Samrat Holdings Ltd. With this, the Company has taken the first step towards realising its holding in RDI, as publishing is not a core business.

Titan TimeProducts Ltd sold 64.65 lakh Electronic Circuit Boards during the year and made a net profit of Rs. 20.76.lakhs, up from Rs.6.53 lakhs the year before. Its products continue to be of an exceptional high quality and produced at reasonable costs comparable with international prices.

Titan Properties Ltd continues to actively work on a proposal to dispose of its remaining properties in Bangalore and at Mathigiri, adjacent to the Titan Township.

Consolidated financial statements

The Consolidated Financial Statements of the Company prepared as per Accounting Standards AS 21, AS 23, and AS 27, with its subsidiaries, associates and joint venture have also been included as part of this Annual Report.

Outlook for 2004-05

The Company's flagship business viz., the domestic watch division has successfully demonstrated its ability to continually grow and retain its leadership position in a competitive environment. The two brands Titan and Sonata, leaders in their respective segments, have charted out aggressive growth plan using a combination of product innovation, retailing, distribution and advertising strategies. Simultaneously, the Division will realise the fruits of cost reduction initiatives carried out over the past two years resulting in a much more profitable business. A renewed focus on exports will add to the top and bottom lines as well. In addition, the enhanced revenue streams from 'Customer Service', 'Accessories & Licensed Brands' and 'Precision Engineering' are expected to provide the Time Products Division with a future of profitable growth.

The Jewellery Division, having almost completely remodeled itself as a retailer, operates in a market, which is large and transforming rapidly into branded play. Tanishq has first mover advantage in this changing market, as a result of which can be expected to continue to grow aggressively in turnover as well as margins. The challenge, however, will be to contain the working capital requirements as this division grows.

Titan Industries Limited

Social Responsibility

Your Company believes that being socially responsible is a conscious choice, to ensure sustainable development in the years ahead. Right from inception, Titan Industries has been sensitive to the needs of the community and the environment. This has been further endorsed by your Company being a signatory to the UN Global Compact and adhering to its principles. It respects and supports the protection of internationally proclaimed human rights principles, does not practise any form of discrimination, does not employ compulsory or child labour and ensures that all statutory laws are complied with. Further, the Compliance Committee of the Board ensures that the principles of the Tata Code of Conduct are followed on one hand, and the freedom of association and collective bargaining through a recognized union is upheld, on the other.

On the community front, your Company implements initiatives emanating from clearly articulated policies, which in turn have emerged from mapping societal needs. Your Company partners with the community at three levels, as a member of the Tata Group, as a Corporate entity; and at the individual level of an employee.

At the Group level, Titan Industries works closely with the Tata Council for Community Initiatives, the nodal agency for community initiatives of the Tata Group. An example of this collaborative cooperation with the other Tata Group companies as well as with the Karnataka Government, was the inauguration of the enhanced facilities of the Jawahar Bal Bhavan - a children's park at Cubbon Park in Bangalore. The initiatives to be focused on during this year have already been identified.

At the Company level, the several programmes already embedded as processes continued at enhanced levels, with audits and surveys conducted to validate the positive impact on the community. The Titan Scholarship programme has benefited over 400 students so far, and, during the last year your Company also supported the Himjyoti foundation in Dehradun - Uttaranchal to help students from the economically weaker sections. The Titan School which has now over 300 children on its rolls, as well as the Titan Township having a population of 1300, are well on the way of becoming self-sufficient, sustainable models. The Women's Empowerment self help program with Myrada is well established, providing employment to about 200 women. Another significant initiative is the employment of the physically challenged, at Hosur as well as Dehradun, where your Company's performance far exceeds the stipulated norms.

At the individual level, the spirit of volunteering has cascaded from Hosur, Dehradun to the Corporate Office and the Regions. Several programmes for the community were undertaken. To name a few- Aids awareness camps; communication programs demonstrating the ill effects of tobacco; environment; education; blood donation camps; eye-care programmes highlighted the importance of caring for the community. The Akshaya Patra scheme aimed at facilitating education for the less privileged, weaved the thread of volunteering across the Company's operations. It may be noted that almost all the initiatives had in-built feedback measures in place, for reviewing the processes and initiate course correction as necessary.

On environment protection, the products of your Company are not of a type that could cause harm to the environment. Nevertheless, by being an ISO 14001 compliant company, the policy is to preempt possible concerns over the impact of its processes as well as end products. Significant developments during the year have been the engagement of an external agency to carry out upgradation in the Hosur plant to bring about significant reduction in energy consumption year on year. Also a new project on the treatment of effluents is under installation that will facilitate using re-cycled water for a variety of applications. Your Company has invested in rainwater harvesting in all its 3 manufacturing locations. The implementation of eco friendly technology in manufacturing, such as the use of physical vapour deposition in depleting substances are initiatives aimed at maintaining the ecological balance of the environment.

Titan Industries has prepared its first Corporate Sustainability Report in line with the Global Reporting Initiative guidelines as also the Tata Index of Human Development. These actions are borne out of the understanding that social responsibility is here to stay. Your Company is demonstrating the belief that bringing a smile to the community creates customer affection and ensures long-term sustainability.

Awards and Recognition

The Government of India, the Government of Tamil Nadu, our customers, journals and institutions, as well as the people of India have been kind to Titan. On more than one occasion they have affirmed that Titan has a mind as well as a heart, a body and soul. These affirmations have been made through the numerous laurels that have been bestowed upon us. On the Corporate side among these have been:

- Titan Industries Limited was adjudged the most respected Consumer durables company by IMRB with the award sponsored by Business World.
- Titan and Tanishq were both voted the most admired time-wear and jewellery brands at the Images Fashion Awards 2003 and 2004.
- Titan Edge ultra slim watch adjudged as the best Indian Life Style product design by Business World.
- The Rotary Club of Bangalore Award for the Corporate Citizenship
- The Golden Peacock- Environment Management Award 2003 at the 5th World Congress on Environment Management
- PHDCII award for Corporate Social Responsibility - 2003

Government Policy

The present high levels (16%) of Excise Duty / CENVAT combined with State level sales taxes averaging 12% render Indian made watches uncompetitive against rampant smuggling.

Your Company has, for long, been seeking a reduction in the presently prevailing rate of 16% excise duty on watches with an MRP in excess of Rs.500/- and a restructuring of the computation and extent of abatements permitted for reckoning excise duty.

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

Luxury tax imposed by the Government of Tamil Nadu has had an adverse impact on the Company's jewellery business. The vagueness and complexity of the Act leaves the Company open to arbitrary interpretation of the law. A writ petition has been filed by the Company which is pending before the Madras High Court.

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

Corporate Governance

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

Directors

Mr. A C Mukherji, Mr. T K Balaji and Dr. C G Krishnadas Nair retire by rotation and are eligible for re-appointment.

Mr. K Skandan, nominated by TIDCO, had resigned as Chairman & Director with effect from 10 October 2003 and Mr. Arun Ramanathan, nominee of TIDCO, was appointed as Chairman in his place. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. Skandan during his tenure as Chairman of the Company.

Mr. Arun Ramanathan, nominated by TIDCO, has resigned as Chairman & Director with effect from 28th June 2004. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. Arun Ramanathan during his tenure as Chairman of the Company.

Mr. K R Viswanathan, nominated by TIDCO, who was appointed as Additional Director of the Company with effect from 29 January 2004, resigned on 1st March 2004.

Mr. P Baskaradoss, nominated by TIDCO, who was appointed as Additional Director of the Company with effect from 26 March 2004, resigned on 28 June 2004. The Directors wish to place on record their appreciation for the wise counsel and contribution by Mr. P. Baskaradoss during his tenure as Director of the Company.

Dr R Vijaykumar, nominated by TIDCO has resigned as Director of the Company with effect from 26 July 2004. The Directors wish to place on record their appreciation for the wise counsel and contribution by Dr. Vijaykumar during his tenure as Director of the Company

Mr. Rameshram Mishra, nominated by TIDCO who was appointed as a Chairman & Director of the Company by the Board of Directors with effect from 26 July 2004, holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, and is

Titan Industries Limited

eligible for appointment. A notice in writing under Section 257 of the Companies Act, 1956 has been received for his appointment as a Director in the forthcoming Annual General Meeting. The attention of the Members is drawn to item no.7 of the Notice.

Mr. Md. Nasimuddin, nominated by TIDCO who was appointed as an Additional Director of the Company by the Board of Directors with effect from 26 July 2004, holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, and is eligible for appointment. A notice in writing under Section 257 of the Companies Act, 1956 has been received for his appointment as a Director in the forthcoming Annual General Meeting. The attention of the Members is drawn to item no.8 of the Notice.

Mr. S Susai, nominated by TIDCO who was appointed as an Additional Director of the Company by the Board of Directors with effect from 29 January 2004, holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, and is eligible for appointment. A notice in writing under Section 257 of the Companies Act, 1956 has been received for his appointment as a Director in the forthcoming Annual General Meeting. The attention of the Members is drawn to item no.9 of the Notice.

Directors' Responsibility Statement

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

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

Acknowledgements

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

Subsidiary Companies

The statement under section 212 of the Companies Act, 1956, is annexed together with the Annual Report of the wholly owned subsidiaries of the Company, Titan International Holdings BV, Titan Brand Holdings NV and Titan Watch Co. Ltd.

Particulars of Employees

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

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. Attention of the members is drawn to item no. 11 of the Notice.

ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 26 July 2004

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, ETC.

The Watch Division of the Company bagged the prestigious Golden Peacock Environment Management Award - 2003 as a mark of recognition to its best environment management practices.

With the focus on continual improvement, the Company has taken the following initiatives towards resource conservation during the year:

Energy:

A Performance Contract has been assigned to an external agency to carry out up-gradations in the Watch Manufacturing Plant to guarantee significant energy savings, year on year. The project is being commissioned on a pilot basis with an initial investment of Rs 1.43 crores ensuring a reduction of 10% (Rs.50 Lakhs per annum) in the plant's annual energy bill.

Water Conservation:

In an effort to conserve water, the Company has stepped up its efforts on recycling water. A new project on tertiary treatment of domestic effluent is under installation, which will allow reuse of water for less critical applications, like gardening, flushing and other cooling applications.

The new air conditioning system will be fitted with a cooling system that uses recycled water, thereby offering a double benefit of water conservation as well as savings in power which otherwise would have been consumed by a fan cooling system.

As a step towards social responsibility, the company has invested in rainwater harvesting facilities in all its three manufacturing locations. This will improve the ground water table in surrounding areas.

TECHNOLOGY ABSORPTION

Research & Development

The Company has developed a watch movement, which enhances battery life by more than 7 years. Watches with this new movement are slated for market launch during 2004-05.

Going by the success of the ultra-slim movement for the Edge range of gents watches, the Company has developed a thin movement for ladies watches. The products were launched successfully during the year.

The Company has also been working on the development of an eco-friendly watch that operates on solar energy and needs no battery replacement. This product will be launched during the year 2004-05.

Technology absorption, adaptation and innovation

The following automation and productivity improvement projects were added to the watch manufacturing facility during the year:

- a. Automatic water resistance checking machines, which have a higher productivity rate and reports an absolute value of measurement.
- b. Servo-controlled part feeding device for hot forging press, an in-house development.

Foreign Exchange earnings and outgo

During the year under review, the Company earned Rs.87.31 crores in foreign exchange and spent Rs.138.19 crores (consisting of Rs.1.18 crores on capital imports and Rs.137.01 crores on the revenue account).

ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 26 July 2004

Titan Industries Limited

Annexure to the Directors' Report

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2004

Name	Designation	Age	Gross Rs.	Net Rs.	Qualification	Experience (years)	Last employment held	Commencement of employment
Bhat B	Managing Director	50	4,530,616	2,782,500	B.Tech., PGDM	26	Tata Press Ltd.	Jan-86
Dwarkanath B G	Chief Technology Officer & Vice President	55	2,485,591	1,533,356	B.E.	33	HMT Ltd.	Oct-85
Kapadia K F	Senior Vice President - Finance	54	3,094,400	1,886,820	B.A., PGDM	29	Tata Press Ltd.	Mar-92
Kurian J *	Chief Operating Officer - Jewellery & Sr. Vice President	48	2,720,443	1,906,950	B.E., PGDBM	26	Tata Unisys Ltd.	Apr-93
Kurien B	Chief Operating Officer - Watches & Sr. Vice President	45	2,998,533	1,839,248	B.Sc., PGDBM	21	Hindustan Lever Ltd.	Aug-87

NOTES

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
Director

Bhaskar Bhat
Managing Director

Bangalore, 26 July 2004

Management Discussion and Analysis

An overview of the Economy

The Indian economy ended the 2003-04 fiscal on a note of cheer, with economic indicators ranging from GDP growth to stock market returns doing better than earlier forecasts. The third quarter GDP growth was over 10% with an overall performance for the year at 8.4%.

This truly creditable performance was, however, overshadowed by the distress in several parts of the country due to several years of poor rains – which also had its impact on the results of the general elections, which saw the formation of a new government with a decided emphasis on agriculture and rural development.

The strengthening of the Rupee during the latter half of the year impacted export revenues and profitability.

The focus has now shifted to the current year with high expectations from the new government. The situation is hopeful - continued growth in industry and services, combined with the rain gods smiling and an excellent crop season, the growth rate is expected to be sustained this year. The overall inflation rate may average 5% in 2004-05, a shade lower than 5.5% in the previous year.

Thus, though the markets have seen some volatility in the recent past, there is reason to look forward to the future with optimism.

Business Overview

Titan Industries has two major businesses - the Time Products Division and the Jewellery Division and the revenue generated by these two divisions is given below:

Division	Sales Revenue (Rs. Crore)	Growth over previous year
Time Products	534.49	18%
Jewellery	425.68	23%
Total	960.17	20%
PBT (Before exceptional items)	39.03	97%

A) TIME PRODUCTS DIVISION

Global Trends

The International scenario of the watch industry has not been very encouraging and 'maintaining or holding positions' can, at best, describe the situation. The main causes were attributed to the turbulent situation in Iraq, the adverse exchange rates and the outbreak of the SARS epidemic, affecting travel, tourism and business in most parts of the world.

The Swiss majors recorded flat growth but in the light of the past several years of decline, the forecast for this year seems optimistic. The Swatch Group registered a decline of 2% - all products combined. The Japanese situation was in fact worse, with Citizen watch sales dropping by 3.4% when compared to the previous year. Seiko's sales fell by nearly 9%, with a flat operating income.

India

The Indian watch market is estimated at about 30 million units valued at Rs.1800 crores. The market is polarized towards the lower end and it is estimated that over 80% of the market is at less than Rs.1000/- consumer price. Significantly, 60% is estimated to be the share of the unorganized sector and only 40% of the market belongs to the organized sector.

The Indian market is flooded with cheap, illegally imported watches as well as local assembly by small manufacturers which comprise the bulk of the unorganised sector. It is estimated that the market is growing at 5% per annum.

Trade barriers (duties) are coming down and many international players are already participating in the Indian market but all are primarily focused on the uppermost niche market and not on the mass market.

In order to create greater alignment within the operations, five separate business units were formed during the year. The formation of the SBUs (Strategic Business Units) also helped develop a focused approach to separate business lines as follows :

- Consumer led vs. Institutional (Watches vs. Precision Engineering products)
- Watches vs. other products (Titan / Sonata vs. Eyewear)
- Own Brands vs. Licensed brands (Titan vs. Tommy Hilfiger)

As is now well known, Titan Industries operates mainly with two brands in the Indian Watch market. Its value brand – Sonata is positioned as a reliable, affordable brand for those seeking to buy a watch which is priced at less than

Titan Industries Limited

Rs.1000/-, while Titan is positioned as a premium, internationally styled, innovative brand priced above Rs.1000/-. Sonata is the largest player in the less than Rs.1000/- price band and has been growing by approximately 20%, grabbing share from the unorganized players and low-end organized sector brands. Widespread availability, backed by an excellent after sales service network, salient advertising and attractive product designs have helped Sonata to reach this level.

Titan Industries has a domestic market share of 55% of the organized sector market and 21% of the total watch market. During the year, the Company sold a total of 6.7 million watches, notching up a growth of 20%.

Brand Titan

The Titan SBU has recorded a good performance in the year 2003-04 with value sales growing at 18%. This growth in sales has been accompanied by a resurgence of the brand image wherein all key perception measures have shown a significant improvement. Market share has also gone up in the multi-brand outlets and department stores over the year.

The exclusive retail showroom chain "The World of Titan" grew to 162 during the course of the year. A new retail format was adopted in all the new stores and a major program undertaken to renovate old stores. The new format greatly enhances the shopping experience for the customer.

Some of the key launches for the year were the new Bandhan range of watches, the World Watch series and the Karishma range. These new introductions were well received by the market and the results in the form of increased sales have followed quickly.

The plans for 2004-05 include a major focus on the ladies segment through the Raga collection and focus on innovation through the 2 in 1 watch and the new Edge collection. A key program is the re-launch of Fastrack, the youth brand, with a unique new range and a new marketing communications program.

The Nebula range, which consists of 18k gold watches, has been identified as a focus cluster and suitable product and marketing programs put into place. Nebula will see the introduction of many new products including the Nebula-Rohit Bal collection. The distribution will be extended to cover exclusive watch and jewellery outlets.

Brand Sonata

Sonata, the second watch brand from Titan Industries launched in 1998, has clearly established itself as the single largest volume brand in the country. Offered as a "value brand" and positioned as the "no compromise" watch, Sonata has made significant inroads in tackling the unorganized markets and upgrading consumers from non-branded watches to branded. The role of Sonata is clearly defined as tapping the potential offered by non-watch owners in India who are resident mostly in semi-urban or rural India. The brand has been able to establish strong presence in multi-brand watch outlets in over 2200 towns.

The new emphasis on agriculture and rural sector is expected to generate greater purchasing power in the hands of the inhabitants of rural India which would improve the sales of well produced, dependable and reasonably priced watches. Significant growth from Sonata is expected in the coming year.

Accessories and Licensed Brands

The Accessories and Licensed brands SBU is in its first year of operation. The role of this business unit is to explore new opportunities in the accessories and licensing space, evaluate their relative attractiveness and strategic fit with the Company and incubate these businesses till they reach critical mass.

Keeping this in mind, the business unit ventured into two businesses:

1. Sunglasses – under the brand name FASTRACK Eye gear, targeting the youth with trendy, good quality, affordable sunglasses.
2. Licensing - TOMMY HILFIGER watches, to address the growing fashion watch segment in the Indian market, targeting the urban, premium, fashion conscious, self indulgent, young men and women.

With Fastrack watches and Eye gear, the Company is planning to specifically create a strong brand amongst a big and strategic segment of the market: Indian youth. It hopes to become the brand of preference amongst the youth for smart and fashionable accessories. With Tommy Hilfiger, the Company will get some valuable learning about the small but rapidly growing niche segment of fashion watches. It will also enable the Company to evaluate "licensing" as a route to possible future growth.

Both businesses are expected to deliver profits from the second full year of operations.

Customer Service

Titan Industries has one of the largest service networks in the watch business, which now total 658 contact points with the customers, covering 324 towns. Its turnaround time is amongst the fastest in the business and a 'quick service' initiative implemented at more than 50 service centres further improved the repair speed. External surveys helped track changing customer expectations leading to enhanced training programs for the staff, aligned to customer needs.

Precision Engineering

The Precision Engineering Division, based on skills and capacities in high precision, metal and plastic engineering, focuses on exploring businesses in the area of components for the aerospace industry and dashboard clocks for the automobile industry. In addition, there is also a team that is involved in machine building and automation. The Division has successfully executed a robotized automation project for a major automobile manufacturer, while dashboard clocks continue to be supplied to an auto major in Europe.

The Company's Research and Development has made significant studies aimed at establishing leadership through cutting-edge technology. Products based on this are slated for launch during 2004-05.

International Operations

While details have been covered in the Directors' Report, it would be in order to note that Titan International (Middle East) FZE doubled its turnover from US\$ 7.86 million to US\$ 15.89 million while Titan Watches and Jewellery (Asia Pacific) Pte. Ltd., (TAPL) increased profitability by over 90%.

Titan International Marketing Ltd. London confined its focus to four markets in Europe and contained its losses to GBP 0.05 million. It is important to note that during the year its accumulated losses of GBP 9 Million have been provided for in the consolidated accounts of Titan Industries Limited through a combination of overseas restructuring and by direct provisioning in India.

The Company is planning to consolidate all its international operations under an umbrella "International Division" to bring about further synergy and single point accountability.

B) JEWELLERY

India is by far the largest global market for gold jewellery and amongst the top five global markets for diamond jewellery. Indeed, jewellery is one of the largest consumer categories in the country, with an estimated market size in excess of Rs.45, 000 crores.

The jewellery industry is one of the most fragmented and unorganized sectors in India. The market is dominated by over 3,00,000 independent jewellery retailers, most of which are small, one-store operations.

Some key characteristics of the domestic jewellery market are its uniquely Indian ethos, varying consumer preferences across regions and a lack of adequate statutory controls. This disturbing lack of controls has led to an industry which is plagued by a range of unethical practices, including extensive under-karatage of gold jewellery, overstating the quality of diamonds, widespread evasion of sales tax and other statutory levies and exploitation of artisans by the trade. These unethical practices cause huge losses to consumers and efforts by the Bureau of Indian Standards (BIS) and revenue authorities have had very limited impact in improving the situation.

During the year 2003, sales of plain gold jewellery in India increased only marginally (by less than 5%) whereas sales of diamond jewellery registered robust growth. For the third consecutive year, diamond jewellery has emerged as the fastest growing segment of the market, though it still remains a relatively small part of the overall jewellery market. The year also witnessed significant volatility in prices of gold, a factor which impedes demand for gold jewellery. This was also a defining year for platinum jewellery, which made a strong beginning and impact, particularly in large cities.

The huge and attractive size of the Indian jewellery market has been increasingly recognized by three global industry bodies – DTC (Diamond Trading Corporation), WGC (World Gold Council) and PGI (Platinum Guild of India). During the year, all three industry bodies invested significant resources and marketing efforts in growing the Indian market. This trend is expected to continue during the years ahead and these efforts will indeed catalyse the growth of an organized, branded market for jewellery in India.

Competitive Strategy

The Jewellery Division's competitive strategy is shaped by its vision – to be the most desirable jewellery brand for Indian women. This vision has led to two sharp strategic directions for the business: first, a clear and abiding focus on the large Indian market for jewellery; and second, positioning of the "Tanishq" brand at the premium end of the mainstream jewellery market in urban India.

Over the past four years, this strategy has yielded great success. Tanishq is today one of the most aspirational brands in India. Indeed, Tanishq today occupies a pre-eminent position in the branded jewellery market and enjoys undisputed leadership in this category. The Tanishq chain of retail stores has expanded rapidly over the past four years and now covers virtually every region of our vast country.

The Tanishq brand has built a formidable and enviable standing in the market, and enjoys a rapidly growing consumer franchise. A key driver of this enviable success has been the unique set of values which the brand offers its consumers today : complete assurance of trust and purity, exquisite and differentiated jewellery designs, superb craftsmanship and finish, a professional and enjoyable shopping experience and a signature of lifestyle and fashion which many Indian women relate to spontaneously. This value proposition dovetails completely with the vision and strategy of the business and has been instrumental in the rapid profitable growth achieved.

TITAN INDUSTRIES

Twentieth annual report 2003-2004

Titan Industries Limited

The jewellery business now moves into a new and more mature phase of its evolution, one that will deliver even greater stability to the Company's performance during the years ahead.

Performance during 2003-04

The year 2003-04 marked a defining year in the life of the jewellery business. While the previous year saw a relentless search for viability resulting in a successful turnaround of the business, this year marked the beginning of a confident march towards enhanced prosperity. The Division continued to show significant growth with sales value increasing by over 23% and profitability registering a handsome increase by over 160%. Sales and profit growth would have been even higher but for an important and strategic restructuring exercise which commenced during the year and is designed to enhance future stability and profitability. With annual growth rates in revenues exceeding 35% over the past four years, Tanishq is also one of the fastest growing consumer businesses in the country.

During 2003-04, Tanishq continued its slew of aggressive marketing and consumer acquisition efforts. These efforts included the launch of several new and innovative jewellery collections, three successful activation ideas specifically designed to attract new consumers and a number of distinctive festival campaigns designed to stimulate demand during peak seasonal periods and also build strong cultural affiliations with consumers. The business also acquired several corporate customers who utilized our jewellery products to implement highly successful marketing programs of their own. In addition, during the year, the business also achieved its highest ever export sales.

During the year, nine Tanishq stores were added to the network, taking the total number to 67 stores in 52 towns. These new stores included entries into modern retail formats such as malls, which are now fast emerging on the Indian retailing horizon.

Driven by these initiatives, the jewellery business achieved a net sales turnover of Rs.425 crores during 2003-04, compared to Rs.345 crores during the previous year. In four short years, the jewellery business has nearly quadrupled in size.

A noteworthy aspect of performance during the year was the remarkable and rapid progress achieved on a wide range of operational programs built around better capital utilization, cost reduction, margin enhancement and enhanced customer experience.

Industry bodies such as the Diamond Trading Council (DTC), World Gold Council (WGC) and the Platinum Guild of India (PGI) have begun working together with the Company on a range of exciting initiatives.

Human Resources

Titan Industries recognizes that human potential is an asset and focus has been on recruitment and retention strategies. While the recruitment of future leaders were made through campuses (Management Trainees and Graduate Engineer Trainees), care has also been taken to retain good talent through various development initiatives and compensation correction for staff members.

Strengthening the extensive communication process through various initiatives like monthly bilingual magazines, open house interactions in corporate, regional offices and factories were some initiatives which helped to create a "great place to work ethos." Your Company has also introduced innovative recognition programmes for motivating the employees.

As of 31st March 2004, the Company had 2959 employees on its rolls of which 2397 were in the factories, 184 in the corporate office and 378 in the Regional offices.

The Company's initiatives towards Social Responsibility are covered in the Directors' Report.

How your Company Fared

Despite prevailing market conditions, the Company achieved a 20% growth in the top line, and a 100% increase in the bottom line, before exceptional items. Net profit after taxes saw an 80% increase over the previous year. The Company continued its efforts to bring down interest costs through judicious borrowing and improved working capital management. The impact on the Company's key indicators are recorded below :

	2003-04	2002-03
Sales to Net fixed assets (No. of times)	5.40	4.16
Sales to Inventory (No. of times)	5.84	5.62
Sales to Debtors (No. of times)	6.47	4.28
Retained Earnings - Rupees in Crores	2.66	(2.23)
- % of Net Profit for the year	23.1	(28.2)
Operating Return on Capital employed *	12.4%	9.2%
Return on Capital Employed (EBIT)	8.3%	7.8%
Return on Net Worth	6.0%	2.4%

* excluding extraordinary items

Some Risks and Concerns

The Company's entry into overseas markets has entailed large investments in brand-building, particularly in Europe. The Company has been successful in creating a physical presence in several countries and is perceived as a global player. However, financial returns on the overseas investments have taken time to accrue - particularly in Europe where there are significant accumulated losses, in respect of which the Company has made cumulative provisions of Rs 35 crores. Slow growth in overseas markets could therefore entail additional provisioning on account of lower returns on overseas investments.

The Company faces capital constraints and a relatively heavy interest burden due to its highly leveraged capital structure. Unless this is rectified, this may adversely impact continued growth in the existing businesses and will impact the ability of the Company to benefit from new growth opportunities.

Both our watch and jewellery businesses generate significant revenues from exclusive retail stores. While the growth of retailing in India provide ample opportunity for these exclusive outlets, the recent phenomenon of malls is likely to pose a challenge. In the light of this, the Company is carefully evaluating its strategy for malls.

Volatility in gold prices is a deterrent to purchases of jewellery, since many consumers defer purchases of gold jewellery during such periods. We foresee continued volatility in gold prices during the current year, which may therefore impact revenue growth.

While the Jewellery Division follows prudent risk management practices, volatility in gold prices may also create some financial risk for the business.

The diamond trade worldwide, is in the hands of a few key corporates. Prices of diamonds have been on the increase, which may impact consumer demand and profits.

During the past two years, over fifteen new brands of jewellery have been launched in the Indian market, many of them seeking to replicate the remarkable success achieved by Tanishq. A few international brands are also showing some initial interest in the Indian jewellery market. While Tanishq has gained greatly in strength and remains the strong market leader, some of these brands may create increased competition for Tanishq in future years.

Internal Control Systems

The Company has adequate internal controls built into its Transaction Processing Systems and controls for sufficient safeguard of its assets against loss/unauthorised use.

A complete review of assessment of risks is done every year as part of the Internal Audit program. Internal control systems are being upgraded continuously based on observations in Internal Audit Reports of the year under review.

The findings of Internal Audit are discussed in the audit committee meetings of the Board of Directors for the Committee's recommendations. Action Taken Reports are placed at the Audit Committee Meetings for ensuring follow-up/corrective actions based on the observations/recommendations.

The Company has implemented the Authorisation Matrix in its ERP system in the Time Products Division by empowering various types of transactions based on graded level of authority. Your Company has augmented the system security by carrying out an Audit of security levels in various applications. Further, the ERP version has been successfully upgraded to 4.6C SAP thus migrating to higher levels of sophistication in data handling, processing and reporting systems.

Cautionary Statement

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

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Corporate Governance

CORPORATE GOVERNANCE PHILOSOPHY

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

BOARD OF DIRECTORS

Titan Industries Limited was promoted by the Tamil Nadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on March 31, 2004, the Company had 12 Directors, comprising 11 non-executive Directors and 1 Executive Director.

The composition and category of Directors as of March 31, 2004 is as follows:

Category	Name of the Director	No. of Directors
Nominee Directors of TIDCO (Promoters, Non-Executive, Not-Independent)	Mr.Arun Ramanathan Dr.R.Vijaykumar Mr.S.Susai ¹ Mr.P.Baskaradoss ²	4
Nominee Directors of Tata Group (Promoters, Non-Executive, Not-Independent)	Mr.Ishaat Hussain Mr.F.K.Kavarana Mr.N.N.Tata ³	3
Promoter, Executive, Not-Independent	Mr.Bhaskar Bhat	1
Other Directors (Non-Executive, Independent)	Mr.A.C.Mukherji Mr.T.K.Balaji Mrs.Rama Bijapurkar Dr.C.G.Krishnadas Nair	4
Total		12

¹ Mr.S.Susai was appointed as Additional Director of the Company, nominee of TIDCO, with effect from January 29, 2004.

² Mr.P.Baskaradoss was appointed as Additional Director, nominee of TIDCO, with effect from March 26, 2004, in place of Mr.K.R.Viswanathan who resigned on March 1, 2004. Mr. K R Viswanathan was appointed as Additional Director, nominee of TIDCO on January 29, 2004.

³ Mr.N.N.Tata was appointed as a Director, nominee of Tata Group, with effect from August 29, 2003, in place of Dr.J.J.Bhabha, who resigned on July 24, 2003.

As on 31 March 2004, the Company had a Non-executive Chairman and one-third of the Directors were independent. The Company has not had any pecuniary relationship or transaction with any of the Non-Executive Directors during the year under review.

The Board of Directors met eight times during the financial year 2003-04. The interval between any two successive meetings did not exceed four months. Board meetings were held on May 14, June 28, July 21, August 29, September 12, and October 31 in 2003 and on January 29 and March 26, in 2004.

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

Attendance of each Director at the Board of Directors meetings during the year and the last Annual General meeting, the number of Directorships and Committee Directorships held by them in domestic public companies as at March 31, 2004 are as indicated below:

Name of Director	No. of Board meetings attended out of 8 meetings of the Board of Directors	Whether attended last Annual General Meeting	No. of Directorships in domestic public companies (including this Company)		No. of Committee memberships in domestic public companies (including this Company)	
			As Chairman	As Director	As Chairman	As Member
Mr. K.Skandan ⁵ (P/NE/NI—TIDCO)	1	No	—	—	—	—
Bhaskar Bhat	8	Yes	—	6	—	1
Dr. J.J.Bhabha	—	N.A	—	—	—	—
Mr. F.K.Kavarana	4	No	5	5	4	5
Mr. Arun Ramanathan (P/NE/NI—TIDCO)	4	No	4	7	1	1
Dr. R.Vijaykumar (P/NE/NI—TIDCO)	8	Yes	4	6	—	6
Mr. Ishaat Hussain	8	Yes	2	12	4	6
Mr. T.K.Balaji	3	No	1	10	2	4
Mr. A.C.Mukherji	8	Yes	—	9	4	6
Mrs. Rama Bijapurkar	4	Yes	—	5	2	3
Dr. C.G.Krishnadas Nair	6	No	—	2	—	1
Mr. P.Basakaradoss ⁴ (P/NE/NI—TIDCO)	1	N.A	4	8	—	4
Mr. S.Susai ² (P/NE/NI—TIDCO)	2	N.A	1	6	—	2
Mr. K.R.Viswanathan ³ (P/NE/NI—TIDCO)	—	N.A	—	—	—	—
Mr. N.N.Tata ¹	5	Yes	—	2	—	—

[NA – Not Applicable]

[P/NE/NI-TIDCO – Promoter, Non-Executive, Not-Independent – Nominee Directors of TIDCO]

¹ Mr.N.N.Tata was appointed as a Director, nominee of Tata Group, with effect from August 29, 2003, in place of Dr.J.J.Bhabha, who resigned on July 24, 2003.

² Mr.S.Susai was appointed as Additional Director of the Company, nominee of TIDCO, with effect from January 29, 2004.

³ Mr.K.R.Viswanathan was appointed as Additional Director of the Company, nominee of TIDCO, with effect from January 29, 2004 and resigned on March 1, 2004.

⁴ Mr.P.Baskaradoss was appointed as Additional Director, nominee of TIDCO, with effect from March 26, 2004, in place of Mr.K.R.Viswanathan who resigned as Director on March 1, 2004.

⁵ Mr.K.Skandan resigned on October 10, 2003.

AUDIT COMMITTEE

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

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

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

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

Name of the Director	No. of Meetings attended out of seven meetings
Mr. A. C. Mukherji (Chairman) (Non Executive) (Independent)	7
Mr. Ishaat Hussain (Chartered Accountant) (Non Executive) (Not Independent)	6
Mr. Arun Ramanathan ¹ (Non Executive) (Not Independent)	—
Mr. T. K. Balaji (Non Executive) (Independent)	4
Dr. C. G. Krishnadas Nair (Non Executive) (Independent)	6
Dr. R.Vijaykumar ² (Non Executive) (Not Independent)	4

¹ Resigned on 31.10.2003 ² Member from 31.10.2003

The Managing Director, the Senior Vice President - Finance, the Chief Operating Officers of the Watches and Jewellery Divisions and 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 as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee met seven times during the financial year 2003-04 on May 14, June 21, July 21, October 31, December 15 in 2003 and January 29 and March 26 in 2004.

OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

a. Remuneration Committee

The broad terms of reference of the Remuneration Committee are to determine and recommend to the Board, the remuneration payable to the Managing Director, periodic evaluation of his performance, and to determine and advise the Board regarding the quantum of annual commission/remuneration to be paid.

The following Directors are the members of the Remuneration Committee:

Mr. T. K. Balaji (Chairman) (Non Executive) (Independent)

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

Mr. Arun Ramanathan (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. During the year 2003-04, a Meeting of the Remuneration Committee was held on June 28, 2003.

b. Shareholder Grievance Committee

The Shareholder Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, the non-receipt of Annual Reports and the non-receipt of dividends declared by the Company, etc. During the year 2003-04, a meeting of the Shareholder Grievance Committee was held on March 26, 2004. Mr Arun Ramanathan and Mr Bhaskar Bhat were present at the Meeting.

The members of the Shareholder Grievance Committee are as follows:

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

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

Mr. Bhaskar Bhat (Executive) (Not Independent)

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

c. Committee of Directors

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

The composition of the Committee of Directors is as follows:

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

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

Dr. R.Vijaykumar (Non Executive) (Not Independent)

Mr. Bhaskar Bhat (Executive) (Not Independent)

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.

d. Ethics and Compliance Committee

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

The composition of the Committee is as follows:

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

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

Mr. Bhaskar Bhat (Executive) (Not Independent)

During the year 2003-04, this Committee held a meeting on March 26, 2004. Mr Arun Ramanathan and Mr Bhaskar Bhat were present at the Meeting. The Compliance Officer designated for this purpose is Mr. K F Kapadia, Senior Vice President, Finance.

REMUNERATION OF DIRECTORS

MANAGING DIRECTOR

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

Details of the remuneration to the Whole-time Director during 2003-04 are as under:

(in Rs.)

Name	Salary	Perquisites & Allowances	Commission *
Mr. Bhaskar Bhat Managing Director	13,20,000/-	20,05,345/-	19,80,000/-

* - Payable in 2004-05

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The perquisites indicated above exclude gratuity and leave encashment benefits, as these are determined on an actuarial basis for the Company as a whole. Commission is the only component of remuneration, which is performance linked. All other components are fixed.

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

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

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

Severance Fees : Nil

There are no stock options issued to the Managing Director.

DIRECTORS

The Non-Executive Directors of the Company are remunerated by way of sitting fees, as decided by the Board of Directors of the Company. Sitting Fees paid to the Non-Executive Directors during 2003-04 are as shown below:

(in Rs.)

Name of the Director	Commission	Sitting Fees
Mr. Arun Ramanathan	—	35,000
Mr. T.K.Balaji	—	35,000
Mr. P.Basakaradoss	—	5,000
Mr. Ishaat Hussain	—	75,000
Mr. F.K.Kavarana	—	20,000
Dr. C.G.Krishnadas Nair	—	60,000
Mr. A.C.Mukherji	—	75,000
Mrs. Rama Bijapurkar	—	20,000
Mr. S.Susai	—	10,000
Mr. N.N.Tata	—	25,000
Dr. R.Vijaykumar	—	60,000
Mr. K.R.Viswanathan	—	—
Mr. K.Skandan	—	5,000
Mr. J J Bhabha	—	—

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

Sitting fees in respect of Mr.Arun Ramanathan, Mr.P.Basakaradoss, Dr.R.Vijaykumar and Mr. S.Susai, who are nominees of the co-promoters Tamil Nadu Industrial Development Corpn. Ltd. (TIDCO) were paid directly to TIDCO.

DISCLOSURES

- (a) Related Party Transactions: During the year under review, besides the transactions reported elsewhere in the Annual Report, there were no other related party transactions with its promoters, directors, management and subsidiaries that had a potential conflict with the interest of the Company at large.
- (b) Details of Non-compliance: There has been no instance of non-compliance on any matter with the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets during the last three years except that for the period from 29th September 2001 to 31st March 2002, the number of independent directors in the Board of Directors was lower than one third of the total strength of the Board of Directors required under sub clause I(A) of Clause 49 of the Listing Agreement. No penalties or strictures have been imposed by them on the Company.

MEANS OF COMMUNICATION

- Half-yearly report sent to each household of shareholders : No, the financial results are published in the Newspapers, as required under the Listing Agreements
- Quarterly Results : -do-
- Website, where results are displayed : The results are displayed on www.titanworld.com
- Whether it also displays official news releases : Yes
- Presentations to institutional investors or analysts : 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.

PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

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

Year	Location	Date	Time
2000-2001	At the registered office of the Company located at 3, SIPCOT Industrial Complex, Hosur 635 126	September 28, 2001	3.30 p.m.
2001-2002	as above	September 24, 2002	3.30 p.m.
2002-2003	as above	September 12, 2003	3.30 p.m.

Whether Special Resolutions –

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

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GENERAL SHAREHOLDER INFORMATION

AGM : date, time & venue	:	31st August, 2004 3.30 p.m. at the Registered Office at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Directors seeking appointment / re-appointment	:	As required under Clause 49(VI)(A), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on 31 August 2004.
Book Closure Date	:	17th August 2004 to 31st August 2004 (both days inclusive)
Dividend payment date	:	On or after 1st September 2004, however within 30 days from the date of AGM
Financial Calendar Period (tentative) - Quarter ending Jun 30, 2004 - Quarter ending Sep 30, 2004 - Quarter ending Dec 31, 2004 - Quarter ending Mar 31, 2005	:	Board Meeting to approve quarterly financial results - End July 2004 - End October 2004 - End January 2005 - May / June 2005
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	:	Listing fees as prescribed have been paid to both of these stock exchanges up to 31 March 2005.
Share Registrar and Transfer Agents	:	M/s Tata Share Registry Limited Army & Navy Building, 148, Mahatma Gandhi Road Mumbai 400 001 Tel : (022) 22873831 Fax : (022) 22844160 E-mail : csg-unit@tatashare.com

SHARE TRANSFER SYSTEM

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

INVESTOR SERVICES

Investor complaints received and replied during the year 2003-04:

Nature of Queries	Received	Replied
Non-receipt of Interest / Dividend Warrants	11,456	11,456
Non-receipt of shares sent for transfer	36	36
Dematerialisation of shares	55	51
Name correction	14	14
Letters received from SEBI and other statutory bodies	4	4
Change of address requests updated	1,430	1,430
ECS/Mandate Registration Noted	551	551
Loss of shares	209	205
Split / Consolidation / Renewal / Duplicate issue of Shares	14	14
Request for nomination forms	19	19
Tax exemption forms received / updated	10	10
Transmission of securities	111	109
Exchange / Sub-division of old shares	6	6
Dividend / Interest including request for changes on live warrants	406	405
Document registration	61	61
Redemption	448	445
Other (Miscellaneous)	455	448
Total	15,285	15,264

As at 31st March 2004, twenty-one investor complaints were pending, however, these were addressed to the satisfaction of the investors subsequently. As at 31st March 2004, 17 share transfers and 93 demat requests were pending, however none of these were pending beyond 30 days.

STOCK PERFORMANCE

Market Price Data

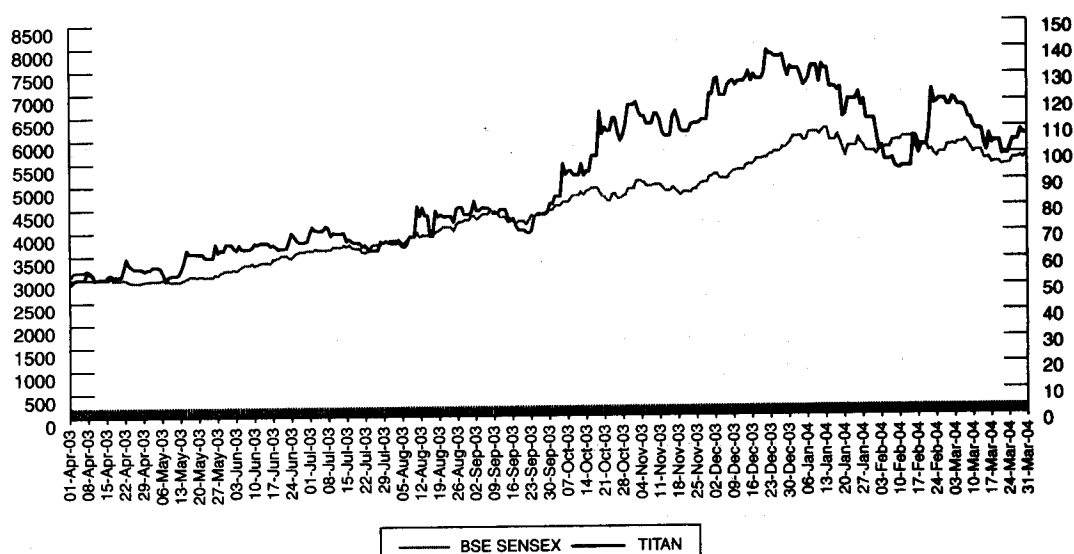
(Amount in Rupees)

Month	Bombay Stock Exchange (BSE)		BSE Sensex
	High	Low	
April 2003	60.90	51.50	2,959.70
May 2003	66.20	52.35	3,180.75
June 2003	70.40	63.95	3,607.13
July 2003	72.90	63.50	3,792.61
August 2003	80.45	64.95	4,244.73
September 2003	82.25	69.85	4,453.24
October 2003	118.80	81.15	4,906.87
November 2003	119.85	106.90	5,044.82
December 2003	139.15	122.20	5,838.96
January 2004	133.70	113.15	5,695.67
February 2004	124.25	94.15	5,667.51
March 2004	120.95	98.95	5,590.60

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DISTRIBUTION OF SHARES ACCORDING TO SIZE, CLASS AND CATEGORIES OF SHAREHOLDERS AS ON 31 MARCH 2004

No. of equity Shares held	No. of Shareholders	Percentage	No. of Shares	Percentage
1-500	52,124	95.53	64,36,004	15.23
501-2000	2,000	3.67	17,76,170	4.20
2001-3000	136	0.25	3,50,411	0.83
3001-4000	58	0.11	2,04,250	0.48
4001-5000	61	0.11	2,87,132	0.68
5001-10000	76	0.14	5,71,418	1.35
10001 and above	105	0.19	3,26,50,885	77.23
Total	54,560	100.00	4,22,76,270	100.00

CATEGORIES OF SHAREHOLDING AS ON 31 MARCH 2004

Category	No. of Shareholders	No. of shares held	Percentage of Shareholding
Tamil Nadu Industrial Development Corporation Ltd.	1	1,17,84,606	27.88
Tata Group Companies	18	1,05,70,143	25.00
FFI / FILs/ OCBs	22	43,03,900	10.18
Bodies Corporate	951	18,97,445	4.49
Unit Trust of India	1	2,456	0.01
Life Insurance Corporation of India	1	1,79,201	0.42
Mutual Funds	18	4,76,294	1.13
Nationalised Banks	11	1,515	0.00
Others	53,537	1,30,60,710	30.89
Total	54,560	4,22,76,270	100.00

TOP TEN SHAREHOLDERS:

The Company's top ten shareholders as at 31st March 2004 are as shown below:

Sl. No.	Name of Shareholder	No. of Shares	Percentage of holding
1	Tamil Nadu Industrial Development Corpn. Ltd.	1,17,84,606	27.88
2	Kalimati Investment Co. Ltd.	36,93,135	8.74
3	Tata Sons Ltd.	33,29,921	7.88
4	Jhunjhunwala Rakesh Radheshyam	17,57,750	4.16
5	Tata Chemicals Ltd.	14,30,580	3.38
6	UBS Securities Asia Ltd A/c Swiss Finance Corporation (Mauritius) Ltd.	11,60,000	2.74
7	DSP Merrill Lynch Ltd	8,43,450	2.00
8	Jhunjhunwala Rekha Rakesh	7,51,500	1.78
9	Platinum Asset Management Ltd A/c Platinum International Brands Funds	7,43,517	1.76
10	Tata Investment Corporation Ltd.	6,95,797	1.65

STOCK CODE

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

The Aggregate Non-promoter shareholding of the Company as at 31st March 2004 is as shown below:

Number of Shares : 19,921,521
Percentage to total holding : 47.12%

DEMATERIALIZATION OF SHARES AND LIQUIDITY

As on 31 March 2004, 88.71% of the Company's Equity Capital is held in dematerialised form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialised form with effect from 15.02.1999 as per the notification issued by the Securities and Exchange Board of India (SEBI)

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

Stock option scheme: None

PLANT LOCATIONS

Watch Plants : (a) 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
(b) Mohabewala Industrial Area, Dehradun 248 002, Uttaranchal Jewellery and Clock Plants: 27, 28 & 29, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu

ADDRESSES FOR CORRESPONDENCE

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

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, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the confirmation given by the Registrars of the Company as on 31st March 2004, there were no investor grievances remaining unattended/pending for more than 30 days.

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

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

H L Shah
Partner
(Membership No. 33590)

Place: Bangalore
Date: 19 July 2004

Auditors' Report

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 2004 and also the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
- c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors, as on 31st March 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

H. L. Shah
Partner

(Membership No. 33590)

Place : Bangalore
Date : 11 June 2004

Titan Industries Limited**ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDITORS' REPORT TO THE MEMBERS OF TITAN INDUSTRIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004.**

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) Most of the fixed assets have been physically verified by the management. As explained to us no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable.
(c) During the year, the Company has not disposed off a major part of the fixed assets and therefore paragraph 4 (i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as 'the Order') is not applicable.
- ii) (a) In our opinion the inventory has been physically verified during the year by the management at reasonable intervals. The inventory in possession of the third parties has been verified by the management, in most cases, with reference to certificates obtained from third parties.
(b) In our opinion the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the records of inventory, in our opinion, the Company has maintained proper records of inventory. Discrepancies noticed on physical verification of stocks as compared to the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- iii) (a) The Company has not taken loans from companies, firms or any other parties covered in the register maintained under section 301 of the Companies Act, 1956 except for Intercompany deposits from seven companies. The maximum amount involved in such transactions at any time during the year was Rs 4040 lakhs and year end balance of Intercompany deposits taken from such parties was Rs 1715 lakhs. During the year the Company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, however, there are unsecured loans granted to two subsidiary companies during earlier years which are outstanding during the year. The maximum amount involved in such transactions at any time during the year and the year end balance of unsecured loans granted to such parties was Rs 8831.67 lakhs and Rs 8262.27 lakhs respectively.
(b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from/ granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
(c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest. The parties have repaid the principal amounts as stipulated or as rescheduled and have been generally regular in the payment of interest.
(d) As at the end of the financial year, there is no overdue amount of loans taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature for which comparable alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses, if any, in internal controls.
- v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, and having regard to our comments in item (iv) above, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted. As the company has not accepted any deposits from small depositors, the provisions of section 58 AA of the Companies Act, 1956, are not applicable to the Company during the year. We are informed that no order has been passed by the Company Law Board and therefore, checking of compliance with the order does not arise.
- vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 relating to the manufacture of watches and clocks and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's other product.
- ix) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education protection

fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues, if any, applicable to it with appropriate authorities.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31st March 2004 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and information and explanations given to us, there are disputed dues of customs duty, excise duty, sales tax and advertisement tax which have not been deposited/deposited partially, the details of which are set out below:

Name of the statute	Nature of the dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Customs Act, 1962	Customs duty	282.62	1989 to 1994 and 1998-99	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Excise duty	40.73	March 1987 to February 1990, April 1995 to November 1999 and July 2001 to July 2002	CESTAT
		18.47	1995-96 to 1998-99 and 2002-03	Commissioner (Appeals)
		3.99	March 1995 to August 2001	Additional Commissioner
Sales Tax Law	Sales tax	461.06	2001-02 and 2002-03	Joint Commissioner of Commercial taxes (Appeals)
		50.32	1997-98 and 2001-02	Asst Commissioner, Sales tax / Special Circle
		113.76	2000-01	Deputy Commissioner, Sales tax
		0.77	1996-97	Member Tribunal
		7.53	1988-89, 1994-95 and 2001-02	Commercial Tax Officer
New Delhi Municipal Corporation Advertisement tax	Advertisement tax	2.74	1996-97	Additional District Judge Tis Hazari court

- x) The Company has neither accumulated losses at the end of the financial year nor it has incurred cash losses during the financial year as well as in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures, and therefore paragraph 4 (xii) of the Order is not applicable.
- xiii) The provisions of special statute applicable to chit fund and nidhi / mutual benefit fund / society are not applicable to the Company and therefore, paragraph 4(xiii) of the Order is not applicable.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments and therefore paragraph 4 (xiv) of the Order is not applicable.
- xv) In our opinion, the terms and conditions on which the Company has given guarantees during the year for loans taken by others from banks or financial institutions are not prejudicial to the interests of the Company.
- xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short-term assets except permanent working capital.
- xviii) The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4 (xviii) of the Order is not applicable.
- xix) The Company has not issued any debentures during the year and therefore paragraph 4(xix) of the Order is not applicable.
- xx) The Company has not raised any money by way of public issue during the year and therefore paragraph 4(xx) of the Order is not applicable.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

H. L. Shah
Partner

(Membership No. 33590)

Place : Bangalore
Date : 11 June 2004

TITAN INDUSTRIES

Twentieth annual report 2003-2004

Titan Industries Limited

Balance Sheet as at 31 March 2004

SOURCES OF FUNDS	Schedule	Rupees in lakhs	
		31-3-2004	31-3-2003
Shareholders' funds			
Share capital	A	8227.63	8227.63
Reserves and surplus	B	8284.93	8018.52
		16512.56	16246.15
Loan funds			
Secured loans	C	20360.99	12680.26
Unsecured loans	D	20310.32	34026.32
		40671.31	46706.58
Deferred tax liability		3514.04	4158.59
Total		60697.91	67111.32
APPLICATION OF FUNDS			
Fixed assets	E		
Gross block, at cost		39341.19	38174.25
Less : Depreciation		22011.51	19964.64
Net block		17329.68	18209.61
Advances on capital account and capital work in progress, at cost		406.59	965.67
		17736.27	19175.28
Investments	F	2758.33	3709.33
Current assets, loans and advances	G		
Inventories		16411.91	14191.74
Sundry debtors		14816.17	18638.08
Cash and bank balances		2684.92	2399.08
Loans and advances		19369.21	21708.33
		53282.21	56937.23
Less :			
Current liabilities and provisions	H		
Current liabilities		15062.27	16138.97
Provisions		1347.28	1188.05
		16409.55	17327.02
Net current assets		36872.66	39610.21
Miscellaneous expenditure (To the extent not written off or adjusted) Deferred revenue expenditure		3330.65	4616.50
Total		60697.91	67111.32
Notes	K		

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 11 June 2004

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A. C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

Bhaskar Bhat

Managing Director

Profit and Loss Account for the year ended 31 March 2004

		Rupees in lakhs	
INCOME	Schedule	Current Year	Previous Year
Sales		95852.47	79789.64
Less : Excise Duty		6363.76	6195.89
Net Sales Income		89488.71	73593.75
Other income	I	208.68	1039.97
Total		89697.39	74633.72
EXPENDITURE			
Operating and other expenses	J	79885.00	66407.48
Depreciation		2147.38	2113.78
Interest		3762.18	4134.67
Total		85794.56	72655.93
PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS		3902.83	1977.79
Exceptional items :			
Provision for diminution in value of investments		1000.00	1000.00
Provision for doubtful loans and advances		1500.00	—
		2500.00	1000.00
PROFIT BEFORE TAXES		1402.83	977.79
Income taxes - Current		896.00	487.00
- Deferred		(644.55)	(299.07)
		251.45	187.93
PROFIT AFTER TAXES FOR THE YEAR		1151.38	789.86
Less : Income tax of earlier years		33.33	168.85
NET PROFIT		1118.05	621.01
Profit brought forward		1718.37	1961.14
Amount available for appropriation		2836.42	2582.15
Appropriations			
Dividend paid on preference shares		332.15	367.10
Proposed dividend on equity shares		422.76	422.76
Tax on dividends		96.73	54.17
Transfer to general reserve		28.79	19.75
		880.43	863.78
Balance carried to balance sheet		1955.99	1718.37
Notes	K		
Earnings per share - Basic and diluted (Rs.)		1.76	0.60

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 11 June 2004

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A. C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

Bhaskar Bhat

Managing Director

TITAN INDUSTRIES

Twentieth annual report 2003-2004

Titan Industries Limited

Cash flow statement for the year ended 31 March 2004

	Schedule	Current Year	Rupees in lakhs Previous year
A. Cash flow from operating activities			
Net profit before tax		1402.83	977.79
Adjustments for :			
— Depreciation		2147.38	2113.78
— Unrealised Exchange difference		628.41	(87.23)
— Financial lease payments		57.94	60.88
— Loss/(profit) on sale of fixed assets (net)		25.50	52.18
— Diminution in value of investments (net)		999.70	1000.00
— Provision for doubtful debts		214.00	30.63
— Provision for doubtful advances		1500.00	—
— Interest income		(114.59)	(95.96)
— Dividend income		(29.14)	(903.26)
— Interest expense		3762.18	4134.67
Operating profit before working capital changes		10594.21	7283.48
Adjustments for :			
— (Increase)/Decrease in sundry debtors		3535.03	1976.72
— (Increase)/Decrease in inventories		(2220.17)	(1709.84)
— (Increase)/Decrease in loans and advances		(48.48)	(1394.77)
— Increase/(Decrease) in current liabilities and provisions		(633.23)	4997.79
— (Increase)/Decrease in miscellaneous expenditure		1285.85	(3998.67)
Cash generated from operations		12513.21	7154.71
— Direct taxes paid		(965.01)	(845.27)
Net cash from/(used in) operating activities		11548.20	6309.44
B. Cash flow from investing activities			
Additions to fixed assets(including capital work in progress and advances on capital account)		(809.77)	(1335.28)
Proceeds from sale of fixed assets		75.90	84.41
Purchase of investments - subsidiary company		(48.70)	—
Purchase of investments - Others		—	(2246.90)
Dividend received		29.14	903.26
Interest received		979.15	820.83
Net cash from/(used in) investing activities		225.72	(1773.68)
C. Cash flow from financing activities			
Proceeds from issue of preference share capital		3670.00	1050.00
Redemption of preference share capital		(3670.00)	(1050.00)
Proceeds from new borrowings		47134.38	57416.10
Repayment of borrowings		(53165.51)	(55015.80)
Financial lease payments		(57.94)	(60.88)
Dividends paid		(759.80)	(1093.84)
Interest paid		(4604.93)	(5082.18)
Net cash from/(used in) financing activities		(11453.80)	(3836.60)
Net cash flows during the year (A+B+C)		320.12	699.16
Cash and cash equivalents (opening balance)		2411.89	1712.73
Cash and cash equivalents (closing balance)		2732.01	2411.89

Notes:

- Cash and Cash equivalents exclude unrealised exchange loss of Rs. 47.09 lakhs (2003 : loss Rs. 12.81 lakhs)
- The figures for the previous year have been regrouped/recast, where necessary.

Per our report attached to the balance sheet

For A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 11 June 2004

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A. C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

Bhaskar Bhat

Managing Director

Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-2004	31-3-2003
"A" Share capital		
Authorised		
8,00,00,000 equity shares of Rs. 10 each	8000.00	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each	4000.00	4000.00
	<u>12000.00</u>	<u>12000.00</u>
Issued and subscribed		
4,22,76,270 equity shares of Rs. 10 each, fully paid up	4227.63	4227.63
Nil (2003 : 5,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	500.00
2,50,000 (2003 : 6,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	250.00	650.00
2,00,000 (2003 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	200.00
4,00,000 (2003 : 8,00,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up	400.00	800.00
Nil (2003 : 9,50,000) 8.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	950.00
2,00,000 (2003 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	200.00
5,50,000 (2003 : 7,00,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up	550.00	700.00
24,00,000 (2003 : Nil) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	2400.00	—
	<u>4000.00</u>	<u>4000.00</u>
	<u>8227.63</u>	<u>8227.63</u>

	Rupees in lakhs	
	31-3-2004	31-3-2003
"B" Reserves and surplus		
Capital reserve	13.23	13.23
Share premium account	6172.69	6172.69
General reserve		
As per last balance sheet	114.23	94.48
Add : Transfer from profit and loss account	28.79	19.75
	<u>143.02</u>	<u>114.23</u>
Balance in profit and loss account	1955.99	1718.37
	<u>8284.93</u>	<u>8018.52</u>

Titan Industries Limited

Schedules forming part of the accounts

	Rupees in lakhs	
	31-3-2004	31-3-2003
"C" Secured loans		
Term loans from financial institutions	1562.50	2812.50
Term loans from banks	11940.00	4990.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future	6858.49	4877.76
	20360.99	12680.26

	Rupees in lakhs	
	31-3-2004	31-3-2003
"D" Unsecured loans		
Fixed deposits	3260.32	4688.62
Short term loans and advances		
Loans from banks	11500.00	18987.70
Deposits from companies	5550.00	10350.00
	17050.00	29337.70
	20310.32	34026.32

	Rupees in lakhs							
	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-2003	Additions	Deductions	Cost as at 31-3-2004	For the year	As at 31-3-2004	As at 31-3-2004	As at 31-3-2003
Land - freehold	65.59	—	7.29	58.30	—	—	58.30	65.59
Land - leasehold	42.24	—	—	42.24	—	—	42.24	42.24
Buildings	4578.62	529.97	13.39	5095.20	125.47	1154.27	3940.93	3549.46
Plant, machinery and equipment	30880.12	689.79	67.49	31502.42	1848.54	19458.24	12044.18	13221.12
Furniture, fixtures and equipment	2428.17	125.31	88.47	2465.01	140.40	1308.72	1156.29	1221.65
Vehicles	179.51	23.78	25.27	178.02	32.97	90.28	87.74	109.55
TOTAL	38174.25	1368.85	201.91	39341.19	2147.38	22011.51	17329.68	
As at 31st March 2003	37813.75	695.95	335.45	38174.25	2113.78	19964.64		18209.61
Advances on capital account and capital work in progress, at cost							406.59	965.67
							17736.27	19175.28

Schedule forming part of the accounts

	Rupees in lakhs	
	31-3-2004	31-3-2003
"F" Investments		
Trade investments - long term		
Unquoted		
5,00,000 (2003: 5,00,000) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited	50.00	50.00
1,00,000 (2003: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited	10.00	10.00
5,010 (2003: 5,010) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited	0.50	0.50
42,210 (2003: 42,210) fully paid equity shares of Rs. 10 each in Titan Holdings Limited	40.15	40.15
60,000 (2003: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited	18.00	18.00
15,000 (2003: 15,000) fully paid equity shares of Rs. 10 each in Tanishq (India) Ltd.	1.50	1.50
1,42,000 (2003: 1,42,000) fully paid equity shares of Rs. 10 each in Samrat Holdings Ltd. (formerly RDI Print & Publishing Ltd.) * * in 2003 disclosed under Trade investments - current	2269.76	2269.76
	2389.91	2389.91
Investment in subsidiary companies - unquoted		
17,500 (2003: Nil) fully paid equity shares of Euro 5 each in Titan Brand Holdings NV	48.70	—
10,000 (2003: 10,000) fully paid equity shares of Euro 500 each in Titan International Holdings BV	2244.79	2244.79
Less : Provision for diminution in value of investments	2000.00	1000.00
	244.79	1244.79
Others		
Quoted		
74,932 (2003: Nil) 6.75% tax free bonds of Rs. 100 each of the Unit Trust of India	74.93	—
Unquoted		
Nil (2003: 7,46,328) units of Rs. 10 each of the Unit Trust of India (Repurchase price Rs.Nil; 2003: Rs.41.50 lakhs)	—	114.72
Less : Provision for diminution in value of investments	—	40.09
	—	74.63
	2758.33	3709.33
Aggregate amount of quoted investments	74.93	—
Aggregate amount of unquoted investments	2683.40	3709.33
Market value of quoted investments	81.30	—

Schedule forming part of the accounts

	Rupees in lakhs	
	<u>31-3-2004</u>	<u>31-3-2003</u>
"G" Current assets, loans and advances		
Inventories		
Consumable stores	306.21	342.00
Loose tools	141.56	161.68
Stock-in-trade		
Raw materials and bought-out components	3625.62	4816.36
Work in progress	3346.30	3670.14
Finished goods	8992.22	5201.56
	15964.14	13688.06
	16411.91	14191.74
Sundry debtors (unsecured)		
Over six months		
Considered good	1478.58	634.00
Considered doubtful	379.20	165.20
	1857.78	799.20
Others - considered good	13337.59	18004.08
	15195.37	18803.28
Less: Provision for doubtful debts	379.20	165.20
	14816.17	18638.08
Cash and bank balances		
Cash and cheques on hand	481.08	508.86
With scheduled banks - in current accounts	227.42	731.78
- on deposit	1062.44	469.20
- in transit	913.98	689.24
	2684.92	2399.08
Loans and advances (unsecured and considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
— from subsidiaries		
Considered good	11591.81	12165.83
Considered doubtful	1500.00	—
	13091.81	12165.83
— from others	7656.04	9374.94
Tax payments, net of provision	83.02	144.07
Balances with customs and excise authorities	38.34	23.49
	20869.21	21708.33
Less: Provision for doubtful loans and advances	1500.00	—
	19369.21	21708.33
	53282.21	56937.23

Schedules forming part of the accounts

		Rupees in lakhs	
		<u>31-3-2004</u>	<u>31-3-2003</u>
"H" Current liabilities and provisions			
Current liabilities			
Sundry creditors			
Due to small scale industrial undertakings	275.40		266.46
Due to subsidiary	0.13		38.91
Others	<u>14610.90</u>		<u>15555.05</u>
	14886.43		15860.42
Unclaimed dividends	62.22		67.11
Interest accrued but not due on loans	<u>113.62</u>		<u>211.44</u>
		15062.27	16138.97
Provisions			
Proposed dividend on equity shares	422.76		422.76
Retiring gratuities	423.74		466.15
Others	<u>500.78</u>		<u>299.14</u>
		<u>1347.28</u>	<u>1188.05</u>
		<u>16409.55</u>	<u>17327.02</u>

		Rupees in lakhs	
		<u>Current Year</u>	<u>Previous Year</u>
"I" Other income			
Interest from staff loans, vendor advances and bank deposits - gross (tax deducted at source on interest received Rs.5.77 lakhs; 2003: Rs.0.61 lakhs)			
		112.06	95.96
Income from trade investments - gross (tax deducted at source on dividend received Nil; 2003: Rs.94.84 lakhs)			
		29.14	903.26
Interest from tax free bonds of Unit Trust of India			
		2.53	—
Miscellaneous income			
		<u>64.95</u>	<u>40.75</u>
		<u>208.68</u>	<u>1039.97</u>

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Schedule forming part of the accounts

		Rupees in lakhs	
		Current Year	Previous Year
"J" Operating and other expenses			
Raw materials and components consumed		56665.94	45596.11
Loose tools, stores and spare parts consumed		1438.33	1212.34
Purchase of finished goods		1243.42	514.66
Payments to and provisions for employees			
Salaries and wages	6815.87		5702.70
Company's contribution to provident and other funds ...	466.27		346.25
Welfare expenses	769.81		643.37
Gratuity	445.32		464.85
Deferred revenue expenditure written off -VRS	960.48		517.84
		9457.75	7675.01
Other expenses			
Power and fuel	889.97		815.74
Repairs to buildings	82.08		79.07
Repairs to plant and machinery	200.91		222.04
Advertising	5982.21		4744.08
Selling and distribution expenses	1690.12		1496.75
Insurance	266.66		270.65
Rent	580.12		502.62
Rates and taxes	1298.87		1052.02
Travel	593.91		495.43
Deferred revenue expenditure written off	395.60		800.16
Provision for doubtful debts	214.00		30.63
General expenses	2381.54		1440.90
		14575.99	11950.09
Auditors' remuneration			
Audit fees	22.00		20.00
Fees for taxation matters	9.14		9.12
Fees for consolidation (including for earlier year Rs. Nil ; 2003 : Rs. 7 lakhs)	4.50		11.50
Fees for other services	7.05		5.76
Reimbursement of expenses and levies	4.02		3.68
		46.71	50.06
Directors' fees		4.25	3.95
Decrease/(Increase) in work in progress and finished goods			
Closing stocks			
Work in progress	3346.30		3670.14
Finished goods	8992.22		5201.56
	12338.52		8871.70
Opening stocks			
Work in progress	3670.14		3617.37
Finished goods	5201.56		4750.64
	8871.70		8368.01
		(3466.82)	(503.69)
		79965.57	66498.53
Less : Expenses capitalised		80.57	91.05
		79885.00	66407.48

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 / despatched 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.

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

- iii. Depreciation : Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for computers, which are depreciated @ 25% instead of 16.21% (Refer Note 30) and leased assets are depreciated over the primary lease period.

- iv. Foreign currency transactions : Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

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

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

In respect of transactions covered by forward exchange contracts, the difference between contract rate and spot rate on the date of the transaction is charged to the profit and loss account over the period of the contract, except in case of liabilities incurred for acquiring fixed assets.

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

- vi. Inventories : Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows :

- a) Consumable stores, loose tools, raw materials and components are valued on a moving weighted average rate.

- b) Work in progress and manufactured goods are valued on full absorption cost method based on the annual average cost of production.

- c) Traded goods are valued at annual average cost of purchases.

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

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

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.

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

Leave encashment benefit is provided on an actuarial basis.

- ix. Deferred revenue expenditure :
- a) 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.
 - b) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is determined on the basis of the net present value of the future payments, and amortised over a period of 60 months.
 - c) Consultancy charges for long-term operating and strategic initiatives are amortised over a period of three years.
- x. Deferred Taxation : Deferred taxation is accounted for in respect of all timing differences on a liability method. Deferred tax asset is recognised to the extent where the management is reasonably certain that the realisation is more likely than not.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.257.34 lakhs (2003 : Rs. 199.50 lakhs).
 3. Contingent liabilities not provided for - Rs.5765.38 lakhs (2003: Rs.7671.93 lakhs) comprising of the following :
 - i) Guarantees given by the Company to banks - Rs.3741 lakhs (2003 : Rs.4310 lakhs).
 - ii) Letter of comfort given to a bank - Rs. 500 lakhs (2003 : Rs.1588 lakhs).
 - iii) Bills discounted by trade - Rs.973 lakhs (2003 : Rs.1107 lakhs).
 - iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.551.38 lakhs (2003 : Rs.666.93 lakhs).
 4. a) The redeemable cumulative preference shares of Rs.100 each aggregating Rs.4000 lakhs are redeemable at par at the end of 7 years from the date of allotment as under

Sl. No.	Dividend Rate	Aggregate value	Allotment Date	Call/Put Option
1	9.50%	Rs. 250 lakhs	15 September 1997	18 months
2	9.25%	Rs. 200 lakhs	1 July 2000	18 months
3	9.00%	Rs. 400 lakhs	3 July 2001	18 months
4	8.00%	Rs. 200 lakhs	31 March 2003	18 months
5	7.00%	Rs. 50 lakhs	31 March 2003	18 months
6	7.00%	Rs. 300 lakhs	30 April 2003	12 months
7	7.00%	Rs. 200 lakhs	8 October 2003	Any time
8	6.75%	Rs. 900 lakhs	29 January 2004	18 months
9	6.75%	Rs. 1500 lakhs	31 March 2004	12 months

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

- b) 8% redeemable cumulative preference shares aggregating Rs 220 lakhs, 7.95% redeemable cumulative preference shares aggregating Rs 450 lakhs and 7% redeemable cumulative preference shares aggregating Rs 100 lakhs have been issued and redeemed during the year. As per the terms of issue, these preference shares were redeemable at par at the end of 7 years from the respective dates of allotment with an option for early redemption either by the Company or by the Holder(s).

5. Loan of Rs.1562.50 lakhs from a financial institution shown under secured loans (2003 : Rs.2812.50 lakhs) is secured by the securities stated below :
- secured by a first mortgage and charge of all the Company's immovable properties, both present and future; and
 - secured by a first charge by way of hypothecation of all the Company's movables, both present and future (save and except current assets).
6. The term loans from banks shown under secured loans include :
- Loan of Rs.8440 lakhs (2003 : Rs.4990 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - Loan of Rs.1000 lakhs (2003 : Rs.Nil) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and to be secured by way of an equitable mortgage of immovable properties of the Company, both present and future.
 - Loan of Rs.2500 lakhs (2003 : Rs.Nil) to be secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
7. The security covered under notes 5 and 6 (a) and (b) above rank pari passu. The security covered under note 6 (c) above ranks pari passu with the security for the cash credit facility.
8. The small scale industrial undertakings to whom the Company owes any sum, outstanding for more than 30 days are :
- | | |
|--------------------------------------|--|
| (i) A.S.R. Packaging Pvt Ltd | (xvii) Hitech Times |
| (ii) AAA Products P Ltd | (xviii) Horological Components Pvt Ltd |
| (iii) Amonia Marketing Co | (xix) Huja Industries |
| (iv) Arasu Enterprises | (xx) Indo Plast |
| (v) Arihant Technomac Ltd | (xxi) Medicon Leather Pvt Ltd |
| (vi) Art & Jewells | (xxii) P & S Galvasols |
| (vii) Bangalore Mechatronics Pvt Ltd | (xxiii) Peebee Enterprises |
| (viii) Bangalore Refinery Pvt Ltd | (xxiv) Perfect Engineering Works |
| (ix) Centura Watch Cases Pvt Ltd | (xxv) Plasma Gold Coating Pvt Ltd |
| (x) Chakson Engineering Co | (xxvi) Plastic Moulding Service |
| (xi) Classic Dials P Ltd | (xxvii) Sona Band |
| (xii) Conee Chains Pvt Ltd | (xxviii) Sona Horologicals Pvt Ltd |
| (xiii) Cony Bands Pvt Ltd | (xxix) Suraj Enterprises |
| (xiv) Delta Products | (xxx) Tecnicrafts Industries |
| (xv) G B Rubber Products | (xxxi) Vardhan Banda Ltd |
| (xvi) Hirsch Watch Straps Pvt Ltd | |
9. Exchange gain (net), included in the profit and loss account is Rs.67.00 lakhs (2003 : gain Rs.690.52 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 2004-2005 is Rs. Nil (2003-2004 : Rs.4.14 lakhs).
10. Sales includes sale of scrap Rs.206.47 lakhs (2003 : Rs. 164.84 lakhs), sale of accessories Rs.3525.67 lakhs (2003 : Rs. 3276.32 lakhs), sale of tools and components Rs. 190.83 lakhs (2003 : Rs. 155.02 lakhs) income from services provided Rs.81.66 lakhs (2003 :Rs. 32.07 lakhs) and is net of all discounts including cash discount of Rs.260.28 lakhs (2003 : Rs. 264.10 lakhs).
11. During the year, the Company has been allotted 6.75% tax free bonds of Unit Trust of India for an aggregate value of Rs.74.93 lakhs, in exchange for US 64 Units of Unit Trust of India held by the Company for an aggregate value of Rs.114.72 lakhs. The loss of Rs.39.79 lakhs arising out of the transaction has been netted off against the provision of Rs.40.09 lakhs made by the Company in the earlier years and the excess of Rs.0.30 lakhs has been included under miscellaneous income.

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12. (a) Interest expense disclosed in the profit and loss account is net of Rs.744.94 lakhs (2003 : Rs.936.49 lakhs) being interest received on advances (Tax deducted at source Rs.10.95 lakhs (2003 : Rs. 51.51 lakhs)).
(b) Interest on fixed loans amounts to Rs.2890.25 lakhs (2003 : Rs. 3744.08 lakhs).
13. Exceptional items comprising of provision for diminution in the value of investments and doubtful loans and advances relate to European operations.
14. The Directors' remuneration of Rs.53.05 lakhs, (2003 : Rs. 39.66 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs.3.56 lakhs (2003 : Rs. 3.24 lakhs), perquisites Rs.16.49 lakhs (2003 : Rs. 12.42 lakhs) and commission Rs.19.80 lakhs (2003 : Rs. 12.00 lakhs)

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

	2004	Rupees in lakhs 2003
Number of Whole-time Directors	1	1
Profit before taxes as per Profit and Loss Account	1402.83	977.79
Add: Directors' remuneration	53.05	39.66
Directors' fees	4.25	3.95
Depreciation provided in the accounts for the current year	2147.38	2113.78
Provision for Doubtful debts	214.00	30.63
Provision for diminution in value of investments(net)	999.70	1000.00
Provision for Doubtful loans and advances	1500.00	—
Wealth Tax	0.36	0.54
	6321.57	4166.35
Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year	1990.67	2042.55
Net profit	4330.90	2123.80

15. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 8 million watches (2003 : 7 million watches), 0.29 million jewellery pieces (2003 : 0.29 million jewellery pieces) and 0.30 million Table Clocks (2003 : 0.10 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.
16. The Company produced 67,87,333 watches (2003 : 58,59,000 watches) sold 67,89,187 watches - Rs. 47949.86 lakhs (2003 : 59,46,151 watches - Rs.41140.63 lakhs) and had a Closing Stock of 2,57,578 watches - Rs. 1967.07 lakhs (2003 : 2,59,432 watches - Rs.2354.01 lakhs; 2002 : 3,46,583 watches - Rs.3142.80 lakhs).
17. The Company produced 2,42,859 Table Clocks (2003 : 23,874) sold 2,38,278 Table Clocks - Rs.858.21 lakhs (2003 : 35,429 Table Clocks - Rs.249.63 lakhs) and had a closing stock of 33,907 Table Clocks - Rs. 37.01 lakhs (2003 : 29,326 Table Clocks - Rs.60.18 lakhs; 2002 : 40,881 Table Clocks - Rs.118.39 lakhs).
18. The Jewellery Division of the Company produced 13,05,573 jewellery pieces (2003 :13,92,338 jewellery pieces), purchased 15,687 jewellery pieces - Rs. 833.20 lakhs (2003 : 74,668 jewellery pieces - Rs. 199.01 lakhs), sold 12,66,056 jewellery pieces - Rs. 42380.16 lakhs (2003 : 13,72,450 jewellery pieces - Rs 34389.42 lakhs) and had a closing stock of 1,10,632 jewellery pieces - Rs. 6798.70 lakhs (2003 : 55,428 jewellery pieces - Rs.2684 lakhs, 2002 : 35,540 jewellery pieces - Rs 1434.03 lakhs).
19. The Company produced 20 machines (2003 : 14 machines) , capitalised 16 machines (2003 : 13 machines), sold 4 machines - Rs. 108.48 lakhs (2003 : 1 machine - Rs.1.39 lakhs), and had a closing stock of Nil machines - Rs. Nil (2003 : Nil - Rs. Nil , 2002 : Nil - Rs. Nil)

20. The Company purchased 44,188 watches – Rs.336.79 lakhs (2003 : 69,209 watches – Rs.315.64 lakhs), sold 49,067 watches – Rs. 449.76 lakhs (2003 : 55,439 watches - Rs 362.10 lakhs) and had a closing stock of 13,598 watches - Rs. 125.33 lakhs (2003 : 18,477 watches - Rs.80.56 lakhs; 2002 : 4,707 watches - Rs.19.14 lakhs).
21. The Company purchased Nil clocks – Rs. Nil (2003 : 2 clocks – Rs. 0.01 lakhs), sold 383 clocks – Rs. 4.14 lakhs (2003 : 5,600 clocks - Rs. 19.61 lakhs) and had a closing stock of 5,891 clocks - Rs. 18.53 lakhs (2003 : 6,274 clocks – Rs 22.15 lakhs; 2002 : 11,872 clocks - Rs.36.29 lakhs).
22. The Company purchased 33,029 sunglasses – Rs. 73.43 lakhs (2003 : Nil – Rs. Nil), sold 11,128 sunglasses – Rs. 96.83 lakhs (2003 : Nil - Rs. Nil) and had a closing stock of 21,901 sunglasses- Rs. 45.22 lakhs (2003 : Nil – Rs Nil; 2002 : Nil - Rs. Nil).
23. Analysis of raw materials and components consumed :

	2004	Rupees in lakhs 2003
Precious metals - Gold (2004 : 5786 Kgs.);(2003 : 4486 Kgs.)	33439.96	24226.59
- Others	575.80	1169.54
Brass	724.54	652.86
Steel	464.94	418.64
Components	17344.16	13988.29
Precious and semi-precious stones	3896.77	4755.15
Sundry charges	219.77	385.04
	56665.94	45596.11

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

24. Value of imports on CIF basis :

	2004	Rupees in lakhs 2003
Raw materials and components	12586.50	16228.39
Stores and spares	179.82	263.96
Capital goods	118.36	141.17
	12884.68	16633.52

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

	2004	Rupees in lakhs 2003
Interest	—	31.04
Professional and consultancy services	20.91	60.18
Others	913.35	1437.33

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

	2004	2003
(i) Number of Shareholders	7	8
(ii) Number of equity shares on which dividend was paid	29,200	33,700
(iii) Year to which the dividend related	2002-03	2001-02
(iv) Amount remitted (net of tax) (Rs in lakhs)	0.29	0.40

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27. Earnings in foreign exchange:

	2004	Rupees in lakhs 2003
Export of goods on FOB basis	8032.24	5098.93
Interest	632.63	691.22
Others	65.98	66.01

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

	2004		2003	
	Rupees in Lakhs	%	Rupees in Lakhs	%
Imported				
CIF Value	13048.28	23	16302.16	36
Customs duties	885.72	2	1339.14	3
	13934.00	25	17641.30	39
Indigenous	42731.94	75	27954.81	61
	56665.94	100	45596.11	100

29. Expenditure directly attributable to research and development is estimated at Rs.244.09 lakhs (2003 : Rs. 220.56 lakhs).

30. During the year the company has revised its estimated useful life of computers from 5 years to 4 years which has resulted in additional depreciation charge of Rs.95.39 lakhs.

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

	2004	Rupees in lakhs 2003
(a) Cost of vehicles	136.40	113.10
(b) Vehicles acquired during the year	23.30	5.20
(c) Net carrying amount	67.41	71.53

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

	Minimum Lease Payments outstanding	Present value of Minimum Lease Payments outstanding
Not later than one year	42.60 (2003: 35.59)	28.49 (2003: 25.82)
Later than one year and not later than five years	31.23 (2003:48.50)	20.53 (2003: 29.75)

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed and there is no rental variation clause. The lease tenor is of 48 months. There are no purchase options and escalation clauses, however, there are termination options

during the period of lease and renewal option at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease shall be reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

32. Obligation in respect of future lease rentals relating to lease finance availed prior to 1st April 2001, net of interest, is Rs. 55.64 lakhs (2003 : Rs. 102.82 lakhs).

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

	Rupees in lakhs	
	2004	2003
i) For a period not later than one year	51.60	—
ii) For a period later than one year and not later than five years	98.90	—
iii) For a period later than five years	—	—
Total	150.50	—

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

(c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating lease is Rs.0.12 lakhs (2003 – Rs.Nil)

34. (a) Sundry creditors include Rs.43.09 lakhs (2003 : Rs 49.88 lakhs) towards liability for lease of vehicles which falls due later than one year.

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

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

	Rupees in lakhs	
	2004	2003
Software and implementation costs (ERP)	—	106.64
Compensation to employees under VRS	3041.69	3931.94
Consultancy charges for long term operating and strategic initiatives	288.96	577.92
Total	3330.65	4616.50

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

	Rupees in lakhs		
	As at 31.03.2003	Tax effect for the year	As at 31.03.2004
Deferred Tax (Liability)			
Fixed Assets	(4204.92)	400.66	(3804.26)
Sub Total	(4204.92)	400.66	(3804.26)
Deferred Tax Asset			
Provision for doubtful debts	60.71	75.33	136.04
Disallowances under section 43B	187.17	(176.71)	10.46
Provision for leave salary/gratuity	31.32	71.59	102.91
Deferred revenue expenditure	(232.87)	273.68	40.81
Sub Total	46.33	243.89	290.22
Net Deferred Tax Asset / (Liability)	(4158.59)	644.55	(3514.04)

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

Rupees in lakhs

Sl. No	Nature of transaction	Promoters	Subsidiaries	Associates	Joint Venture Company	Key Management Personnel	Total
1.	Purchase of components and raw materials	— (—)	— (—)	4170.36 (3696.73)	144.36 (1198.06)	— (—)	4314.72 (4894.79)
2.	Sale of components and finished goods	97.36 (—)	1334.22 (1781.53)	14364.80 (23524.77)	4.31 (18.48)	— (—)	15800.69 (25324.78)
3.	Sale of Assets	— (—)	— (—)	2.09 (—)	— (0.44)	— (—)	2.09 (0.44)
4.	Purchase of Assets	— (—)	— (—)	— (13.83)	— (—)	— (—)	— (13.83)
5.	Construction of Infrastructure	— (—)	— (—)	— (499.84)	— (—)	— (—)	— (499.84)
6.	Income from services	— (—)	— (—)	— (27.52)	— (—)	— (—)	— (27.52)
7.	Reimbursement of expenses	27.49 (9.82)	283.73 (98.93)	381.14 (1281.97)	— (—)	— (—)	692.36 (1390.72)
8.	Interest income	— (—)	632.63 (691.22)	112.31 (245.28)	— (—)	— (—)	744.94 (936.50)
9.	Interest expense	— (91.85)	— (—)	19.19 (5.51)	— (—)	— (—)	19.19 (97.36)
10.	Rent paid	33.28 (31.74)	— (—)	— (—)	— (—)	— (—)	33.28 (31.74)
11.	Dividend received	— (—)	— (—)	29.14 (898.76)	— (4.50)	— (—)	29.14 (903.26)
12.	Dividend paid	149.23 (223.85)	— (—)	180.64 (293.66)	— (—)	— (—)	329.87 (517.51)
13.	Sitting fees paid	1.15 (0.85)	— (—)	— (—)	— (—)	— (—)	1.15 (0.85)
14.	Investments made	— (—)	48.70 (—)	— (2246.90)	— (—)	— (—)	48.70 (2246.90)
15.	Guarantees and letter of comfort given to banks	— (—)	— (—)	1500.00 (3200.00)	— (—)	— (—)	1500.00 (3200.00)
16.	Intercorporate deposits taken	— (3060.00)	— (—)	1590.00 (300.00)	— (—)	— (—)	1590.00 (3360.00)
17.	Intercorporate deposits repaid	— (5640.00)	— (—)	1590.00 (300.00)	— (—)	— (—)	1590.00 (5940.00)
18.	Preference Shares allotted	— (—)	— (—)	3670.00 (850.00)	— (—)	— (—)	3670.00 (850.00)
19.	Preference Shares redeemed	— (—)	— (—)	2750.00 (1000.00)	— (—)	— (—)	2750.00 (1000.00)
20.	Brand equity subscription	70.15 (5.00)	— (—)	— (—)	— (—)	— (—)	70.15 (5.00)
21.	Recovery of expenses	— (—)	— (—)	529.34 (697.21)	— (6.08)	— (—)	529.34 (703.29)
22.	Rendering of services	— (—)	— (—)	64.67 (85.46)	0.75 (19.49)	— (—)	65.42 (104.95)
23.	Loans (net) (-) repaid / disbursed	— (—)	(-562.76) (-203.10)	(-967.04) (-2063.90)	— (—)	— (—)	(-1529.80) (-2267.00)
24.	Managerial remuneration	— (—)	— (—)	— (—)	— (—)	53.05 (39.66)	53.05 (39.66)
25.	Consultancy services	— (17.15)	— (—)	— (—)	— (—)	— (—)	— (17.15)
26.	Advertising/Trademark advances (net)(-) repaid / reimbursed	— (—)	1861.26 (863.60)	(-687.31) (3054.53)	— (—)	— (—)	1173.95 (3918.13)

Balance as on balance sheet date
(Previous years figures are in brackets)

Rupees in lakhs

Balances as on balance sheet date	Promoters	Subsidiaries	Associates	Joint Venture Company	Key Management Personnel	Total
Debit balance	1.42 (—)	13091.81 (13068.14)	11799.48 (15631.37)	— (21.96)	— (—)	24892.71 (28721.47)
Guarantees and letter of comfort given to banks	— (—)	— (—)	2680.00 (3787.83)	— (—)	— (—)	2680.00 (3787.83)
Credit balance	5.71 (4.21)	0.13 (38.91)	25.58 (2.51)	— (1.76)	19.80 (12.00)	51.22 (59.39)

The above includes the following material related party transactions during the year:—

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(a) Purchase of components and raw materials	Associate	Titan TimeProducts Ltd	1535.39
	Associate	Tanishq (India) Ltd	2634.97
(b) Sale of components and finished goods	Associate	Titan International (Middle East) FZE	5634.97
	Associate	Tanishq (India) Ltd	8525.02
	Subsidiary	Titan Watches & Jewellery International (Asia Pacific) Pte Ltd	1334.22
(c) Guarantees given to banks	Associate	Tanishq (India) Ltd	1500
(d) Intercorporate deposits taken and repaid	Associate	RDI Print & Publishing Ltd	1550
(e) Preference shares allotted	Associate	RDI Print & Publishing Ltd	1000
	Associate	Samrat Holdings Ltd	1900
	Associate	Titan Holdings Ltd	600
(f) Preference shares redeemed	Associate	Titan Holdings Ltd	1440
	Associate	Samrat Holdings Ltd	945
(g) Loans (net) (-) repaid / disbursed	Associate	Titan Holdings Ltd	(-) 738.00
(h) Advertising / Trademarks advances (net)(-) repaid / reimbursed	Subsidiary	Titan Brand Holdings NV	1861.26
	Associate	Titan International Investments B.V	(-)1003.15

Names of related parties and description of relationship :

- a) Promoters : Tamilnadu Industrial Development Corporation Ltd
Tata Sons Ltd
- b) Subsidiaries : Titan International Holdings B.V.
Titan Brand Holdings N.V.
Titan Watch Co. Ltd, Hongkong (from 31.03.2004)
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd (upto 29.03.2004)
- c) Associates : Questar Investments Ltd
Tanishq (India) Limited
Titan Holdings Ltd
Titan Properties Ltd
Titan Mechatronics Ltd
Titan International Marketing Ltd
Titan International (Middle East) FZE
Titan International Investments B.V
Rockbourne Holding B.V (from 31.03.2004)
Reader's Digest Association Ltd (upto 30.03.2004)
Samrat Holdings Ltd (formerly RDI Print & Publishing Ltd)
Titan Watch Co. Ltd, Hongkong (upto 30.03.2004)
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd (from 30.03.2004)
Titan TimeProducts Ltd (from 31.05.2003)

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Titan Industries Limited

d) Joint Venture Company : Titan TimeProducts Ltd (upto 30.05.2003)

e) Key Management Personnel : Mr.Bhaskar Bhat, Managing Director

38. Earnings per share :

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

Rupees in lakhs

	2004	2003
a) Profit after tax for the year	1151.38	789.86
Less: i) Income tax of earlier years	33.33	168.85
ii) Dividend on preference shares	332.15	367.10
iii) Dividend tax on preference shares	42.56	—
	743.34	253.91
b) Weighted average number of equity shares	4,22,76,270	4,22,76,270
c) i) Nominal value of shares (Rs)	10.00	10.00
ii) Earnings per share - Basic and diluted (Rs)	1.76	0.60

39. Segment information for the year ended 31 March 2004

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

Rupees in lakhs

	Time Products Division	Jewellery Division	Corporate (Unallocated)	Total
Revenue				
Net sales/income from segments	46962	42527	—	89489
(There is no inter-segment revenue)	(39091)	(34503)	(—)	(73594)
Result				
Profit from segments before interest, other income and taxes and before exceptional items	5430 (3686)	2016 (1362)	10 (26)	7456 (5074)
Add : Other Income	125 (102)	41 (10)	43 (927)	209 (1039)
Profit from segments before interest and taxes and before exceptional items	5555 (3788)	2057 (1372)	53 (953)	7665 (6113)
Exceptional items	2500 (1000)	— —	— —	2500 (1000)
Profit from segments before interest and taxes	3055 (2788)	2057 (1372)	53 (953)	5165 (5113)
Less : Interest				3762 (4135)
Profit before taxes				1403 (978)
Taxes				252 (188)
Profit after taxes for the year				1151 (790)
Other Information				
Segment Assets	56683 (59962)	15926 (18972)	4498 (5504)	77107 (84438)
Segment Liabilities	11694 (10788)	4715 (6539)	— (—)	16409 (17327)
Capital expenditure during the year (including capital work-in-progress)	492 (980)	57 (20)	59 (—)	608 (1000)
Depreciation / Amortisation	2993 (3045)	511 (388)	(—) (—)	3504 (3433)

b) Secondary Geographical Segments

Rupees in lakhs

	India	Europe	Others	Total
Revenue	81390 (68429)	1018 (572)	7081 (4593)	89489 (73594)
Segment Assets	56658 (64312)	7802 (11358)	12647 (8768)	77107 (84438)
Capital expenditure during the year	608	—	—	608
(including capital Work-in-progress)	(1000)	(—)	(—)	(1000)

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

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

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

Following are the aggregate amounts of each of the assets, liabilities, income, expenses, capital commitment and contingent liability related to the company's interest in the joint venture. As TTPL is no longer a joint venture company with effect from 30.05.2003, only income and expenditure for the period 01.04.2003 to 30.05.03 has been disclosed.

Rupees in lakhs

	31.03.2004	31.03.2003
Assets		
Net fixed assets	—	90.70
Inventories	—	32.42
Sundry debtors	—	13.30
Cash & bank balance	—	0.16
Loans & advances	—	10.17
Liabilities		
Secured loans	—	37.26
Deferred tax	—	15.10
Current liabilities	—	20.70
Provisions	—	9.45
	2004	2003
Income		
Sales	33.75	261.24
Other income	0.09	3.38
Expenses		
Operating & other expenses	38.69	243.64
Depreciation/amortisation	2.27	12.55
Interest	0.84	5.03
Income tax	—	2.33
Deferred tax	—	0.56
Capital commitment	—	0.16
Contingent liability	Nil	Nil

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

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

I. REGISTRATION DETAILS

REGISTRATION NO.	STATE CODE
1 8 - 0 0 1 4 5 6	1 8
BALANCE SHEET DATE	
3 1 0 3 2 0 0 4	
DATE MONTH YEAR	

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

PUBLIC ISSUE	RIGHTS ISSUE
N I L	N I L
BONUS ISSUE	PREFERENTIAL ALLOTMENT
N I L	N I L

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

TOTAL LIABILITIES	TOTAL ASSETS
7 7 1 0 7 4 6	7 7 1 0 7 4 6

SOURCE OF FUNDS

PAID-UP CAPITAL	RESERVES & SURPLUS
8 2 2 7 6 3	8 2 8 4 9 3
DEFERRED TAX LIABILITY	SECURED LOANS
3 5 1 4 0 4	2 0 3 6 0 9 9
UNSECURED LOANS	
2 0 3 1 0 3 2	

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
1 7 7 3 6 2 7	2 7 5 8 3 3
NET CURRENT ASSETS	MISC. EXPENDITURE
3 6 8 7 2 6 6	3 3 3 0 6 5
ACCUMULATED LOSSES	
N I L	

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

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

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

ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
9 1 . 0 2	W A T C H E S
ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
9 1 . 0 3	C L O C K S
ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
7 1 . 1 3	J E W E L L E R Y

Signature to Schedules "A" to "K"
FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A. C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bhaskar Bhat

Managing Director

Bangalore, 11 June 2004

STATEMENT OF LOANS AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

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

Details of Loans and Advances outstanding from subsidiaries and associates as at 31 March 2004 are as follows :

- a) Loans and advances repayable within seven years and with interest not below the rate specified in Section 372 A of the Companies Act, 1956.
- (1) to subsidiaries
- (i) Titan International Holdings BV
- US\$ 4,800,000 (Rs 2085.60 lakhs); maximum during the year : US\$ 5,000,000 (Rs 2172.50 lakhs)
 - GBP 1,000,000 (Rs 801.80 lakhs); maximum during the year : GBP 1,000,000 (Rs 801.80 lakhs)
 - EUR 6,950,000 (Rs 3717.56 lakhs); maximum during the year : EUR 6,950,000 (Rs 3717.56 lakhs)
- (ii) Titan Brand Holdings NV
- US\$ 4,500,000 (Rs 1955.25 lakhs); maximum during the year : US\$ 4,500,000 (Rs 1955.25 lakhs)
 - NLG 7,500,000 (Rs 1820.45 lakhs); maximum during the year : NLG 7,500,000 (Rs 1820.45 lakhs)
- (2) to associates
- (i) Titan Watches & Jewellery International (Asia Pacific) Pte Ltd
- Nil; maximum during the year : US\$ 1,000,000 (Rs 434.50 lakhs)
- (ii) Titan International Investments BV
- Nil; maximum during the year : US\$ 1,900,000 (Rs 825.55 lakhs)
- Nil; maximum during the year : EUR 2,300,000 (Rs 1230.27 lakhs)
- (iii) Titan Holdings Ltd : Nil; maximum during the year : Rs 738 lakhs
- b) Advertising advances without interest, being utilised for brand-building, advertising and related expenses :
- (1) to subsidiaries
- Titan Brand Holdings NV
- EUR 2,675,000 (Rs 1430.86 lakhs); maximum during the year : EUR 3,125,000 (Rs 1671.56 lakhs)
 - US\$ 2,395,000 (Rs 1040.63 lakhs); maximum during the year : US\$ 2,679,000 (Rs 1164.03 lakhs)
- (2) to associates
- Titan International Marketing Ltd
- US\$ 3,933,144 (Rs 1708.95 lakhs); maximum during the year : US\$ 4,658,144 (Rs 2023.96 lakhs)
 - GBP 961,648 (Rs 771.05 lakhs); maximum during the year : GBP 1,011,648 (Rs 811.14 lakhs)
 - EUR 550,000 (Rs 294.20 lakhs); maximum during the year : EUR 600,000 (Rs 320.94 lakhs)
- c) Advances without interest, for purchase / development of land at Bangalore and the Titan Township near Hosur :
- (1) to subsidiaries : Nil
- (2) to associates
- Titan Properties Ltd : Rs 1950 lakhs; maximum during the year: Rs 2057.92 lakhs
- d) Firms / companies in which Directors are interested :
- Mr F K Kavarana is also a Director of Titan International Holdings BV, Titan International Investments BV and Titan International Marketing Ltd; and may therefore be considered to be interested in his fiduciary capacity. Mr Bhaskar Bhat is also a Director of Titan International Holdings BV, Titan Watches & Jewellery International (Asia Pacific) Pte Ltd, Titan Holdings Ltd, Titan Properties Ltd and Titan International Marketing Ltd; and may therefore be considered to be interested in his fiduciary capacity.
- e) None of the above companies hold any equity shares in Titan Industries Limited.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

	Ishaat Hussain	}	Directors
	P Baskaradoss		
	N N Tata		
	F K Kavarana		
	A C Mukherji		
K F Kapadia	T K Balaji		
Sr. Vice President - Finance	Rama Bijapurkar		
	R Vijaykumar		
	S Susai		
	Usha Iyengar	Bhaskar Bhat	Managing Director
	Company Secretary		

Bangalore, 11 June 2004

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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 Watch Co. Ltd.
2. Financial year of the Subsidiary	31 st March 2004	31 st March 2004	31 st March 2004
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 EUR 500 each (fully paid up)	*20,000 equity shares of EUR 5 each (fully paid up)	**10,000 equity shares of HKD 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 st March 2004	Nil	Nil	Nil
b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31 st March 2004	EUR 1,281,822	EUR (22,544)	Nil
5. Net aggregate amount of profit / (loss) for previous financial years of the Subsidiary since it became a subsidiary so far as as they concern the members of Titan Industries Limited			
a) Dealt with in the accounts of Titan Industries Limited for the year ended 31 st March 2004	Nil	Nil	Nil
b) Not dealt with in the accounts of Titan Industries Ltd for the year ended 31 st March 2004	EUR (582,908)	EUR (6,032)	Nil

* 2500 shares held by Titan Watch Co. Ltd

** held by Titan International Holdings BV

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

		Ishaat Hussain P Baskaradoss N N Tata F K Kavarana A C Mukherji T K Balaji Rama Bijapurkar R Vijaykumar S Susai	} Directors
	K F Kapadia Sr. Vice President - Finance		
Bangalore, 11 June 2004	Usha Iyengar Company Secretary	Bhaskar Bhat	Managing Director

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF TITAN INDUSTRIES LIMITED

We have audited the attached consolidated balance sheet of Titan Industries Limited and its subsidiaries ("Titan Group") as at 31st March 2004 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Titan Industries Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs 17590.81 lakhs as at 31st March 2004, total revenues of Rs. 6405.13 lakhs and cash outflows amounting to Rs 72.92 lakhs for the year then ended and associates whose financial statements reflect Titan Group's negative share of reserves and surplus upto 31st March 2004 of Rs 4103.50 lakhs including profit of Rs 134.43 lakhs for the year ended on that date as considered in the consolidated financial statements. Other than as stated in note 1 of the consolidated financial statements, these financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the management of Titan Industries Limited in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 - Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India and on the basis of the separate audited / unaudited financial statements of each of the Titan Group Companies as stated in note 1 of the consolidated financial statements.

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

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Titan Group as at 31st March 2004;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

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

Place: Bangalore
Date: 11th June, 2004

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

Titan Group

Consolidated Balance Sheet as at 31 March 2004

	Schedule	Rupees in lakhs	
		31-3-2004	31-3-2003
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	8227.63	8227.63
Reserves and surplus	B	8355.13	3768.89
		16582.76	11996.52
Loan funds			
Secured loans	C	20360.99	12717.52
Unsecured loans	D	20310.32	34026.32
		40671.31	46743.84
Deferred tax liability		3514.04	4173.69
Total		60768.11	62914.05
APPLICATION OF FUNDS			
Fixed assets	E		
Gross block, at cost		39341.19	41767.30
Less : Depreciation		22011.51	20077.78
Net block		17329.68	21689.52
Advances on capital account and capital work in progress, at cost		406.59	965.67
		17736.27	22655.19
Investments	F	2629.90	2567.37
Current assets, loans and advances	G		
Inventories		16411.91	14532.60
Sundry debtors		14816.17	18060.07
Cash and bank balances		2714.94	2502.18
Loans and advances		21368.34	16273.19
		55311.36	51368.04
Less :			
Current liabilities and provisions	H		
Current liabilities		18141.59	18587.82
Provisions		1347.28	1197.50
		19488.87	19785.32
Net current assets		35822.49	31582.72
Miscellaneous expenditure (To the extent not written off or adjusted)			
Deferred revenue expenditure		4579.45	6108.77
Total		60768.11	62914.05
Notes	K		

Per our report attached

For A. F. Ferguson & Co.
Chartered Accountants

H L Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bangalore, 11 June 2004

For and on behalf of the Board of Directors,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A.C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

Bhaskar Bhat

Managing Director

Consolidated Profit and Loss Account for the year ended 31 March 2004

	Schedule	Rupees in lakhs	
INCOME		Current Year	Previous Year
Sales		96377.95	80749.66
Less : Excise Duty		6363.76	6195.89
Net Sales Income		<u>90014.19</u>	<u>74553.77</u>
Other income	I	3717.04	1499.98
Total		<u>93731.23</u>	<u>76053.75</u>
EXPENDITURE			
Operating and other expenses	J	80945.24	67219.88
Depreciation / Amortisation		2316.98	2126.52
Interest		4219.35	4642.89
Total		<u>87481.57</u>	<u>73989.29</u>
PROFIT BEFORE TAXES		6249.66	2064.46
Income taxes — Current		1023.10	534.72
— Deferred		<u>(644.55)</u>	<u>(299.63)</u>
		378.55	235.09
PROFIT AFTER TAXES FOR THE YEAR		5871.11	1829.37
Less : Income tax of earlier years		33.33	168.85
		<u>5837.78</u>	<u>1660.52</u>
Share of profits less losses of associates		233.85	(514.76)
Less: Amortisation of goodwill on consolidation		<u>213.98</u>	<u>—</u>
		19.87	(514.76)
NET PROFIT		<u>5857.65</u>	<u>1145.76</u>
Details of movement in retained earnings	B		
Notes	K		
Earnings per share - Basic and diluted (Rs.)		12.97	1.84

Per our report attached to the balance sheet

For A. F. Ferguson & Co.
Chartered Accountants

H L Shah
Partner

Bangalore, 11 June 2004

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

For and on behalf of the Board of Directors,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A.C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

Bhaskar Bhat

Managing Director

Titan Group

Consolidated Cash Flow Statement for the year ended 31 March 2004

	Rupees in lakhs	
	Current year	Previous year
A. Cash flow from operating activities	6,249.66	2,064.46
Net profit before tax		
Adjustments for :	2,316.98	2,126.52
-Depreciation / Amortisation	488.48	(221.53)
-Unrealised Exchange difference	57.94	60.88
-Financial lease payments	(3,118.16)	52.52
-Loss/(profit) on sale of fixed assets(net)	840.09	—
-Loss/(profit) on sale of Investments (net)	214.00	30.63
-Provision for doubtful debts	(112.68)	(96.23)
-Interest income	(31.67)	(905.73)
-Dividend income	4,219.35	4,642.89
-Interest expense	103.34	(156.51)
-Translation adjustment on consolidation		
Operating profit before working capital changes	11,227.33	7,597.90
Adjustments for :	2,957.03	1,917.43
-(Increase)/Decrease in sundry debtors	(1,893.59)	(1,484.34)
-(Increase)/Decrease in inventories	(5,667.30)	(1,188.08)
-(Increase)/Decrease in loans and advances	222.20	5,131.95
-(Increase)/(Decrease) in current liabilities and provisions	1,529.32	(3,754.12)
-(Increase)/Decrease in miscellaneous expenditure		
Cash generated from operations	8,374.99	8,220.74
-Direct taxes paid	(1,121.09)	(897.88)
Net cash from/(used in) operating activities (A)	7,253.90	7,322.86
B. Cash flow from investing activities	(810.82)	(1,355.83)
Additions to fixed assets (including capital work in progress and advances on capital account)	6,022.07	84.45
Proceeds from sale of fixed assets	749.86	—
Proceeds from sale of Investments - subsidiary company	160.34	—
Proceeds from sale of Investments - Others	(2,027.35)	(2,246.90)
Purchase of investments	31.67	905.73
Dividend received	482.00	525.66
Interest received		
Net cash from/(used in) investing activities (B)	4,607.77	(2,086.89)
C. Cash flow from financing activities	3,670.00	1,050.00
Proceeds from issue of preference share capital	(3,670.00)	(1,050.00)
Redemption of preference share capital	47,134.38	57,416.10
Proceeds from borrowings	(53,202.76)	(55,726.18)
Repayment of borrowings	(57.94)	(60.88)
Financial lease payments	(759.80)	(1,093.84)
Dividends paid	(4,728.51)	(5,097.38)
Interest paid		
Net cash from/(used in) financing activities (C)	(11,614.63)	(4,562.18)
Net cash flows during the year(A+B+C)	247.04	673.79
Cash and cash equivalents (opening balance)	2,514.99	1,841.20
Cash and cash equivalents (closing balance)	2,762.03	2,514.99

Notes

- Cash and cash equivalents exclude unrealised exchange loss of Rs. 47.09 lakhs (2003 : loss Rs. 12.81 lakhs)
- The figures for the previous year have been regrouped / recast, where necessary.

Per our report attached to the balance sheet

For A. F. Ferguson & Co.
Chartered Accountants

H L Shah
Partner

K. F. Kapadia
Sr. Vice President - Finance

Usha Iyengar
Company Secretary

Bangalore, 11 June 2004

For and on behalf of the Board of Directors,

Ishaat Hussain
P. Baskaradoss
N. N. Tata
F. K. Kavarana
A.C. Mukherji
T. K. Balaji
Rama Bijapurkar
R. Vijaykumar
S. Susai

Directors

Bhaskar Bhat

Managing Director

Schedule forming part of the consolidated accounts

	Rupees in lakhs	
	31-3-2004	31-3-2003
" A "Share capital		
Authorised		
8,00,00,000 equity shares of Rs. 10 each	8000.00	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each	4000.00	4000.00
	12000.00	12000.00
Issued and subscribed		
4,22,76,270 equity shares of Rs. 10 each, fully paid up	4227.63	4227.63
Nil (2003 : 5,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	500.00
2,50,000 (2003 : 6,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	250.00	650.00
2,00,000 (2003 : 2,00,000) 9.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	200.00
4,00,000 (2003 : 8,00,000) 9% redeemable cumulative preference shares of Rs. 100 each, fully paid up	400.00	800.00
Nil (2003 : 9,50,000) 8.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	950.00
2,00,000 (2003 : 2,00,000) 8% redeemable cumulative preference shares of Rs. 100 each, fully paid up	200.00	200.00
5,50,000 (2003 : 7,00,000) 7% redeemable cumulative preference shares of Rs. 100 each, fully paid up	550.00	700.00
24,00,000 (2003 : Nil) 6.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	2400.00	—
	4000.00	4000.00
	8227.63	8227.63

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		Rupees in lakhs	
		31-3-2004	31-3-2003
Schedule forming part of the consolidated accounts			
" B " Reserves and surplus			
Capital reserve	19.48		19.48
Less: Transferred to carrying cost of investment on a joint venture company becoming an associate company	6.25	13.23	—
		6172.69	6172.69
Share premium account		(832.75)	(936.08)
Translation adjustment on consolidation			
General reserve			
As per last balance sheet	115.30		95.55
Less: Transferred to carrying cost of investment on a joint venture company becoming an associate company	1.07		—
	114.23		95.55
Add : Transfer from profit and loss account	28.79		19.75
		143.02	115.30
Share of profits less losses of associates			
Share of brought forward profits less losses of associates	(4039.13)		(3524.37)
Add: Share of profits less losses of associates for the year	19.87		(514.76)
(net of amortisation of goodwill on consolidation)		(4019.26)	(4039.13)
Balance in profit and loss account			
Balance of profit brought forward	2436.63		1639.89
Less: Transferred to carrying cost of investment on a joint venture company becoming an associate company	6.93		—
Less: Amortisation of intangible asset of earlier years	508.85		—
	1920.85		1639.89
Net profit after taxes for the year	5837.78		1660.52
	7758.63		3300.41
Appropriations			
Dividend paid on preference shares	332.15		367.10
Proposed dividend on equity shares	422.76		422.76
Tax on dividends	96.73		54.17
Transfer to general reserve	28.79		19.75
	880.43		863.78
		6878.20	2436.63
		8355.13	3768.89

Schedules forming part of the consolidated accounts

	31-3-2004	Rupees in lakhs 31-3-2003
" C "Secured loans		
Term loans from financial institutions	1562.50	2812.50
Term loans from banks	11940.00	4990.00
Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future	6858.49	4915.02
	<u>20360.99</u>	<u>12717.52</u>
" D "Unsecured loans		
Fixed deposits	3260.32	4688.62
Short term loans and advances		
Loans from banks	11500.00	18987.70
Deposits from companies	5550.00	10350.00
	<u>17050.00</u>	<u>29337.70</u>
	<u>20310.32</u>	<u>34026.32</u>

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Schedules forming part of the consolidated accounts

" E " Fixed Assets

Rupees in lakhs

	GROSS BLOCK			DEPRECIATION/ AMORTISATION			NET BLOCK	
	Cost as at 1-4-2003	Additions	Deductions	Cost as at 31-3-2004	For the year	As at 31-3-2004	As at 31-3-2004	As at 31-3-2003
Land - freehold	65.59	—	7.29	58.30	—	—	58.30	65.59
Land - leasehold	46.08	—	3.84	42.24	—	—	42.24	44.68
Buildings	4621.47	529.97	56.24	5095.20	125.47	1154.27	3940.93	3578.78
Plant, machinery and equipment	31026.08	690.84	214.50	31502.42	1849.14	19458.24	12044.18	13276.29
Furniture, fixtures and equipment	2437.29	125.31	97.59	2465.01	140.40	1308.72	1156.29	1223.85
Vehicles	181.56	23.78	27.32	178.02	32.97	90.28	87.74	111.10
Intangible assets								
- Trademarks	3389.23	—	3389.23	—	169.00	—	—	3389.23
TOTAL	41767.30	1369.90	3796.01	39341.19	2316.98	22011.51	17329.68	
As at 31st March 2003	41386.64	716.71	336.05	41767.30	2126.52	20077.78		21689.52
Advances on capital account and capital work in progress, at cost							406.59	965.67
							17736.27	22655.19

31-3-2004 Rupees in lakhs
31-3-2003

" F " Investments

Trade Investments

Long Term

Share in associates (accounted on equity method)

Equity shares - Fully paid, unquoted

Titan Properties Limited	10.41	10.41
Titan Mechatronics Limited	1.05	1.02
Titan Holdings Limited	120.98	118.79
(net of capital reserve of Rs. 8.65 lakhs; 2003 : Rs. 8.65 lakhs)		
Questar Investments Limited	94.46	89.64
Tanishq (India) Limited	3.12	3.12
Samrat Holdings Limited (formerly RDI Print & Publishing Limited) * (including goodwill of Rs. 123.38 lakhs) * in 2003 disclosed under current investments (accounted at cost)	2269.76	2269.76
Titan TimeProducts Limited	55.19	—
(net of capital reserve of Rs. 14.25 lakhs)		
		2554.97

Preference shares - Fully paid, unquoted

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

Others

Quoted		
6.75% tax free bonds of Unit Trust of India	74.93	—
Unquoted		
Units of Unit Trust of India	—	114.72
Less : Provision for diminution in value of investments	—	40.09
		74.63
	2629.90	2567.37

Schedule forming part of the consolidated accounts

	31-3-2004	Rupees in lakhs 31-3-2003
" G " Current assets, loans and advances		
Inventories		
Consumable stores	306.21	342.00
Loose tools	141.56	161.68
Stock-in-trade		
Raw materials and bought-out components	3625.62	4834.50
Work in progress	3346.30	3671.38
Finished goods (net of Rs. 315.76 lakhs on sale of subsidiary; 2003:Rs.nil)	8992.22	5523.04
	15964.14	14028.92
	16411.91	14532.60
Sundry debtors (unsecured)		
Over six months		
Considered good	1478.58	691.25
Considered doubtful	379.20	165.20
	1857.78	856.45
Others - considered good	13337.59	17368.82
	15195.37	18225.27
Less: Provision for doubtful debts	379.20	165.20
	14816.17	18060.07
Cash and bank balances		
Cash and cheques on hand	481.08	508.88
With scheduled banks - in current accounts	257.44	829.47
- on deposit	1062.44	474.59
- in transit	913.98	689.24
	2714.94	2502.18
Loans and advances (unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	21247.80	16119.98
Tax payments, net of provision	82.20	129.37
Balances with customs and excise authorities	38.34	23.84
	21368.34	16273.19
	55311.36	51368.04

Titan Group

Schedules forming part of the consolidated accounts

	31-3-2004	Rupees in lakhs 31-3-2003
" H " Current liabilities and provisions		
Current liabilities		
Sundry creditors	15972.74	16369.42
Share of losses of associates (net of investments in equity and preference shares)	1705.45	1939.85
Deferred income on group transactions	287.56	—
Unclaimed dividends	62.22	67.11
Interest accrued but not due on loans	113.62	211.44
	18141.59	18587.82
Provisions		
Proposed dividend on equity shares	422.76	422.76
Retiring gratuities	423.74	473.58
Others	500.78	301.16
	1347.28	1197.50
	19488.87	19785.32
" I " Other income		
	Current Year	Previous Year
Interest from staff loans, vendor advances and bank deposits - gross	112.68	96.23
Income from trade investments - gross	29.14	905.73
Interest from Tax free bonds of Unit Trust of India	2.53	—
Royalty Income	389.58	456.52
Profit on sale of fixed assets (net)	3118.16	—
Miscellaneous income	64.95	41.50
	3717.04	1499.98

Schedule forming part of the consolidated accounts

	Current Year	Rupees in lakhs Previous Year
"J" Operating and other expenses		
Raw materials and components consumed	56665.94	45756.84
Loose tools, stores and spare parts consumed	1438.33	1213.90
Purchase of finished goods	1272.16	536.08
Payments to and provisions for employees		
Salaries and wages	6835.81	5763.45
Company's contribution to provident and other funds	466.27	349.02
Welfare expenses	769.81	645.86
Gratuity	445.32	465.93
Deferred revenue expenditure written off -VRS	960.48	517.84
	9477.69	7742.10
Other expenses		
Power and fuel	889.97	820.66
Repairs to buildings	82.08	80.13
Repairs to plant and machinery	200.91	225.33
Office and administration expenses	50.87	21.58
Advertising	6106.23	4880.33
Selling and distribution expenses	1715.58	1524.05
Insurance	266.66	272.18
Rent	583.95	508.34
Rates and taxes	1298.87	1054.00
Travel	599.99	504.97
Deferred revenue expenditure written off - others	639.63	1050.15
Loss on sale of Investments (net)	840.09	—
Bad debts written off	—	6.59
Provision for doubtful debts	214.00	30.63
General expenses	2104.53	1302.62
	15593.36	12281.56
Auditors' remuneration		
Audit fees	23.39	20.19
Fees for taxation matters	9.14	9.25
Fees for consolidation (including for earlier year Rs. nil; 2003 : Rs.7 lakhs)	4.50	11.50
Fees for other services	7.17	7.76
Reimbursement of expenses and levies	4.02	3.78
	48.22	52.48
Directors' fees	4.25	4.11
Decrease/(Increase) in work in progress and finished goods		
Closing stocks		
Work in progress	3346.30	3671.38
Finished goods	9307.98	5523.04
	12654.28	9194.42
Opening stocks		
Work in progress	3671.38	3620.32
Finished goods	5523.04	5297.96
	9194.42	8918.28
Less : On a joint venture company becoming an associate company	14.28	—
	9180.14	8918.28
	(3474.14)	(276.14)
	81025.81	67310.93
	80.57	91.05
Less : Expenses capitalised	80945.24	67219.88

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Schedule forming part of the consolidated accounts

"K" Notes to the accounts

1. Basis of Consolidation:

The Consolidated Financial Statements comprise the financial statement of Titan Industries Limited and its subsidiaries (Titan Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements, AS 23 on Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 on Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.

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

Name of the company	Country of incorporation	Ownership interest	
		31.3.2004	31.3.2003
Titan International Holdings BV (TIHBV)	Netherlands	100%	100%
Titan Watch Company Limited (TWCL), [100% held by TIHBV; 2003 : 100% held by Titan International Investments B. V. (TIIBV)]	Hongkong	100%	—
Titan Brand Holdings NV (87.50% held by TIHBV, 12.50% by TWCL; 2003: 100 % held by TIHBV)	West Indies	100%	100%
Titan Watches & Jewellery International (Asia Pacific) Pte. Limited (100 % held by TIHBV up to 29.03.2004)	Singapore	—	100%

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March 2004. Financial statements of all subsidiaries used in consolidation are audited except for TWCL. However, TWCL commenced business only on 31st March, 2004.

The joint venture company viz. Titan TimeProducts Limited (TTPL) incorporated in India has become an associate company effective 30th May 2003. However, the effect of change has been accounted in the consolidated financial statements effective 1st April 2003 in accordance with the AS 27 on Financial Reporting of Interests in Joint Ventures, in view of the volume of operations of the joint venture being not material during the period 1st April 2003 to 30th May 2003.

In accordance with AS 23, the investment in associate company viz. Samrat Holdings Limited (formerly RDI Print & Publishing Limited) was accounted for in accordance with AS 13, on Accounting for Investments, in preparation of Consolidated Financial Statements as at 31st March 2003 as the said investment was acquired and held exclusively with a view to its subsequent disposal. On sale of the publishing business of the said company on 30th September 2003, these investments have been considered in consolidation based on equity method as provided in AS 23.

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

Sr. No.	Name of the company	Ownership interest	
		31.3.2004	31.3.2003
1.	Titan TimeProducts Limited (a joint venture with 25% ownership interest up to 30th May, 2003)	25.00%	—
2.	Tanishq (India) Limited	0.58%	0.58%
3.	Titan Properties Limited	29.85%	29.85%
4.	Titan Mechatronics Limited	9.82%	9.82%
5.	Titan Holdings Limited	49.66%	49.66%
6.	Questar Investments Limited	25.00%	25.00%
7.	Samrat Holdings Limited (formerly RDI Print & Publishing Limited)	49.98%	49.98%
8.	Titan International Investments BV (TIIBV) (19% held by TIHBV, a subsidiary company)	19.00%	19.00%
9.	Titan Watches & Jewellery International (Asia Pacific) Pte Limited (TAPL) (100% held by TIIBV, an associate company, from 30th March, 2004; 2003 : 100% held by TIHBV, a subsidiary company)	19.00%	—
10.	Titan International Marketing Limited (TIML) (68.75 % held by TIIBV, an associate company)	13.06%	13.06%
11.	Rockbourne Holding B.V.(RHBV) (19% held by TIIBV, an associate company, from 31st March, 2004)	3.61%	—
12.	Titan International (Middle East), FZE (TIME) (100 % held by RHBV, an associate company of TIIBV, from 31st March, 2004; 2003 : 100% held by TIIBV, an associate company)	3.61%	19.00%

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

Sr. No.	Name of the company	Voting Power	
		31.3.2004	31.3.2003
1.	TAPL	—	100%
2.	TIML	—	—
3.	RHBV	—	—
4.	TIME	—	—

The audited financial statements of the above associate companies (except of RHBV whose financial statement is unaudited) considered in the consolidation are drawn up to the same reporting date as that of the parent company i.e. 31st March 2004 except for TIIBV and TIML whose financial year is ending on 31st December 2003, however, effect has been given to unaudited financial statements upto 31st March 2004.

2. Accounting policies :

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

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

Income from royalty is recognised on an accrual basis.

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

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

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

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

- iii. Depreciation : Depreciation has been provided on the straight line method over the estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956 whichever is lower. Leased assets are depreciated over the primary lease period.

- iv. Amortisation :

a) Intangible assets have been amortised on the straight line method over its estimated useful life (refer Note.20).

b) Goodwill arising on consolidation is amortised to the extent of share of profits, of the concerned associate company, accounted in Titan Group.

- v. Foreign currency transactions : Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

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

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

In respect of transactions covered by forward exchange contracts, the difference between contract rate and spot rate on the date of the transaction is charged to the profit and loss account over the period of the contract, except in case of liabilities incurred for acquiring fixed assets.

Translation adjustment on consolidation of foreign subsidiaries is directly taken to reserves and surplus.

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

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

- vii. Inventories: Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows :

a) Consumable stores, loose tools, raw materials and components are valued on a moving weighted average rate.

b) Work in progress and manufactured goods are valued on full absorption cost method based on the annual average cost of production.

c) Traded goods are valued at annual average cost of purchases.

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

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

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

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

Leave encashment benefit is provided on an actuarial basis.

x. Deferred revenue expenditure :

- a) 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.
- b) Initial expenses incurred in connection with the incorporation of the company are amortised over a period of five years.
- c) Design and development costs, which are expected to be recovered through royalty income from affiliates, are amortised over a period of ten years.
- d) Compensation to employees who have opted for retirement under Voluntary Retirement Scheme (VRS) of the Company, paid and payable, is determined on the basis of the net present value of the future payments, and amortised over a period of 60 months.
- e) Consultancy charges for long-term operating and strategic initiatives are amortised over a period of three years.

xi. Deferred Taxation: Deferred taxation is accounted for in respect of all timing differences on a liability method. Deferred tax asset is recognised to the extent where the management is reasonably certain that the realisation is more likely than not.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.257.34 lakhs (2003 : Rs. 199.66 lakhs).
4. Contingent liabilities not provided for - Rs.5765.38 lakhs (2003: Rs.7671.93 lakhs) comprising of the following :
 - i) Guarantees given by the Company to banks - Rs.3741 lakhs (2003 : Rs.4310 lakhs).
 - ii) Letter of comfort given to a bank - Rs. 500 lakhs (2003 : Rs.588 lakhs).
 - iii) Bills discounted by trade - Rs.973 lakhs (2003 : Rs.2107 lakhs).
 - iv) Claims against the Company not acknowledged as debts : Sales tax, Customs, Excise and Income tax matters - Rs.551.38 lakhs (2003 : Rs.666.93 lakhs).
5. a) The redeemable cumulative preference shares of Rs.100 each aggregating Rs.4000 lakhs are redeemable at par at the end of 7 years from the date of allotment as under

Sr. No.	Dividend Rate	Aggregate value	Allotment Date	Call/Put Option
1	9.50%	Rs. 250 lakhs	15 September 1997	18 months
2	9.25%	Rs. 200 lakhs	1 July 2000	18 months
3	9.00%	Rs. 400 lakhs	3 July 2001	18 months
4	8.00%	Rs. 200 lakhs	31 March 2003	18 months
5	7.00%	Rs. 50 lakhs	31 March 2003	18 months
6	7.00%	Rs. 300 lakhs	30 April 2003	12 months
7	7.00%	Rs. 200 lakhs	8 October 2003	Any time
8	6.75%	Rs. 900 lakhs	29 January 2004	18 months
9	6.75%	Rs. 1500 lakhs	31 March 2004	12 months

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- The Preference shares may be redeemed, either at the option of the Company or by the Holder(s), at any time after the expiry of 18 months / 12 months / any time from the date of allotment, as mentioned above. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the Holder(s).
- b) 8% redeemable cumulative preference shares aggregating Rs 220 lakhs, 7.95% redeemable cumulative preference shares aggregating Rs 450 lakhs and 7% redeemable cumulative preference shares aggregating Rs 100 lakhs have been issued and redeemed during the year. As per the terms of issue, these preference shares were redeemable at par at the end of 7 years from the respective dates of allotment with an option for early redemption either by the Company or by the Holder(s).
6. Loan of Rs.1562.50 lakhs from a financial institution shown under secured loans (2003 : Rs.2812.50 lakhs) 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).
7. The term loans from banks shown under secured loans include :
- a) Loan of Rs.8440 lakhs (2003 : Rs.4990 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and by way of an equitable mortgage of immovable properties of the Company, both present and future.
- b) Loan of Rs.1000 lakhs (2003 : Rs.Nil) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and to be secured by way of an equitable mortgage of immovable properties of the Company, both present and future.
- c) Loan of Rs.2500 lakhs (2003 : Rs.Nil) to be secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.
8. The security covered under notes 6 and 7 (a) and (b) above rank pari passu. The security covered under note 7 (c) above ranks pari passu with the security for the cash credit facility.
9. Exchange gain (net), included in the profit and loss account is Rs.387.71 lakhs (2003: gain Rs.860.49 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 2004-2005 is Rs. Nil (2003-2004 : Rs.4.14 lakhs).
10. Sales includes sale of scrap Rs.206.47 lakhs (2003 : Rs. 164.84 lakhs), sale of accessories Rs.3525.67 lakhs (2003 : Rs. 3276.32 lakhs), sale of tools and components Rs. 190.83 lakhs (2003 : Rs. 155.02 lakhs) income from services provided Rs.81.66 lakhs (2003 : Rs. 32.08 lakhs) and is net of all discounts including cash discount of Rs.260.28 lakhs (2003 : Rs. 264.10 lakhs).
11. During the year, the Company has been allotted 6.75% tax free bonds of Unit Trust of India for an aggregate value of Rs.74.93 lakhs, in exchange for US 64 Units of Unit Trust of India held by the Company for an aggregate value of Rs.114.72 lakhs. The loss of Rs.39.79 lakhs arising out of the transaction has been netted off against the provision of Rs.40.09 lakhs made by the Company in the earlier years and the excess of Rs.0.30 lakhs has been included under miscellaneous income.
12. Interest expense disclosed in the profit and loss account is net of Rs.411.34 lakhs (2003 : Rs.443.47 lakhs) being interest received on advances.
13. The Directors' remuneration of Rs.53.05 lakhs, (2003 : Rs. 41.16 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs.3.56 lakhs (2003 : Rs. 3.24 lakhs), perquisites Rs.16.49 lakhs (2003 : Rs. 12.42 lakhs) and commission Rs.19.80 lakhs (2003 : Rs. 12.00 lakhs)
14. Expenditure directly attributable to research and development is estimated at Rs.244.09 lakhs (2003 : Rs. 220.56 lakhs).

15. During the year the company has revised its estimated useful life of computers from 5 years to 4 years which has resulted in additional depreciation charge of Rs.95.39 Lakhs.

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

	Rupees in lakhs	
	2004	2003
(a) Cost of vehicles	136.40	113.10
(b) Vehicles acquired during the year	23.30	5.20
(c) Net carrying amount	67.41	71.53

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

Rupees in lakhs

	Minimum Lease Payments outstanding	Present value of Minimum Lease Payments outstanding
Not later than one year	42.60 (2003: 35.59)	28.49 (2003: 25.82)
Later than one year and not later than five years	31.23 (2003:48.50)	20.53 (2003: 29.75)

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

17. Obligation in respect of future lease rentals relating to finance lease availed prior to 1st April 2001, net of interest, is Rs. 55.64 lakhs (2003 : Rs. 102.82 lakhs).

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

Rupees in lakhs

	Rupees in lakhs	
	2004	2003
i) For a period not later than one year	51.60	—
ii) For a period later than one year and not later than five years	98.90	—
iii) For a period later than five years	—	—
Total	150.50	—

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

(c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating lease is Rs.0.12 lakhs (2003 : Rs.Nil)

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19. Sundry creditors include Rs.43.09 lakhs (2003 : Rs 49.88 lakhs) towards liability for lease of vehicles which falls due later than one year.
20. The intangible assets represent full and exclusive rights to and beneficial ownership of the International Registration for the TITAN trade mark and certain other trade marks in various countries and beneficial ownership of applications for registration pending in other countries. The said registrations have a validity period of 20 years and are renewable. The management believes that the economic benefits from the said trade marks are expected to be generated over a long period and is also virtually certain of the renewal of legal rights. Considering the above, the useful life of the intangible asset is estimated as 20 years from the date of acquisition. Consequent to the Accounting Standard 26 on "Intangible Assets" becoming mandatory from 1st April 2003, the Company has decided to amortise the said intangible assets over the estimated useful life with retrospective effect from the date of acquisition. The amortisation relating to earlier years of Rs.508.85 lakhs has been adjusted to the opening balance of revenue reserves and amortisation relating to current year of Rs 169.00 lakhs has been debited to the profit and loss account.
21. Deferred revenue expenditure (to the extent not written off or adjusted) comprises of the following :

	Rupees in lakhs	
	2004	2003
Software and implementation costs (ERP)	—	106.64
Compensation to employees under VRS	3041.69	3931.94
Consultancy charges for long term operating and strategic initiatives	288.96	577.92
Pre-operative and pre-incorporation expenses	0.56	0.44
Design and development expenses	1248.24	1491.83
	4579.45	6108.77

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

Sr. No	Nature of transaction						Rupees in lakhs	
		Promoters	Associates	Joint Venture Company	Co-venturer	Key Management Personnel	Total	
1.	Purchase of components and raw materials	— (—)	4314.72 (3696.73)	— (898.55)	— (—)	— (—)	4314.72 (4595.28)	
2.	Sale of components and finished goods	97.36 (—)	14369.11 (23524.77)	— (13.86)	— (—)	— (—)	14466.47 (23538.63)	
3.	Royalty Income	— (—)	389.58 (456.52)	— (—)	— (—)	— (—)	389.58 (456.52)	
4.	Sale of Assets	— (—)	5974.86 (—)	— (0.33)	— (—)	— (—)	5974.86 (0.33)	
5.	Purchase of Assets	— (—)	— (13.83)	— (—)	— (—)	— (—)	— (13.83)	
6.	Construction of Infrastructure	— (—)	— (499.84)	— (—)	— (—)	— (—)	— (499.84)	
7.	Income from services	— (—)	— (27.52)	— (—)	— (—)	— (—)	— (27.52)	
8.	Reimbursement of expenses	27.49 (9.82)	664.87 (1207.90)	— (—)	— (—)	— (—)	692.36 (1217.72)	

Sr. No	Nature of transaction	Promoters	Associates	Joint Venture Company	Co-venturer	Key Management Personnel	Total
9.	Interest income	—	411.33	—	—	—	411.33
		(—)	(458.20)	(—)	(—)	(—)	(458.20)
10.	Interest expense	—	134.83	—	—	—	134.83
		(91.85)	(5.51)	(—)	(—)	(—)	(97.36)
11.	Rent paid	33.28	—	—	—	—	33.28
		(31.74)	(—)	(—)	(—)	(—)	(31.74)
12.	Dividend received	—	29.14	—	—	—	29.14
		(—)	(898.76)	(4.50)	(—)	(—)	(903.26)
13.	Dividend paid	149.23	180.64	—	—	—	329.87
		(223.85)	(293.66)	(—)	(—)	(—)	(517.51)
14.	Sitting fees paid	1.15	—	—	—	—	1.15
		(0.85)	(—)	(—)	(0.03)	(—)	(0.88)
15.	Purchase of investments	—	0.56	—	—	—	0.56
	- equity shares	(—)	(2246.90)	(—)	(—)	(—)	(2246.90)
16.	Sale of investments	—	923.30	—	—	—	923.30
	- equity shares	(—)	(—)	(—)	(—)	(—)	(—)
17.	Guarantees to bank and letter of comfort given	—	1500.00	—	—	—	1500.00
		(—)	(3200.00)	(—)	(—)	(—)	(3200.00)
18.	Intercompany deposits taken	—	1590.00	—	—	—	1590.00
		(3060.00)	(300.00)	(—)	(—)	(—)	(3360.00)
19.	Intercompany deposits repaid	—	1590.00	—	—	—	1590.00
		(5640.00)	(300.00)	(—)	(—)	(—)	(5940.00)
20.	Purchase of investments	—	1559.23	—	—	—	1559.23
	- preference shares	(—)	(—)	(—)	(—)	(—)	(—)
21.	Subscription to preference shares	—	320.94	—	—	—	320.94
		(—)	(—)	(—)	(—)	(—)	(—)
22.	Sale of investments	—	160.34	—	—	—	160.34
	- preference shares	(—)	(—)	(—)	(—)	(—)	(—)
23.	Preference shares allotted	—	3670.00	—	—	—	3670.00
		(—)	(850.00)	(—)	(—)	(—)	(850.00)
24.	Preference shares redeemed	—	2750.00	—	—	—	2750.00
		(—)	(1000.00)	(—)	(—)	(—)	(1000.00)
25.	Share application deposit	—	—	—	—	—	—
		(—)	(466.38)	(—)	(—)	(—)	(466.38)
26.	Brand equity subscription	70.15	—	—	—	—	70.15
		(5.00)	(—)	(—)	(—)	(—)	(5.00)
27.	Recovery of expenses	—	529.34	—	—	—	529.34
		(—)	(697.21)	(4.56)	(—)	(—)	(701.77)
28.	Rendering of services	—	65.42	—	—	—	65.42
		(—)	(85.46)	(14.62)	(—)	(—)	(100.08)
29.	Loans (net) (-) repaid / disbursed	—	5192.94	—	—	—	5192.94
		(—)	(-1288.45)	(—)	(—)	(—)	(-1288.45)
30.	Managerial remuneration	—	—	—	—	53.05	53.05
		(—)	(—)	(—)	(—)	(39.66)	(39.66)
31.	Consultancy services	—	—	—	—	—	—
		(17.15)	(—)	(—)	(—)	(—)	(17.15)
32.	Advertising / Trademark Advances (net) (-) repaid / reimbursed	—	(-687.31)	—	—	—	(-687.31)
		(—)	(2788.23)	(—)	(—)	(—)	(2788.23)

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The above includes the following material related party transactions during the year:-

Rupees in lakhs

Nature of transaction	Category	Name	Amount
(a) Purchase of components and raw materials	Associate Associate	Titan TimeProducts Ltd Tanishq (India) Ltd	1679.75 2634.97
(b) Sale of components and finished goods	Associate Associate	Titan International (Middle East) FZE Tanishq (India) Ltd	5634.97 8525.02
(c) Sale of assets	Associate	Rockbourne Holding B.V	5972.77
(d) Sale of investments – equity shares	Associate	Titan International Investments B.V	923.30
(e) Guarantees given to banks	Associate	Tanishq (India) Ltd	1500.00
(f) Intercorporate deposits taken and repaid	Associate	RDI Print & Publishing Ltd	1550.00
(g) Purchase of investments – preference shares	Associate	Titan International Investments B.V	1559.23
(h) Subscription to preference shares	Associate	Titan International Investments B.V	320.94
(i) Sale of investments – preference shares	Associate	Rockbourne Holding B.V	160.34
(j) Preference shares allotted	Associate Associate Associate	RDI Print & Publishing Ltd Samrat Holdings Ltd Titan Holdings Ltd	1000.00 1900.00 600.00
(k) Preference shares redeemed	Associate Associate	Titan Holdings Ltd Samrat Holdings Ltd	1440.00 945.00
(l) Loans (net) (-) repaid / disbursed	Associate Associate Associate Associate	Titan Holdings Ltd Titan International Investments B.V Rockbourne Holding B.V Titan International Marketing Limited	(-) 738.00 1731.43 6133.12 (-)1862.46
(m) Advertising / Trademarks advances (net) (-) repaid / reimbursed	Associate	Titan International Investments B.V	(-)1003.15

Balance as on balance sheet date

Rupees in lakhs

Balances as on balance sheet date	Promoters	Associates	Joint Venture Company	Co-Venturer	Key Management Personnel	Total
Debit Balance	1.42 (—)	25382.25 (21925.37)	— (16.47)	— (—)	— (—)	25383.67 (21941.84)
Guarantees and letter of comfort given to banks	— (—)	2680.00 (3787.83)	— (—)	— (—)	— (—)	2680.00 (3787.83)
Credit Balance	5.71 (4.21)	1091.81 (470.91)	— (1.32)	— (—)	19.80 (12.00)	1117.32 (488.44)

Names of related parties and description of relationship:

- a) Promoters : Tamilnadu Industrial Development Corporation Ltd
Tata Sons Ltd
- b) Associates : Questar Investments Ltd
Tanishq (India) Limited
Titan Holdings Ltd
Titan Properties Ltd
Titan Mechatronics Ltd
Titan International Marketing Ltd
Titan International (Middle East) FZE
Titan International Investments B.V
Rockbourne Holding B.V (from 31.03.2004)
Reader's Digest Association Ltd (up to 30.03.2004)
Samrat Holdings Ltd
(formerly RDI Print & Publishing Ltd)
Titan Watch Co. Ltd, Hongkong (upto 30.03.2004)
Titan Watches & Jewellery International
(Asia Pacific) Pte Ltd (from 30.03.2004)
Titan TimeProducts Ltd (from 31.05.2003)
- c) Joint Venture Company : Titan TimeProducts Ltd (upto 30.05.2003)
- d) Key Management Personnel : Mr. Bhaskar Bhat, Managing Director

23. Earnings per share :

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

Rupees in lakhs

	2004	2003
a) Net profit	5857.65	1145.76
Less: i) Dividend on preference shares	332.15	367.10
ii) Dividend tax on preference shares	42.56	—
	5482.94	778.66
b) Weighted average number of equity shares	4,22,76,270	4,22,76,270
c) i) Nominal value of shares (Rs)	10.00	10.00
ii) Earnings per share - Basic and diluted (Rs)	12.97	1.84

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

Rupees in lakhs

	As at 31.03.2003	Deduction on conversion of JV into Associate	Tax effect for the year	As at 31.03.2004
Deferred Tax (Liability)				
Fixed Assets	(4221.58)	16.66	400.66	(3804.26)
Sub Total	(4221.58)	16.66	400.66	(3804.26)
Deferred Tax Asset				
Provision for doubtful debts	60.71	—	75.33	136.04
Disallowances under section 43B	187.17	—	(176.71)	10.46
Deferred revenue expenditure	(232.87)	—	273.68	40.81
Provision for leave salary/gratuity	32.88	(1.56)	71.59	102.91
Sub Total	47.89	(1.56)	243.89	290.22
Net Deferred Tax Asset / (Liability)	(4173.69)	15.10	644.55	(3514.04)

25. Segment information for the year ended 31 March, 2004

a. Primary Business Segments

(Previous year figures are in brackets)

Rupees in lakhs

	Time Products Division	Jewellery Division	Corporate (Unallocated)	Total
Revenue				
Net sales/income from segments	47472	42542	—	90014
(There is no inter-segment revenue)	(39922)	(34632)	(—)	(74554)
Result				
Profit / - Loss from segments before interest, other income, taxes and share of profits / -losses of associates	4865 (3985)	2025 (1351)	(-138 (-129)	6752 (5207)
Add : Other Income	3633 (563)	41 (10)	43 (927)	3717 (1500)
Share of profits / -losses of Associates	(-11 (-659)	— (—)	31 (145)	20 (-514)
Profit / - Loss from segments before interest and taxes	8487 (3889)	2066 (1361)	(-64 (943)	10489 (6193)
Less : Interest				4219 (4643)
Profit before taxes				6270 (1550)
Taxes				379 (235)
Profit for the year				5891 (1315)
Income tax of earlier years				33 (169)
NET PROFIT				5858 (1146)

Rupees in lakhs

	Time Products Division	Jewellery Division	Corporate (Unallocated)	Total
Other Information				
Segment Assets	59668	15926	4663	80257
	(57916)	(19026)	(5766)	(82708)
Segment Liabilities	14774	4715	—	19489
	(13187)	(6539)	(59)	(19785)
Capital expenditure during the year (including capital work-in-progress)	492	57	59	608
	(1000)	(20)	(—)	(1020)
Depreciation / Amortisation	3406	511	—	3917
	(3308)	(388)	(—)	(3696)

b. Secondary Geographical Segments

Rupees in lakhs

	India	Europe	West Indies	Others	Total
Revenue	81390	1018	—	7606	90014
	(68690)	(572)	(—)	(5292)	(74554)
Segment Assets	56823	10333	6140	6961	80257
	(64569)	(11527)	(3392)	(3219)	(82708)
Capital expenditure during the year (including capital work-in- progress)	608	—	—	—	608
	(1020)	(—)	(—)	(—)	(1020)

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

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26. The Company's interest in the joint venture, accounted for using proportionate consolidation are :

Rupees in lakhs

	2004	2003
I Assets		
1. Net fixed assets	—	90.70
2. Current Assets, loans and advances		
- Inventories	—	32.42
- Sundry Debtors	—	13.30
- Cash and bank balances	—	0.16
- Loans and advances	—	10.17
II Liabilities		
1. Shareholders' Funds		
- Reserves and Surplus (including capital reserve Rs 6.25 lakhs)	—	14.25
2. Loan funds		
- Secured loans	—	37.26
- Unsecured loans	—	—
3. Deferred tax liability	—	15.10
4. Current liabilities and Provisions		
- Current liabilities	—	20.70
- Provisions	—	9.45
III Income		
- Sales	—	261.24
- Other Income	—	3.38
IV Expenditure		
- Operating and other expenses	—	243.64
- Excise duty	—	—
- Depreciation/Amortisation	—	12.55
- Interest	—	5.03
V Profit before taxes	—	3.40
VI Income taxes	—	1.77
VII Profit after taxes for the year	—	1.63
VIII Other matters		
- Capital Commitment	—	0.16

27. On 30th March 2004, TAPL which was a subsidiary company became an associate company. The financial position etc., of TAPL included in the consolidated financial statements is as under :

Rupees in lakhs

Sr. No.	Particulars	2004	2003
1.	Total assets	—	1276.35
2.	Total liabilities	—	1464.89
3.	Profit before tax	185.60	146.66
4.	Tax	33.69	9.99
5.	Profit after tax	151.91	136.67
6.	Profit on sale of TAPL	719.26	—

-
28. Figures pertaining to subsidiary companies have been reclassified, wherever necessary, to bring them in line with the parent company's financial statements.
29. Figures of the previous year have been regrouped/recast, where necessary.
-

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

Ishaat Hussain
P Baskaradoss
N N Tata
F K Kavarana
A C Mukherji
T K Balaji
Rama Bijapurkar
R Vijaykumar
S Susai

} Directors

K F Kapadia
Sr. Vice President - Finance

Bhaskar Bhat Managing Director

Usha Iyengar
Company Secretary

Bangalore, 11 June 2004

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STATEMENT ANNEXED TO THE CONSOLIDATED ACCOUNTS PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES AS AT 31 MARCH 2004

Name of Subsidiary	Titan International Holdings B. V.	Titan Brand Holdings N.V.	Titan Watch Co. Ltd
(a) Share Capital	EUR 5,000,000 (2674.50)	EUR 100,000 (53.49)	HKD 10,000 (0.56)
(b) Reserves	EUR 698,914 (373.85)	EUR [28,576] (-15.29)	-
(c) Total Assets	EUR 20,737,795 (11,092.65)	EUR 13,719,314 (7,338.46)	HKD 130,000 (7.26)
(d) Total Liabilities	EUR 15,038,881 (8,044.30)	EUR 13,647,890 (7,300.26)	HKD 120,000 (6.68)
(e) Investments	50,161 shares of EUR 1 and 90,000 preference shares of EUR 10 in Titan International Investments BV 3,000,000 preference shares of GBP 1 in Titan International Marketing Ltd	Nil	2500 shares of EUR 5 in Titan Brand Holdings NV
(f) Turnover	EUR 2,270,639 (1,214.56)	EUR 193,459 (103.48)	+
(g) Profit / [Loss] before tax	EUR 1,452,905 (777.16)	EUR [20,935] (-11.20)	+
(h) Taxes	EUR 171,083 (91.51)	EUR 1,609 (0.86)	+
(i) Profit / [Loss] after tax	EUR 1,281,822 (685.65)	EUR [22,544] (-12.06)	+
(j) Proposed Dividend	Nil	Nil	Nil

+ Titan Watch Co. Ltd commenced business on 31 March 2004

Figures in brackets are equivalent in Rupees Lakhs at the year-end exchange rates of EUR 1 = Rs 53.49 and HKD 1=Rs 5.57

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

K F Kapadia Sr. Vice President - Finance	Ishaat Hussain P Baskaradoss N N Tata F K Kavarana A C Mukherji T K Balaji Rama Bijapurkar R Vijaykumar S Susai	} Directors
Usha Iyengar Company Secretary	Bhaskar Bhat	} Managing Director

Bangalore, 11 June 2004

FINANCIAL STATISTICS

BALANCE SHEET	FINANCIAL YEAR															2003-04		
	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	1999-2000	2000-01	2001-02		2002-03	
Share Capital - Equity	23.95	23.96	26.84	26.84	26.84	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28	42.28
Share Capital - Preference	—	—	—	—	—	—	—	7.50	10.00	33.00	37.50	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Reserves and Surplus	0.21	1.38	2.11	6.42	12.15	77.82	86.34	98.74	111.46	117.25	115.73	116.07	118.56	125.09	82.42	80.19	82.85	82.85
Deferred tax liability	—	—	—	—	—	—	—	—	—	—	—	—	—	—	44.58	41.59	35.14	35.14
Loans	37.76	42.45	57.86	66.52	75.46	114.43	151.15	191.63	303.34	368.14	381.80	395.48	409.92	422.01	443.28	467.05	406.71	406.71
SOURCES OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	610.76	629.38	652.56	671.11	606.98	606.98
Net fixed assets	53.76	60.34	79.66	86.09	95.20	131.37	166.65	205.91	229.67	232.86	238.38	236.63	223.80	211.16	200.90	191.75	177.36	177.36
Investments	0.03	0.06	0.06	0.06	0.06	0.06	14.92	21.82	28.32	27.00	27.00	27.00	25.12	23.09	24.62	37.09	27.58	27.58
Inventories	8.17	14.94	29.93	62.65	71.63	86.39	101.85	112.07	152.54	226.19	172.67	172.19	183.44	146.23	124.82	141.92	164.12	164.12
Debtors	0.24	2.41	3.27	4.03	5.65	14.06	14.32	33.58	77.85	78.10	83.25	101.40	121.05	159.04	207.75	186.38	148.16	148.16
Cash and bank balances	3.34	2.38	0.96	2.22	1.70	8.50	12.65	9.63	13.85	4.58	7.64	5.04	17.53	27.51	17.33	23.99	26.85	26.85
Loans and Advances	5.16	2.41	4.51	10.38	15.95	30.19	18.61	18.93	43.89	68.42	106.47	121.45	115.48	150.67	197.40	217.08	193.69	193.69
Total Current Assets	16.91	22.14	38.67	79.28	94.93	139.14	147.43	174.21	288.13	377.29	370.03	400.08	437.50	483.45	547.30	569.37	532.82	532.82
Less: Current Liabilities & Provisions	8.78	14.75	31.58	65.65	75.74	36.04	49.23	61.79	79.04	76.48	58.10	69.88	79.93	91.52	126.45	173.27	164.09	164.09
Net Current Assets	8.13	7.39	7.09	13.63	19.19	103.10	98.20	112.42	209.09	300.81	311.93	330.20	357.57	391.93	420.86	396.10	368.73	368.73
Deferred revenue expenditure	—	—	—	—	—	—	—	—	—	—	—	—	4.27	3.20	6.18	46.17	33.31	33.31
APPLICATION OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	593.83	610.76	629.38	652.56	671.11	606.98	606.98

PROFIT & LOSS ACCOUNT

Sales volumes (nos in lakhs)																	
Watches	3.44	5.13	12.52	18.33	22.42	25.75	28.07	32.58	38.75	39.45	43.53	51.11	58.54	66.76	61.77	60.02	68.38
Jewellery	—	—	—	—	—	—	—	0.09	0.20	0.37	1.20	1.68	3.00	7.21	6.05	13.72	12.66
Table Clocks	—	—	—	—	—	—	—	—	0.67	3.64	3.05	4.30	3.29	1.62	0.51	0.41	2.39
Sales Income	16.80	27.59	74.06	106.26	155.01	191.21	226.23	282.49	350.72	408.52	442.06	482.04	630.33	696.90	724.78	797.90	958.52
Expenditure	16.40	21.09	59.02	79.29	119.94	156.25	183.78	223.93	276.19	320.73	357.20	393.48	550.62	614.19	639.32	726.03	862.49
Interest	1.36	3.51	6.51	11.82	17.72	18.46	16.16	21.80	34.22	56.40	52.96	51.92	50.88	47.84	46.27	41.35	37.62
Depreciation	0.85	2.16	3.98	6.57	6.74	7.23	9.78	13.11	15.68	16.52	18.82	20.14	20.40	20.93	23.28	21.14	21.47
Operating Profit	(1.81)	0.83	4.55	8.58	10.61	9.27	16.51	23.65	24.63	14.87	13.08	16.50	8.43	13.94	15.91	9.38	36.94
Add: Other Income	2.11	0.45	0.56	0.52	0.49	1.60	2.58	1.44	2.94	12.93	3.16	2.41	13.01	11.63	2.24	10.40	2.09
Less: Exceptional Item	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(10.00)	(25.00)
Profit Before Taxes	0.30	1.28	5.11	9.10	11.10	10.87	19.09	25.09	27.57	27.80	16.24	18.91	21.44	25.57	18.16	9.78	14.03
Taxes	0.04	0.21	0.78	—	—	—	—	—	—	3.58	1.60	1.87	2.16	2.09	5.06	3.57	2.84
Profit After Taxes	0.26	1.07	4.33	9.10	11.10	10.87	19.09	25.09	27.57	24.22	14.64	17.04	19.28	23.48	13.09	6.21	11.19
Equity Dividend (%)	—	—	15%	18%	20%	22%	25%	30%	33%	33%	25%	26%	26%	26%	15%	10%	10%
(Rs.)	—	—	3.60	4.83	5.37	6.89	10.57	12.69	13.95	13.95	10.57	10.99	10.99	10.99	6.34	4.23	4.23

TITAN INDUSTRIES LIMITED

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

Attendance Slip

[Empty box for stamp or additional information]

I hereby record my presence at the TWENTIETH ANNUAL GENERAL MEETING of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126 at 3.30 p.m. on Tuesday, 31st August 2004.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

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

TITAN INDUSTRIES LIMITED

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

Proxy

I/We
of in the district of being
a Member/Members of the above named Company, hereby appoint
of in the district of or failing him
of in the district of
as my/our Proxy to attend and vote for me/us and on my/our
behalf at the Twentieth Annual General Meeting of the Company, to be held on Tuesday, 31st August 2004 and
at any adjournment thereof.

Signed this day of 2004

Reference Folio

DP ID/BEN ID

No. of Shares held

Signature _____

Affix 30 Paise Revenue Stamp

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

* Strike out whichever is not desired.

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

TITAN INDUSTRIES LIMITED

3, SIPCOT Industrial Complex, Hosur 635 126

